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 2024

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Percentage
	2024	2023	change
	HK$'000	*HK$'000*	*%*
Interest and financing consultancy services income	**101,595**	131,473	(22.7%)
Profit/(loss) for the year attributable to owners of the Company	**41,232**	(159,972)	(125.8%)
	HK$	*HK$*	
Basic earnings/(loss) per share	**0.20**	(0.79)	(125.3%)

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 2024 (the "Financial Year" or "Report Period"), 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 2024

	Notes	**2024** **HK$'000**	2023 *HK$'000*
Interest and financing consultancy services income	*3*	**101,595**	131,473
Interest and handling expenses	*3*	**(29,434)**	(67,449)
Net interest income and service income	*3*	**72,161**	64,024
Other income and other gains and losses	*4*	**6,189**	940
Impairment losses on financial instruments, net of reversal	*5*	**(44,206)**	(181,566)
Impairment loss on goodwill		**(28,149)**	(32,882)
Reversal of loan and interest payables	*13(c)*	**169,224**	90,737
Reversal of liabilities arising from loan guarantee contracts	*13(d)*	**1,087**	7,590
General and administrative expenses		**(122,933)**	(109,908)
Share of results of associates		**(1,633)**	5,592
Profit/(loss) before taxation	*6*	**51,740**	(155,473)
Income tax	*7*	**(9,443)**	(2,115)
Profit/(loss) for the year		**42,297**	(157,588)
Attributable to:			
Owners of the Company		**41,232**	(159,972)
Non-controlling interests		**1,065**	2,384
Profit/(loss) for the year		**42,297**	(157,588)
		HK$	*HK$*
Earnings/(loss) per share			
– Basic	*9*	**0.20**	(0.79)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024	2023
	HK$'000	*HK$'000*
Profit/(loss) for the year	**42,297**	(157,588)
Other comprehensive expense for the year, net of income tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(13,754)**	(10,197)
Total comprehensive income/(expense) for the year	**28,543**	(167,785)
Attributable to:		
Owners of the Company	**29,160**	(169,011)
Non-controlling interests	**(617)**	1,226
Total comprehensive income/(expense) for the year	**28,543**	(167,785)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		31 December	
		2024	2023
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**11,349**	12,389
Investment property		**1,348**	1,723
Goodwill		**265,961**	300,073
Intangible assets		**12,339**	12,878
Interests in associates		**34,160**	35,831
Other financial assets		**5,287**	5,048
Loan receivables	*10*	**111,388**	204,793
Deferred tax assets		**2,256**	24,700
		444,088	597,435
Current assets			
Loan receivables	*10*	**886,683**	987,153
Interest receivables	*11*	**5,570**	6,199
Repossessed assets	*12*	**38,325**	–
Other receivables, deposits and prepayments		**68,484**	86,023
Amounts due from associates		**6,229**	56,327
Other financial assets		**16,198**	27,587
Cash and cash equivalents		**273,019**	453,927
		1,294,508	1,617,216
Current liabilities			
Borrowings and loan payables	*13*	**661,739**	1,079,112
Other payables, accruals and deposit received		**96,647**	100,969
Liabilities arising from loan guarantee contracts	*13(d)*	**57,942**	74,598
Amount due to an associate		**2,764**	2,825
Unsecured bonds		**10,226**	42,138
Lease liabilities		**3,809**	4,293
Tax payables		**152,558**	161,613
		985,685	1,465,548

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	31 December	
	2024	2023
	HK$'000	*HK$'000*
Net current assets	**308,823**	151,668
Total assets less current liabilities	**752,911**	749,103
Non-current liabilities		
Unsecured bonds	**–**	9,999
Lease liabilities	**3,470**	3,398
Deferred tax liabilities	**15,781**	35,762
	19,251	49,159
Net assets	**733,660**	699,944
Equity		
Share capital	**2,080,113**	2,080,113
Reserves	**(1,422,875)**	(1,459,399)
Total equity attributable to owners of the Company	**657,238**	620,714
Non-controlling interests	**76,422**	79,230
Total equity	**733,660**	699,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the HKFRS Accounting Standards 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "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 2024 and 2023 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 Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 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 2024 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 AMENDMENTS TO HKFRS ACCOUNTING STANDARDS AND CHANGES IN OTHER ACCOUNTING POLICIES

Amendments to HKFRS Accounting Standards that are mandatorily effective for the year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRS Accounting Standards 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.

Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The Group has applied the amendments for the first time in the current year. The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The application of the amendments has had no material impact on the consolidated financial statements.

New principal accounting policy

Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession. Upon repossession of assets, the respective loan and interest receivables together with the related impairment allowances are derecognised from the consolidated statement of financial position. Subsequently, repossession assets are measured at the lower of their cost and fair value less costs to sell, and therefore written down if and when the fair value less costs to sell falls below the carrying amount of the assets. The difference between the net proceeds and the carrying amounts of the repossessed assets will be recognised as gain or loss upon the disposal of the assets.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

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

	2024	2023
	HK$'000	*HK$'000*
Interest and financing consultancy services income from:		
Pawn loans, loan receivables from micro-lending and money-lending	**101,585**	127,440
Other loan receivables	**10**	4,033
	101,595	131,473
Interest and handling expenses from:		
Borrowings and loan payables	**(8,992)**	(23,121)
Loan payables from the Incidents *(as defined in Note 13(c))*	**(18,838)**	(38,263)
Unsecured bonds	**(186)**	(2,939)
Lease liabilities	**(552)**	(542)
Other finance costs	**(866)**	(2,584)
	(29,434)	(67,449)
Net interest income and service income	**72,161**	64,024

For the year ended 31 December 2024, 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$105,608,000 (2023: HK$136,715,000).

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

	2024	2023
	HK$'000	*HK$'000*
Hong Kong	**30,609**	35,505
The People's Republic of China (the "PRC")	**70,986**	95,968
	101,595	131,473

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

Non-current assets

	2024	2023
	HK$'000	*HK$'000*
Hong Kong	**20,566**	21,792
The PRC	**275,260**	308,674
United Kingdom	**29,331**	32,428
	325,157	362,894

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 2024 and 2023.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

a) Other Income

	2024	2023
	HK$'000	*HK$'000*
Bank interest income	**4,013**	5,242
Income from government subsidies	**19**	3,197
Other consultancy services income	**84**	510
Dividend income from financial assets at FVTPL	**173**	1
Others	**778**	4,687
	5,067	13,637

b) Other Gains and Losses

	2024	2023
	HK$'000	*HK$'000*
Gain/(loss) from changes in fair value of financial assets at FVTPL, net	**1,081**	(10,919)
Loss from change in fair value of investment property	**(343)**	(775)
Impairment loss on intangible assets	**(539)**	(687)
Recovery of loan receivables previously written off	**2,702**	–
(Loss)/gain on disposal of property, plant and equipment	**(10)**	2
Gain on early termination of lease contracts	**72**	6
Exchange loss, net	**(1,841)**	(324)
	1,122	(12,697)
Total	**6,189**	940

5. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS, NET OF REVERSAL

	2024	2023
	HK$'000	*HK$'000*
Impairment losses recognised/(reversed) on:		
Loan receivables	**27,814**	184,234
Interest receivables	**(242)**	(3,492)
Other receivables	**16,634**	824
	44,206	181,566

6. PROFIT/(LOSS) BEFORE TAXATION

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

	2024	2023
	HK$'000	*HK$'000*
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits	**45,010**	48,810
Contributions to defined contribution retirement plans	**4,414**	4,884
	49,424	53,694
(b) Other items:		
Auditor's remuneration		
– audit service	**2,300**	2,650
– non-audit service	**545**	525
	2,845	3,175
Depreciation of property, plant and equipment		
– self-owned assets	**1,533**	1,855
– right-of-use assets	**4,696**	6,153
	6,229	8,008

7. INCOME TAX

	2024	2023
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
Provision for the year	**6,507**	13,225
(Over)/under-provision in respect of prior years	**(1,303)**	2,240
Withholding tax on dividends		
Provision for the year	**1,500**	4,854
Deferred tax		
Origination and reversal of temporary differences	**2,739**	(18,204)
	9,443	2,115

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. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK$41,232,000 (2023: loss attributable to owners of the Company of HK$159,972,000) and the weighted average number of ordinary shares in issue of less shares held under the Company's share award scheme during the year of 202,601,810 (2023: 202,323,367).

The computation of diluted earnings/(loss) per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both years. Accordingly, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

10. LOAN RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Pawn loan receivables	**207,917**	206,531
Loan receivables arising from:		
– Micro-lending	**626,076**	715,240
– Money-lending	**149,455**	222,820
Loan receivables from the Incidents	**948,822**	969,574
Other loan receivables	**208,605**	249,046
	2,140,875	2,363,211
Less: Impairment	**(1,142,804)**	(1,171,265)
	998,071	1,191,946
Amounts due within one year	**886,683**	987,153
Amounts due after one year	**111,388**	204,793
	998,071	1,191,946

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:

	2024	2023
	HK$'000	*HK$'000*
Within 1 month	**2,368**	2,463
1 to 3 months	**578**	709
3 to 6 months	**288**	360
Over 6 months	**2,336**	2,667
	5,570	6,199

12 REPOSSESSED ASSETS

	2024	2023
	HK$'000	*HK$'000*
Repossessed assets – land and buildings	**38,325**	–

Repossessed assets are property rights obtained by the Group from debtors following the enforcement of its creditor's rights.

The estimated market value of the repossessed assets as at 31 December 2024 was HK$42,200,000. No impairment loss was required during the year ended 31 December 2024.

13. BORROWINGS AND LOAN PAYABLES

		2024	2023
	Notes	*HK$'000*	*HK$'000*
Borrowings from independent third parties	*(a)*	**52,469**	64,195
Borrowings from shareholders		**79,672**	108,651
Borrowings from related parties	*(b)*	**24,447**	20,345
Loan payables arising from the Incidents	*(c)*	**505,151**	822,531
Note payables		**–**	63,390
		661,739	1,079,112
Amounts due within one year		**661,739**	1,079,112

a) The borrowings from independent third parties of HK$33,319,000 (2023: HK$36,645,000) bore a finance cost measured at a range of annualised rates of 7% to 9.5% (2023: 7% to 9%), 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$19,150,000 (2023: HK$27,550,000) bore finance costs measured at an annualised rate of 10% (2023: a range of annualised rates of 9.8% to 10%), and were repayable within one year and secured by loan receivables and a repossessed asset of the Group of HK$13,702,000 (2023: HK$36,379,000) and HK$14,800,000 (2023: Nil) respectively.

b) 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% (2023: 7.6%) and were repayable within one year and not secured by any assets or guarantees of the Group.

As at 31 December 2023, the borrowings from Geston Limited, a company that is controlled by Madam Lo Wan, a substantial shareholder of the Company, bore finance costs measured at an annualised rate of 9% and were repayable within one year and not secured by any assets or guarantees of the Group. The borrowing was settled on 15 March 2024.

c) As fully explained in Note 4 to the consolidated financial statements of the Group for the year ended 31 December 2020, the Unauthorised Guarantees, Unauthorised Loans, and Unauthorised Loan Receivables including the interest income, interest expenses and related handling charges had not been fully recorded in the books and records of those relevant subsidiaries accordingly under the instructions of the two former executive directors of the Company. These fraudulent activities 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 finalised and settled with certain investors/lenders in respect of the Unauthorised Loans, and hence, the respective loan and interest payables of HK$160,039,000 (2023: HK$79,771,000) was reversed to profit or loss during the year. Service fee of HK$24,906,000 was charged by Zhongjin Jiasheng and was set off against the loan receivables due from Zhongjin Jiasheng. Apart from those finalised and settled through Zhongjin Jiasheng, certain Unauthorised Loans were concluded through court decision and the respective loan and interest payables of HK$9,185,000 (2023: HK$10,966,000) were also reversed to profit or loss during the year.

As at 31 December 2024, unsettled Unauthorised Loans and related interest payables amounted to HK$113,274,000 (2023: HK$254,340,000) and HK$38,088,000 (2023: HK$54,827,000) respectively. Interest expenses of HK$18,838,000 (2023: HK$38,263,000) in relation to those unsettled Unauthorised Loans were recognised in the profit or loss during the year.

d) As at 31 December 2024, the liabilities arising from loan guarantee contracts represent the outstanding balance of the Unauthorised Guarantees of HK$57,942,000 (2023: HK$74,598,000) 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$1,087,000 (2023: HK$6,537,000) was reversed to profit or loss during the year. Apart from those settled through Zhongjin Jiasheng, no other Unauthorised Guarantees (2023: certain Unauthorised Guarantees) were concluded through court decision and the respective liabilities arising from those outstanding loan guarantee contracts of Nil amount (2023: HK$1,053,000) 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 2024, the overall confidence index of China's real estate market remained at a low level. There was a significant decline in investment in real estate development, with approximately 10.6% year-on-year decrease throughout the year. The sales area of commercial houses experienced a 12.9% year-on-year decline, while the sales value decreased by 17.1%. Additionally, the number of real estate properties being put up for court auction (non-performing assets) increased significantly year-on-year in Mainland China, which indicated a rise in credit risk in society and a further shrinking market demand for real estate. However, the transaction volume in first tier cities like Beijing and Shenzhen remained relatively stable, showing regional markets resilience. Facing market adjustments, the government continued to implement a number of policies such as lowering interest rates, reducing initial down payments, and de-stocking to boost market confidence and stimulate reasonable demand.

At the same time, the global financial environment was affected by the US monetary policy in 2024. The United States Federal Reserve System continued to adjust interest rates during the year. Despite a slower pace of interest rate hikes, however, the asset value in the US dollar still went up, and the US dollar remained strong globally, which led to a tightening global liquidity of the US dollar. As a region with its exchange rate system pegged to the US dollar, the Hong Kong dollar also appreciated passively in tandem with the US dollar. Consequently, this appreciation further led to a tightening of liquidity in Hong Kong, increasing the risk of economic operation and bringing uncertainty to the market, particularly posing challenges to the property mortgage lending industry. As an international financial center, Hong Kong shall address the dual challenges of external pressure and local market adjustment in its financial services industry.

BUSINESS REVIEW

In the challenging macro-economic and industry environment of the past year, the Group's credit businesses in Mainland China and Hong Kong encountered heightened market competition. For the full year of 2024, the Group's loan amount totalled approximately HK$998,071,000, reflecting a year-on-year decrease of about 16.3% compared to the previous year. Undoubtedly, the Group faced significant challenges in expanding its business in the past year. In response to the overall economic downside risk, the Group conducted its loan business with more stringent credit control. The property market in Beijing has shown signs of recovery. The government's policies aimed at stabilizing the market are beginning to take effect, but challenges remain. In Hong Kong, the government has introduced measures to support the market, but the overall sentiment remains cautious. Since the market value of properties pledged under secured loans has been stabilizing, the impairment loss for the Group's loan receivables throughout the year totalled approximately HK$27,814,000, representing a significant decrease of 84.9% when compared with the previous year.

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

FUTURE PROSPECTS

Looking forward to 2025, the global economy and the domestic economy are expected to continue to encounter challenges. Hence, the Group will closely monitor market trends to assess risks associated with property valuations and borrower capabilities, and continuously adopt a prudent strategy in the course of its business development, while exercising stringent control over operating costs. We remain confident that our businesses will continue to benefit from the economic growth of Mainland China in 2025.

With the turnaround of the Group's results for the Financial Year, the Board is optimistic about the future development of the Group and it is the objective of the Board to resume the payment of dividend to the shareholders as soon as possible should the profitability of the Group is sustainable. Our long-term strategy is to continuously deliver a sustainable value to our clients and shareholders. Our business objectives as set out as follows:

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 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 Risks 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 constitutional 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 the respective operating region. We collect and verify relevant documentation, analyze credit scores, employment history, and financial information to ensure responsible lending practices. Furthermore, we verify the ownership of the properties owned and provided by the clients as collaterals and review the incumbrances of those properties by checking public records. 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 communicates the loan terms clearly to the borrower. The finance department will be responsible for arranging for outflows of funds.

After-loan services	There will be continuous monitoring on the repayments from the borrower throughout the loan repayment period, regular communication with the borrower of its updated financial position, and regular review of 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 may be 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 expected credit loss) of property mortgage loans accounted for approximately 80.7% of the entire loan portfolio of the Group as at 31 December 2024. 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 18.3% of the entire loan portfolio of the Group. For the year ended 31 December 2024, the Group had 1,360 active customers, of which 1,319 of them were individual customers and the remaining 41 were corporate customers; and of which 526 of them were secured customers and 834 of them were unsecured customers. The interest and service fees charged at a range of monthly effective rates of 0.68% to 3.00% for PRC loans and the interest charged at a range of monthly effective rates of 0.35% to 4.20% for HK loans. A typical loan generally has a term of 90 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 25.1% of the total outstanding balances of the Group's loan portfolio as of 31 December 2024.

FINANCIAL REVIEW

Interest and financing consultancy services income

During the Financial Year, the Group's revenue principally derived from the interest and services income from loan financing services.

Under the challenging operating environment, the Group conducted its loan business cautiously with strategic focus on long-term business growth. Interest and financing consultancy services income for the Financial Year was approximately HK$101,595,000, representing a decrease of about 22.7% compared to that of approximately HK$131,473,000 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:

	For the year ended 31 December	
	2024	2023
Beijing	**27.9%**	36.9%
Chengdu & Chongqing	**29.1%**	26.2%
Shenzhen	**12.9%**	9.9%
Hong Kong	**30.1%**	27.0%

Interest and handling expenses

Interest and handling expenses represent finance costs incurred for the Financial Year. The amount decreased from approximately HK$67,449,000 for last year, to approximately HK$29,434,000 for the Financial Year, representing a decrease of about 56.4%. The decrease in finance costs was mainly due to a general decrease in borrowings and loan payables during the Financial Year.

Other income and other gains and losses

Other income mainly includes bank interest income of approximately HK$4,013,000, dividend income from financial assets at fair value through profit or loss of HK$173,000 and others of approximately HK$778,000. Other gains and losses mainly includes recovery of loan receivables previously written off of approximately HK$2,702,000, gain from changes in fair value of financial assets at FVTPL of approximately HK$1,081,000 and a net exchange loss of HK$1,841,000 was recognized in the Financial Year.

Reversal of loan and interest payables and reversal of liabilities arising from loan guarantee contracts

There was a one-off other income from reversal of loan and interest payables, and reversal of liabilities arising from loan guarantee contracts in the amounts of approximately HK$169,224,000 and HK$1,087,000 respectively during the Financial Year. The reversal of loan and interest payables and liabilities arises 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"), successfully finalised and 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 increased by 11.9% to approximately HK$122,933,000, in which a service fee of about HK$24,906,000 was charged by Zhongjin Jiasheng in relation to the settlement with certain investors/lenders in respect of the Unauthorised Loans and Unauthorised Guarantees. Excluding the service fee, general and administrative expenses is reduced by 10.8% to about HK$98,027,000 which primarily comprise 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 monitor and ensure the proper implementation of its stringent measures on costs control to maintain general and administrative expenses at a reasonable level.

Profit for the year

Profit for the year attributable to owners of the Company was approximately HK$41,232,000, as compared to loss of approximately HK$159,972,000 for last year. The turnaround from loss to profit for the Financial Year was mainly due to (i) a reversal of loan and interest payables, liabilities from loan guarantee contracts amounting to approximately HK$169,224,000 and HK$1,087,000 respectively resulted from finalising the settlement with certain investors/lenders in respect of the Unauthorised Loans and Unauthorised Guarantees; (ii) improvement of net interest income and service income as the interest and handling expenses reduced by 56.4% during the Financial Year even though the revenue decreased by about 22.7%; and (iii) decrease in impairment loss on loan receivables as there was sight of gradual recovery in China's property market in 2024.

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 the end of the Financial Year were approximately HK$308,823,000 and approximately HK$657,238,000 respectively. The Group's outstanding borrowings and loan payables and unsecured bonds as at the end of the Financial Year amounted to approximately HK$671,965,000, showing a decrease of approximately 40.6% as compared with that of last year, which are all due within 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 2024.

Ratio

As at the end of the Reporting Period, the current ratio[(i)] and the gearing ratio[(ii)] of the Group are 1.31 and 0.54 respectively.

Notes:

(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 in respect of the Unauthorised Loans and the 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 to claim for the disputed amount of the Unauthorised Loans and Unauthorised Guarantees in the PRC.

As at 31 December 2024, there were 77 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 RMB104.8 million in aggregate. The Company and several of its subsidiaries have applied for retrial to the Supreme People's Court in the PRC.

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 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 the 2020 annual report of the Company, therefore, the Group had no material contingent liabilities as at the end of the Reporting Period.

Employee and Remuneration Policies

As of 31 December 2024, the Group had approximately 118 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 on 20 May 2014 which was expired on 19 May 2024. Total staff costs for the Financial Year were approximately HK$49,424,000, showing a decrease of approximately 8.0% as compared to the 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 which was terminated on 7 October 2024. 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 2024, 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$19,150,000. As of 31 December 2024, the Group had pledged its mortgage loan receivables with net book value of approximately HK$13,702,000 and a repossessed asset of the Group of approximately HK$14,800,000 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 involving the Unauthorised Loans (as defined in Note 13(c) to the consolidated financial statements) amounted to approximately HK$505,151,000 are denominated in RMB and cash and cash equivalents amounted to approximately HK$260,325,000 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 2024.

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, and did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures as at the end of and during the Reporting Period respectively. The Group does not have any detailed plans for material investments in the near future.

APPROVAL OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The 2024 audited consolidated financial statements were approved and authorised for issue by the Board on 26 March 2025.

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 Reporting Period.

SHARE AWARD SCHEME

On 7 October 2024, the Company's share award scheme was terminated. During the Financial Year, a total of 906,000 and 300,000 shares held in trust under the share award scheme have been sold on the market on 7 October 2024 and 9 October 2024 at a cash consideration of HK$6,536,000 and HK$828,000 respectively. The sale proceeds were held by the trustee and included in other receivables in the consolidated statement of financial position as at 31 December 2024.

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 (2023: Nil), to the shareholders of the Company.

CORPORATE GOVERNANCE

The Board is of the view that throughout the Reporting Period, the Company has complied with the code provisions as set out in Part 2 of Appendix C1 of the Listing Rules (the "CG Code"), except for code provisions C.2.1, C.5.1 and C.1.6, the details of which are set out below.

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 assumed the duties of Chairman of the Board during the Reporting Period. The Board is taking active steps to select a suitable Chairman to fulfill this code provision.

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 eight 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 2023 and interim results of the Group for the period ended 30 June 2024. 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 six 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.

Code Provision C.1.6

Code provision C.1.6 of CG Code stipulates that independent non-executive directors and other non-executive directors generally should attend general meetings.

Mr. Tao Chun, the then non-executive director of the Company, was unable to attend the annual general meeting held on 12 June 2024 due to his other work commitment.

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 disclosed in the announcement of the Company dated 24 February 2023, the Company has engaged BT Corporate Governance Limited (the "Internal Control Advisor") for internal control assessment for the years 2023 and 2024. The internal control review for 2024 covers the areas of "revenue and receipts", the "capital expenditure management", "human resources and payroll management", and the "I.T. general controls".

The results of the internal assessments for the Financial Year showed that the Group did not have any anomalies or material failures in the areas of "revenue and receipts", the "capital expenditure management", "human resources and payroll management", and the "I.T. general controls". 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 Stock Exchange, the Company established a set of Voluntary Reform Proposals, which consist of 7 reform measures. According to the assessment results for the year 2024, the Group has completed the relevant reform cases, and the Internal Control Advisor did not identify any anomalies or material failures.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company for the Reporting Period.

No non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the Reporting Period.

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 2024 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 and the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2024 annual report containing the information required by 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 Financial Year.

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

Hong Kong, 26 March 2025

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

Executive Director:
Mr. Zhang Min *(Chief Executive Officer)*

Independent Non-executive Directors:
Mr. Zhang Kun
Mr. Chan Chun Keung
Mr. Lee Ka Wai
Madam Zhan Lili