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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)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### FINANCIAL HIGHLIGHTS

	For the year ended		Percentage change
	31 December 2023	2022	
	HK\$'000	HK\$'000	%
Interest and financing consultancy services income	131,473	200,826	(34.5)
Loss for the year attributable to owners of the Company	(159,972)	(52,553)	204.4
	HK\$	HK\$	
Basic loss per share	(0.79)	(0.26)	203.8

The board of directors (the “**Board**”) of China Financial Services Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries collectively (the “**Group**”) for the year ended 31 December 2023, together with the comparative audited consolidated figures for the previous year as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Interest and financing consultancy services income</b>	3	<b>131,473</b>	200,826
Interest and handling expenses	3	<u>(67,449)</u>	<u>(135,999)</u>
<b>Net interest income and service income</b>	3	<b>64,024</b>	64,827
Education consultancy service income	3	–	1,385
Other income and other gains and losses	4	<b>940</b>	27,711
Impairment losses on financial instruments, net of reversal	5	<b>(181,566)</b>	(6,369)
Impairment loss on goodwill		<b>(32,882)</b>	–
Reversal of loan and interest payables	12(c)	<b>90,737</b>	52,508
Reversal of liabilities arising from loan guarantee contracts	12(d)	<b>7,590</b>	–
General and administrative expenses		<b>(109,908)</b>	(158,308)
Share of results of associates		<u><b>5,592</b></u>	<u>(945)</u>
<b>Loss before taxation</b>	6	<b>(155,473)</b>	(19,191)
Income tax	7	<u><b>(2,115)</b></u>	<u>(29,563)</u>
<b>Loss for the year</b>		<u><b>(157,588)</b></u>	<u>(48,754)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(159,972)</b>	(52,553)
Non-controlling interests		<u><b>2,384</b></u>	<u>3,799</u>
<b>Loss for the year</b>		<u><b>(157,588)</b></u>	<u>(48,754)</u>
<b>Loss per share</b>		<b>HK\$</b>	<b>HK\$</b>
– Basic	9	<u><b>(0.79)</b></u>	<u>(0.26)</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(157,588)</u>	<u>(48,754)</u>
<b>Other comprehensive (expense)/income for the year, net of income tax</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(10,197)	(89,938)
Reclassification of exchange reserve upon disposal of a foreign operation	<u>—</u>	<u>892</u>
<b>Other comprehensive expense for the year, net of income tax</b>	<u>(10,197)</u>	<u>(89,046)</u>
<b>Total comprehensive expense for the year</b>	<u><u>(167,785)</u></u>	<u><u>(137,800)</u></u>
<b>Attributable to:</b>		
Owners of the Company	(169,011)	(134,092)
Non-controlling interests	<u>1,226</u>	<u>(3,708)</u>
<b>Total comprehensive expense for the year</b>	<u><u>(167,785)</u></u>	<u><u>(137,800)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		31 December	
		2023	2022
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		12,389	12,097
Investment property		1,723	1,088
Goodwill		300,073	337,522
Intangible assets		12,878	13,565
Interests in associates		35,831	30,289
Other financial assets		5,048	17,681
Loan receivables	10	204,793	252,261
Deposits		–	35,000
Deferred tax assets		24,700	8,944
		<u>597,435</u>	<u>708,447</u>
<b>Current assets</b>			
Loan receivables	10	987,153	1,372,746
Interest receivables	11	6,199	11,710
Other receivables, deposits and prepayments		86,023	79,511
Amounts due from associates		56,327	60,398
Other financial assets		27,587	–
Cash and cash equivalents		453,927	411,595
		<u>1,617,216</u>	<u>1,935,960</u>
<b>Current liabilities</b>			
Borrowings and loan payables	12	1,079,112	1,240,200
Other payables, accruals and deposit received		100,969	100,377
Liabilities arising from loan guarantee contracts	12(d)	74,598	89,340
Amount due to an associate		2,825	2,866
Unsecured bonds		42,138	27,741
Lease liabilities		4,293	4,166
Tax payables		161,613	160,153
		<u>1,465,548</u>	<u>1,624,843</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		31 December	
		2023	2022
	Note	HK\$'000	HK\$'000
<b>Net current assets</b>		<u>151,668</u>	<u>311,117</u>
<b>Total assets less current liabilities</b>		<u>749,103</u>	<u>1,019,564</u>
<b>Non-current liabilities</b>			
Borrowings and loan payables	12	–	60,932
Unsecured bonds		9,999	46,292
Lease liabilities		3,398	2,768
Deferred tax liabilities		<u>35,762</u>	<u>38,510</u>
		<u>49,159</u>	<u>148,502</u>
<b>Net assets</b>		<u><u>699,944</u></u>	<u><u>871,062</u></u>
<b>Equity</b>			
Share capital		2,080,113	2,080,113
Reserves		<u>(1,459,399)</u>	<u>(1,290,388)</u>
Total equity attributable to owners of the Company		620,714	789,725
Non-controlling interests		<u>79,230</u>	<u>81,337</u>
<b>Total equity</b>		<u><u>699,944</u></u>	<u><u>871,062</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment property that are measured at fair values at the end of each reporting period.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were 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 sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

### New and amendments to HKFRSs that are mandatorily effective for the year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. REVENUE AND SEGMENT REPORTING

#### a) Revenue

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Interest and financing consultancy services income from:</b>		
Pawn loans, loan receivables from micro-lending and money-lending	127,440	195,232
Other loan receivables	<u>4,033</u>	<u>5,594</u>
	<u>131,473</u>	<u>200,826</u>
<b>Interest and handling expenses from:</b>		
Borrowings and loan payables	(23,121)	(30,336)
Loan payables from the Incidents (as defined in Note 12(c))	(38,263)	(84,272)
Unsecured bonds	(2,939)	(15,221)
Lease liabilities	(542)	(512)
Other finance costs	<u>(2,584)</u>	<u>(5,658)</u>
	<u>(67,449)</u>	<u>(135,999)</u>
<b>Net interest income and service income</b>	<u><u>64,024</u></u>	<u><u>64,827</u></u>
<b>Income recognised over time under HKFRS 15:</b>		
Education consultancy service	<u><u>—</u></u>	<u><u>1,385</u></u>

For the year ended 31 December 2023, the total amount of interest income on financial assets that is not at fair value through profit or loss ("FVTPL"), including bank interest income (Note 4(a)), was HK\$136,715,000 (2022: HK\$205,604,000).

#### b) Segmental Information

##### (i) Operating segment information

The directors of the Company 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 years.

**(ii) Geographical information**

*Revenue from external customers*

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>35,505</b>	41,641
The People's Republic of China (the "PRC")	<b>95,968</b>	159,185
United Kingdom	—	1,385
	<u><b>131,473</b></u>	<u>202,211</u>

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

*Non-current assets*

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>21,792</b>	19,600
The PRC	<b>308,674</b>	348,125
United Kingdom	<b>32,428</b>	26,836
	<u><b>362,894</b></u>	<u>394,561</u>

The above table sets out the information about the geographical location of the Group's property, plant and equipment, investment property, goodwill, intangible assets and interests in associates based on the physical location of these assets.

**(iii) Information about major customers**

There was no customer who individually contributed over 10% of the Group's revenue for the years ended 31 December 2023 and 2022.



#### 4. OTHER INCOME AND OTHER GAINS AND LOSSES

##### a) Other Income

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	5,242	4,778
Income from government subsidies	3,197	4,268
Other consultancy services income	510	685
Dividend income from financial assets at FVTPL	1	1
Others	4,687	4,996
	<u>13,637</u>	<u>14,728</u>

##### b) Other Gains and Losses

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/gain from changes in fair value of financial assets at FVTPL, net	(10,919)	133
Loss from change in fair value of investment property	(775)	(58)
Impairment loss on intangible assets	(687)	(538)
Gain/(loss) on disposal of property, plant and equipment	2	(32)
Gain/(loss) on early termination of lease contracts	6	(367)
Exchange loss, net	(324)	(23)
Gain from changes in fair value of contingent consideration receivables	–	11,079
Gain on disposal of subsidiaries	–	1,789
Gain on deemed disposal of a joint venture	–	1,000
	<u>(12,697)</u>	<u>12,983</u>
Total	<u>940</u>	<u>27,711</u>

#### 5. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS, NET OF REVERSAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Impairment losses recognised/(reversed) on:		
Loan receivables	184,234	8,965
Interest receivables	(3,492)	2,006
Other receivables	824	(4,602)
	<u>181,566</u>	<u>6,369</u>

## 6. LOSS BEFORE TAXATION

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(a) <b>Staff costs (including directors' emoluments):</b>		
Salaries, allowances and other benefits	48,810	64,991
Contributions to defined contribution retirement plans	4,884	5,996
	<u>53,694</u>	<u>70,987</u>
(b) <b>Other items:</b>		
Auditor's remuneration		
– audit service	2,650	2,650
– non-audit service	525	235
	<u>3,175</u>	<u>2,885</u>
Depreciation of property, plant and equipment		
– self-owned assets	1,855	2,356
– right-of-use assets	6,153	8,186
	<u>8,008</u>	<u>10,542</u>

## 7. INCOME TAX

### a) Taxation in the consolidated statement of profit or loss represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current tax – PRC Enterprise Income Tax</b>		
Provision for the year	13,225	21,539
Under-provision in respect of prior years	2,240	6,273
<b>Withholding tax on dividends</b>		
Provision for the year	4,854	1,572
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(18,204)</u>	<u>179</u>
	<u>2,115</u>	<u>29,563</u>

## 8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of each reporting period.

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$159,972,000 (2022: HK\$52,553,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme during the year of 202,323,367 (2022: 202,323,367).

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

## 10. LOAN RECEIVABLES

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Pawn loan receivables	<b>206,531</b>	222,472
Loan receivables arising from:		
– Micro-lending	<b>715,240</b>	934,231
– Money-lending	<b>222,820</b>	258,828
Loan receivables from the Incidents	<b>969,574</b>	983,630
Other loan receivables	<b>249,046</b>	261,016
	<b>2,363,211</b>	2,660,177
Less: Impairment	<b>(1,171,265)</b>	(1,035,170)
	<b>1,191,946</b>	1,625,007
Amounts due within one year	<b>987,153</b>	1,372,746
Amounts due after one year	<b>204,793</b>	252,261
	<b>1,191,946</b>	1,625,007

## 11. INTEREST RECEIVABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	2,463	2,983
1 to 3 months	709	2,198
3 to 6 months	360	952
Over 6 months	2,667	5,577
	<u>6,199</u>	<u>11,710</u>

## 12. BORROWINGS AND LOAN PAYABLES

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Borrowings from independent third parties	<i>(a)</i>	64,195	68,350
Borrowings from shareholders		108,651	93,510
Borrowings from related parties	<i>(b)</i>	20,345	30,740
Loan payables arising from the Incidents	<i>(c)</i>	822,531	967,311
Note payables		63,390	141,221
		<u>1,079,112</u>	<u>1,301,132</u>
Amounts due within one year		1,079,112	1,240,200
Amounts due after one year		<u>—</u>	<u>60,932</u>
		<u>1,079,112</u>	<u>1,301,132</u>

- a) The borrowings from independent third parties of HK\$36,645,000 (2022: HK\$29,750,000) bore a finance cost measured at a range of annualised rates of 7% to 9% (2022: 7% to 9.5%), and were repayable within one year and not secured by any assets or guarantees of the Group.

The borrowings from independent third parties of HK\$27,550,000 (2022: HK\$38,600,000) bore finance costs measured at a range of annualised rates of 9.8% to 10% (2022: 8% to 9.5%), and were repayable within one year and secured by loan receivables of the Group of HK\$36,379,000 (2022: HK\$39,338,000).

- b) The borrowings from Geston Limited, a company that is controlled by Madam Lo Wan (“Madam Lo”), a substantial shareholder of the Company, bore finance costs measured at an annualised rate of 9% (2022: 9%) and were repayable within one year and not secured by any assets or guarantees of the Group.

The borrowings from Mr. Zhang Min, an executive director and chief executive officer of the Company, bore a finance cost measured at an annualised rate of 7.6% (2022: 7.6%) and were repayable within one year and not secured by any assets or guarantees of the Group.

- c) Two former executive directors of the Company (the “Relevant Directors”) had, without authorisation of the board of directors, executed certain guarantee contracts purportedly for and on behalf of the Company to guarantee payment obligations under certain financial products issued by certain subsidiaries of the Company and certain other companies outside the Group (the “Unauthorised Guarantees”), where the proceeds arisen from such financial products (the “Unauthorised Loans”) were lent, either directly or through the personal bank accounts of certain employees of the Group, to independent third parties of the Company for earning interest income (the “Unauthorised Loan Receivables”). All of the Unauthorised Guarantees, Unauthorised Loans, and Unauthorised Loan Receivables including the interest income, interest expenses and related handling charges have not been fully recorded in the books and records of those relevant subsidiaries accordingly under the instructions of the Relevant Directors. These fraudulent activities of the Relevant Directors are referred as the “Incidents” and those misstatements resulted from the Incidents were corrected and presented in the Group’s consolidated financial statements for the year ended 31 December 2020.

The Group, with the assistance of Zhongjin Jiasheng Investment Fund Management (Beijing) Co., Ltd\* (中金佳晟投資基金管理(北京)有限公司) (“Zhongjin Jiasheng”), had successfully settled with certain investors/lenders in respect of the Unauthorised Loans, and hence, the respective interest payables of HK\$79,771,000 (2022: HK\$52,508,000) was reversed to profit or loss during the year. Apart from those settled through Zhongjin Jiasheng, certain Unauthorised Loans were concluded through court decision and the respective loan and interest payables of HK\$10,966,000 (2022: nil) were reversed to profit or loss during the year.

As at 31 December 2023, unsettled Unauthorised Loans and related interest payables amounted to HK\$254,340,000 (2022: HK\$788,509,000) and HK\$54,827,000 (2022: HK\$178,802,000) respectively. Interest expenses of HK\$38,263,000 (2022: HK\$84,272,000) in relation to those unsettled Unauthorised Loans were recognised in the profit or loss during the year.

- d) As at 31 December 2023, the liabilities arising from loan guarantee contracts represent the outstanding balance of the Unauthorised Guarantees of HK\$74,598,000 (2022: HK\$89,340,000) if the guarantees were called upon in their entirety.

The Group, with the assistance of Zhongjin Jiasheng, had successfully settled with certain investors/lenders in respect of the Unauthorised Guarantees, and hence, the respective liabilities arising from loan guarantee contracts of HK\$6,537,000 (2022: nil) was reversed to profit or loss during the year. Apart from those settled through Zhongjin Jiasheng, certain Unauthorised Guarantees were concluded through court decision and the respective liabilities arising from loan guarantee contracts of HK\$1,053,000 (2022: nil) were reversed to profit or loss during the year.

\* *The English translation of the Zhongjin Jiasheng’s name is for reference only. The official name of Zhongjin Jiasheng is in Chinese.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

In the post-epidemic era of 2023, the overall sentiment index for real estate in China remained low. There was a significant decline in investment in real estate development, with a nearly 10% year-on-year decrease. The sales area of commercial houses also experienced an 8.5% year-on-year decline, while the sales value decreased by 6.5%. Additionally, the number of real estate properties being put up for court auction (foreclosed properties) increased by 36.7% year-on-year in Mainland China. However, the number of transactions and transaction amounts remained similar to the previous year. These trends indicated a rise in credit risk in society and a shrinking demand for real estate.

In 2023, the world witnessed one of the most concerning interest rate hikes by the United States Federal Reserve. Throughout the year, after the Fed decided to raise rates 4 times in its 8 interest rate meetings, the US interest rate hike has led to an increase in the asset value in the US dollar, as well as an appreciation and a comeback of the US dollar around the world. All these imply the US is tightening the global liquidity of the US dollar. Given Hong Kong's linked exchange rate system with the US dollar, the Hong Kong dollar also appreciated in tandem with the US dollar. Consequently, this passive appreciation of the Hong Kong dollar led to an overall tightening of liquidity in Hong Kong, increasing the risk of Hong Kong's economic operation and creating uncertainty, particularly in the mortgage lending industry.

### BUSINESS REVIEW

In the challenging macro and industry environment of the past year, the Group's credit businesses in Mainland China and Hong Kong encountered heightened competition. For the full year of 2023, the Group's overall loan size amounted to approximately HK\$1,191,946,000, reflecting a year-on-year decrease of about 26.7% compared to the previous year. As a result of the decrease in expected revenue from the operation of the cash-generating unit in the Mainland China, there is an increase in impairment of goodwill.

Undoubtedly, the Group faced significant challenges in expanding its business in the past year. In response to the overall economic downside risk, the Group proactively increased its provision for non-performing loans in 2023. The provision of impairment loss for the Group's non-performing loans throughout the year totalled approximately HK\$184,234,000. The significant increase in impairment loss of loan receivables was due to continuing delayed payment of outstanding loan receivables by several debtors and the decrease in the collateral value on the loan receivables due to flagging property market in Mainland China in the Reporting Period.

The Group has consistently maintained the level of non-performing loans within reasonable limits, avoiding any significant or widespread defaults and foreclosures that have occurred in other similar institutions. Despite the fierce market competition and complex industry environment, the Group has prioritized risk management, ensuring the long-term stability and development of its business operations.

## **FUTURE PROSPECTS**

Looking forward into 2024, the global economy and the domestic economy are expected to continue to encounter challenges. Hence the Group will continuously adopt a prudent approach in the course of its business development, while exercising stringent control over operating costs. We remain confident that both our businesses in Hong Kong and Shenzhen will continue to benefit from the development in the Greater Bay Area.

Our long-term strategy is to continuously deliver a sustainable value to our clients and shareholders.

## **BUSINESS OBJECTIVES**

- cultivate transparent and trusted relationships with stakeholders.
- prioritize open communication, ethical decision-making and consistently delivering long-term shareholders' value.
- make a positive social and environment impact through responsible business practices and community engagement.
- foster a culture of transparency, accountability, and collaborative decision-making.
- ensure sustainable growth by improving products mix and services to enhance customer experience.

## **BUSINESS MODEL**

The Group is engaged in the provision of financing services in four operating regions, namely Hong Kong, Shenzhen, Chengdu, Chongqing and Beijing. The clients are individual customers and corporate customers located in Hong Kong and the PRC. The Group identifies potential customers through in-house sales teams, referrals and networks with commercial banks, property developers and small-to-medium sized enterprises. The Group has credit policies, guidelines, standard operating procedures and regional credit committee and Group's loan approval committee and Business Risk Committee in place. The standard workflow of the loan origination includes (i) "know-your-client" background check, (ii) credit assessment, (iii) loan approval, (iv) execution of documents (v) after-loan services and (vi) recovery and collection of loan.

The following is a summary of the key internal controls of the Group's loan financing operation:

Background check

Various identification documents shall be provided by the loan applicant, which shall be reviewed and assessed. Information such as personal identification documents, corporate constitution documents, business registrations, address proof, payroll or financial records, nature of business, type and value of collateral (for secured loan applications), and credit rating reports shall be collected. Each loan applicant shall complete a loan application form with his/her intended loan amount, term, purpose of the loan, repayment plan and proposed collateral/security to be offered.

Credit assessments  
and loan approval

The client's background and information such as their financial capabilities, creditworthiness, repayment capacity, availability of guarantor(s), quality, validity and title deed and liquidity of collaterals, will then be assessed by the credit committee of respective operating region. We collect and verify relevant documentation, analyze credit scores, employment history, financial information to ensure responsible lending practice. If the loan amount applied exceeds the approval limit of the regional credit committee but is not more than RMB30 million, then the loan application will be assessed by the Group's loan approval committee. For any loan principal exceeding RMB30 million, the approval from the Business Risks Committee is required. The management team shall consider whether the loan applications are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders as a whole. Whenever the loan transaction constitutes a discloseable transaction or above by assessment of size tests under Chapter 14 of the Listing Rules or involves connected person(s) as defined under Chapter 14A of the Listing Rules, the loan transaction will be reported to the Board for their review and approval.

Execution of documents

Compliance procedures are in place to ensure adherence to all relevant laws and regulations such as anti-money laundering (AML), know your customer (KYC) requirements and any applicable lending regulations. All loan applications must be approved by the relevant approval committees. The proper execution of the loan documentations, contracts and agreement is under the supervision of the responsible officer, who communicate the loan terms clearly to the borrower.



After-loan services	There will be continuous monitoring on the repayments from borrower throughout the loan repayment period, regular communication with the borrower of its updated financial position, and regular review on the market value of the collateral(s) pledged.
Collection and recovery	Formal reminder and legal demand letter will be issued to the borrower whose payment is overdue. Legal action maybe taken against the borrower for recovery of the amount due and taking possession of the collateral(s) pledged.

The Group offers secured and unsecured loans to individual and corporate clients. Most of the collaterals of secured loans are in the form of mortgages over residential and/or commercial properties owned by these clients. The total carrying amount (net of ECL) of property mortgage loans accounted for approximately 79.3% of the entire loan portfolio of the Group as at 31 December 2023. For mortgage loans, the Group would consider the value of the collaterals and grants loans with a loan-to-value ratio (the “LTV Ratio”) of no more than 75%. The Group may require the borrower to deposit additional collateral or partially pay down/repay the loan principal if the LTV Ratio is over 75% under regular after-loan services. Unsecured loans accounted for approximately 19.9% of the entire loan portfolio of the Group. For the year ended 31 December 2023, the Group had 1,621 active customers, of which 1,573 of them were individual customers and the remaining 48 were corporate customers; and of which 494 of them were secured customers and 1,127 of them were unsecured customers. The interest and service fees charged at a range of monthly effective rates of 0.68% to 4.29% for PRC loans and the interest charged at a range of monthly effective rates of 0.35% to 4.91% for HK loans. A typical loan generally has a term of 30 days to 30 years. The Group conducts periodic reviews and evaluations of our lending procedures to assess their effectiveness and adapt them to the evolving risk landscape. This includes keeping up-to-date with industry best practices, regulatory changes, and employing advanced risk management tools and technologies.

The top five customers accounted for 25.5% of the total outstanding balances of the Group’s loan portfolio as of 31 December 2023.

## FINANCIAL REVIEW

### Interest and financing consultancy services income

During the financial year ended 31 December 2023 (the “**Financial Year**” or “**Reporting Period**”), the Group’s revenue principally derived from the interest and services income from loan services.

Interest and financing consultancy services income for the Financial Year was approximately HK\$131,473,000, representing a decrease of about 34.5% compared to that of approximately HK\$200,826,000 last year. The decrease was mainly due to (i) the decline in revenue resulted from the uncertain economic environment; (ii) the Group conducting its loan business with more stringent credit control; and (iii) more cash being used to repay borrowings and loan payables instead of making new loans in Mainland China and Hong Kong.

The percentage of revenue contribution from different operating regions of the Group for both years is shown below:

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
Beijing	<b>36.9%</b>	36.6%
Chengdu & Chongqing	<b>26.2%</b>	30.1%
Shenzhen	<b>9.9%</b>	12.6%
Hong Kong	<b>27.0%</b>	20.7%

### **Interest and handling expenses**

Interest and handling expenses represent finance costs incurred for the Financial Year. The amount decreased from approximately HK\$135,999,000 for last year, to approximately HK\$67,449,000 for the Financial Year, representing a decrease of 50.4%. The decrease in finance costs was due to continuous decrease in borrowings and loan payables during the Financial Year.

### **Other Income and Other Gains and Losses**

Other income includes bank interest income of approximately HK\$5,242,000, income from government subsidies of HK\$3,197,000 and others of approximately HK\$4,687,000. A loss of approximately HK\$10,919,000 was recognized in the Financial Year from change in fair value of financial assets at fair value through profit or loss. Hence, resulting in net other income and other gains and losses for the Financial Year of approximately HK\$940,000.

There was a one-off other income from reversal of loan and interest payables, and reversal of liabilities arising from loan guarantee contracts in amounts of approximately HK\$90,737,000 and HK\$7,590,000 respectively. The reversal of loan and interest payables and liabilities arising from loan guarantee contracts related to the Group, with the assistance of Zhongjin Jiasheng Investment Fund Management (Beijing) Co., Ltd\* (中金佳晟投資基金管理(北京)有限公司) (“**Zhongjin Jiasheng**”), had successfully settled with certain investors/lenders in respect of the Unauthorised Loans and Unauthorised Guarantees, and hence, the respective interest payables was reversed to profit or loss during the Financial Year. Apart from those settled through Zhongjin Jiasheng, certain Unauthorised Loans and Unauthorised Guarantees were concluded through court decision and the respective loan and interest payables and liabilities arising from loan guarantee contracts were reversed to profit or loss during the Financial Year.

\* The English translation of the Zhongjin Jiasheng’s name is for reference only. The official name of Zhongjin Jiasheng is in Chinese.

## **General and administrative expenses**

General and administrative expenses for the Financial Year decreased by 30.6% to approximately HK\$109,908,000, primarily comprising of staff costs and related expenses, legal and professional fee, consultancy fee, depreciation of property, plant and equipment and general office expenses. The management will continue to act on its stringent measures on costs control to maintain general and administrative expenses at a reasonable level.

## **Loss for the year**

Loss for the year attributable to owners of the Company was approximately HK\$159,972,000, representing an increase of approximately 204.4% as compared to loss of approximately HK\$52,553,000 for last year.

## **Liquidity and Financial Resources**

The Group adopts a prudent cash and financial management policy. Funds are maintained at a sound and healthy financial resource level. The Group's net current assets and equity attributable to owners of the Company as at end of the Financial Year were approximately HK\$151,668,000 and approximately HK\$620,714,000 respectively. The Group's outstanding borrowings and loan payables and unsecured bonds as at end of the Financial Year amounted to approximately HK\$1,131,249,000, showing a decrease of approximately 17.7% as compared with that of last year, out of which HK\$1,121,250,000 are due within one year and HK\$9,999,000 are due after one year. There is no funding requirements for capital expenditure commitments for the Financial Year.

## **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. All the borrowings and loan payables are at fixed interest rates. The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions.

Based on the Group's current and anticipated level of operation, the Group's future operations and capital requirements will be mainly financed through borrowings and share capital. There were no significant commitments for capital expenditure as at 31 December 2023.

## Ratio

For the Reporting Period, the current ratio<sup>(i)</sup> and the gearing ratio<sup>(ii)</sup> of the Group are 1.10 and 0.97 respectively.

- (i) Current ratio was calculated by dividing current assets by current liabilities as at the end of the Reporting Period.
- (ii) Gearing ratio was calculated by dividing interest bearing net debts (borrowings and loan payables plus unsecured bonds less cash and cash equivalents) by total equity as at the end of the Reporting Period.

## Litigation

Since 2020, the Group has negotiated with investors who had purchased financial products issued by several subsidiaries of the Group (i.e. the Unauthorised Loans and Unauthorised Guarantees) for settlement, although many investors agreed on our settlement proposals, some of them opted to commence legal proceedings against the Company and several of its subsidiaries for the settlement of disputed amount of the Unauthorised Loans and Unauthorised Guarantees in the PRC.

As at 31 December 2023, there were 157 PRC judgments concluded by Beijing Municipal High People's Court (the "Court"). The Court ruled that some of the issuing contracts of the financial products and the guarantee contracts executed by the Company were void and that the Company (by reasons of signing the guarantee contracts) along with its subsidiaries had behaved in a way that was damaging to the interests of the investors. As such, the Company and its subsidiaries were held jointly liable for the disputed amount of the Unauthorised Loans and Unauthorised Guarantees and the judgement interest, with a subject disputed amount of approximately RMB198.7 million in aggregate. The Company and several of its subsidiaries are prepared to appeal against the judgements to the Supreme People's Court.

All the outstanding balances and accrued interest of the Unauthorised Loans and Unauthorised Guarantees including the disputed amounts as mentioned above concluded through the litigation, and were fully accounted for under borrowings and loan payables in the restated consolidated statement of financial position for the years ended 31 December 2017 to 2019 in 2020 annual report of the Company, therefore, the Group had no material contingent liabilities.

## Employee and Remuneration Policies

As of 31 December 2023, the Group had approximately 127 employees in the PRC and Hong Kong, of which 68 were female employees. 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 Financial Year were approximately HK\$53,694,000, showing a decrease of approximately 24.4% as compared to the corresponding figure of previous year. In order to recognize and reward the contribution of certain eligible participants for the growth and development of the Group, the Company adopted a share award scheme (the "Share Award Scheme") on 14 January 2019. As of the date of this announcement, no awards have been granted or agreed to be granted under the Share Award Scheme.

## **Charge on assets**

As of 31 December 2023, the Group pledged the entire equity interest of Brilliant Star Capital (Cayman) Limited and KP Financial Holdings Limited, being wholly owned subsidiaries of the Company, to secure the issue of the note payable with principal amount of HK\$270,000,000. The outstanding principal amount as of 31 December 2023 was approximately HK\$60,932,000. Certain properties mortgaged to a subsidiary of the Company by its respective customers were pledged to secure loan facilities granted to the Group with a carrying value of approximately HK\$27,550,000. As of 31 December 2023, the Group had pledged its mortgage loan receivables with net book value of approximately HK\$36,379,000 to secure loan facilities granted to the Group.

## **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.

## **Capital Commitments and Contingent Liabilities**

The Group had no material capital commitments or contingent liabilities as at the end of the Financial Year.

## **Foreign Exchange Exposure**

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 in a timely and effective manner. As at the end of the Financial Year, loan payables arising from the Incidents amounted to approximately HK\$822,531,000 are denominated in RMB and cash and cash equivalents amounted to approximately HK\$436,860,000 are denominated in RMB. 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 of 31 December 2023.

## **Significant Investments Held, Material Acquisitions and Disposals**

The Group did not hold any significant investments representing 5% or more of the Group's total assets, material acquisitions and disposals of subsidiaries and associated companies as at the end of and during the Reporting Period respectively. The Group does not have any detailed plans for material investments.

## **APPROVAL OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The 2023 audited consolidated financial statements were approved and authorised for issue by the Board on 26 March 2024.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **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 audited consolidated financial statements, no awards have been granted to any selected grantees under the Share Award Scheme.

## **EVENTS AFTER THE REPORTING PERIOD**

There have been no significant events occurring after the end of the Reporting Period and up to the date of this announcement.

## **FINAL DIVIDEND**

The Board does not recommend payment of a final dividend for the Financial Year (2022: Nil), to the shareholders of the Company.

## **CORPORATE GOVERNANCE**

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Listing Rules throughout the Reporting Period except for code provision C.2.1 and C.5.1:

### **Code Provision C.2.1**

Code provision C.2.1 of CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Zhang Min, the Chief Executive Officer, has temporarily assumed the duties of Chairman of the Board during the Reporting Period until a new Chairman is selected. The Board is taking active steps to identify a suitable candidate for the role of Chairman to fulfill the CG Code.

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 C.5.1**

Code provision C.5.1 of CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

The Board held nine board meetings during the Financial Year, with only two regular board meetings approving the final results of the Group for the year ended 31 December 2022 and interim result of the Group for the period ended 30 June 2023. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary. However, apart from the regular board meetings of the Reporting Period, the Board also met on seven other occasions when a Board-level decision on a particular matter was required. During the Reporting Period, the management provided all members of the Board with updates from time to time as necessary to give a balanced and understandable assessment of the Company’s performance, position and prospects.

The Board will continue to review the corporate governance status of the Company from time to time and make any necessary changes to comply with the CG Code.

### **INTERNAL CONTROL REVIEW**

Under the Voluntary Reform Proposals implemented by the Company as published on the announcement dated 24 February 2023, the Company has engaged BT Corporate Governance Limited (the “Internal Control Advisor”) for internal control assessment for the year 2023 and 2024. The internal control review for 2023 covers the “corporate governance practice”, the “operating expenses and payments”, the “treasury management (including cash management)” and the “implementation of voluntary reform”. The review covers the period from 1 January 2023 to 31 December 2023.

The results of the internal assessments showed that the Group did not have any anomalies or material failures in the “corporate governance practice”, the “operating expenses and payments”, and the “treasury management (including cash management)”. The management of the Company has established effective and comprehensive internal control procedures.

On 24 February 2023, with respect to the resumption guidance issued by the Hong Kong Stock Exchange, the Company established a set of Voluntary Reform Proposals, which consists of 7 reform measures. According to the assessment results for the year 2023, the Group has completed the relevant reform cases, and the Internal Control Advisor does not identify any anomalies or material failures.



## **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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 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 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 of four independent non-executive directors, has reviewed the final results for the Reporting Period. The Audit Committee considered that the annual 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 primary duties of the Audit Committee include providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system.

## **SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Baker Tilly Hong Kong Limited on the preliminary announcement.

## **PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

This announcement is published on the websites of the Company at [www.cfsh.com.hk](http://www.cfsh.com.hk) and the Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2023 annual report containing the information required by Appendix 16 of the Listing Rules will be published on the above websites and despatched to the shareholders of the Company in due course.



## ACKNOWLEDGEMENT

The Board would like to take this opportunity to express our sincere thanks to all stakeholders for their support during the year.

On behalf of the Board  
**China Financial Services Holdings Limited**  
**Chung Chin Keung**  
*Company Secretary*

Hong Kong, 26 March 2024

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

*Executive Director:*

Mr. Zhang Min (*Chief Executive Officer*)

*Non-executive Director:*

Mr. Tao Chun

*Independent Non-executive Directors:*

Mr. John Paul Ribeiro

Mr. Zhang Kun

Mr. Chan Chun Keung

Mr. Lee Ka Wai

Madam Zhan Lili