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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 2022

#### FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Percentage change %
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	
Interest and services income	<b>200,826</b>	304,593	(34.1)
Loss for the year attributable to owners of the Company	<b>(52,553)</b>	(250,065)	(79.0)
	<i>HK\$</i>	<i>HK\$</i>	
Basic loss per share	<b>(0.26)</b>	(1.24)	(79.0)

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 (the “Group”) for the year ended 31 December 2022, 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 2022

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Interest, guarantee and financing consultancy services income</b>	<i>3</i>	<b>200,826</b>	304,593
Interest and handling expenses	<i>3</i>	<u>(135,999)</u>	<u>(207,377)</u>
<b>Net interest income and service income</b>	<i>3</i>	<b>64,827</b>	97,216
Education consultancy service income	<i>3</i>	<b>1,385</b>	4,650
Other income and other gains and losses	<i>4</i>	<b>27,711</b>	4,280
Impairment losses on financial instruments	<i>5</i>	<b>(6,369)</b>	(7,915)
Impairment loss on goodwill		–	(128,389)
Reversal of interest payables	<i>12</i>	<b>52,508</b>	–
General and administrative expenses		<b>(158,308)</b>	(182,929)
Share of results of associates		<b>(945)</b>	106
Share of results of joint ventures		<u>–</u>	<u>(355)</u>
<b>Loss before taxation</b>	<i>6</i>	<b>(19,191)</b>	(213,336)
Income tax	<i>7</i>	<u>(29,563)</u>	<u>(32,794)</u>
<b>Loss for the year</b>		<u><b>(48,754)</b></u>	<u>(246,130)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(52,553)</b>	(250,065)
Non-controlling interests		<u><b>3,799</b></u>	<u>3,935</u>
<b>Loss for the year</b>		<u><b>(48,754)</b></u>	<u>(246,130)</u>
<b>Loss per share</b>		<i>HK\$</i>	<i>HK\$</i>
– Basic	<i>9</i>	<u><b>(0.26)</b></u>	<u>(1.24)</u>

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

*For the year ended 31 December 2022*

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the year</b>	<u>(48,754)</u>	<u>(246,130)</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	(89,938)	33,094
Reclassification of exchange reserve upon disposal of a foreign operation	<u>892</u>	<u>(434)</u>
<b>Other comprehensive (expense)/income for the year, net of income tax</b>	<u>(89,046)</u>	<u>32,660</u>
<b>Total comprehensive expense for the year</b>	<u><u>(137,800)</u></u>	<u><u>(213,470)</u></u>
<b>Attributable to:</b>		
Owners of the Company	(134,092)	(219,892)
Non-controlling interests	<u>(3,708)</u>	<u>6,422</u>
<b>Total comprehensive expense for the year</b>	<u><u>(137,800)</u></u>	<u><u>(213,470)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

		31 December	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		12,097	22,498
Investment property		1,088	1,250
Goodwill		337,522	384,504
Intangible assets		13,565	14,103
Interests in associates		30,289	19,535
Other financial assets		17,681	29,074
Loan receivables	10	252,261	322,096
Deposits		35,000	35,000
Deferred tax assets		8,944	6,874
		708,447	834,934
<b>Current assets</b>			
Contingent consideration receivables		–	7,115
Loan receivables	10	1,372,746	1,816,339
Interest receivables	11	11,710	8,273
Account and other receivables, deposits and prepayments		79,511	62,288
Amounts due from associates		60,398	67,137
Amounts due from joint ventures		–	923
Cash and cash equivalents		411,595	571,668
		1,935,960	2,533,743

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

		31 December	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>		
<b>Current liabilities</b>			
Borrowings and loan payables	12	1,240,200	1,391,451
Consideration payables		–	97,429
Other payables, accruals and deposit received		100,377	112,795
Liabilities arising from loan guarantee contracts		89,340	121,942
Amount due to an associate		2,866	3,143
Unsecured bonds		27,741	219,489
Lease liabilities		4,166	9,555
Tax payables		160,153	182,597
		<b>1,624,843</b>	2,138,401
<b>Net current assets</b>		<b>311,117</b>	395,342
<b>Total assets less current liabilities</b>		<b>1,019,564</b>	1,230,276
<b>Non-current liabilities</b>			
Borrowings and loan payables	12	60,932	138,520
Unsecured bonds		46,292	34,577
Lease liabilities		2,768	5,720
Deferred tax liabilities		38,510	38,990
		<b>148,502</b>	217,807
<b>NET ASSETS</b>		<b>871,062</b>	1,012,469

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EQUITY</b>		
Share capital	2,080,113	2,080,113
Reserves	<u>(1,290,388)</u>	<u>(1,156,296)</u>
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>789,725</b>	923,817
Non-controlling interests	<u>81,337</u>	<u>88,652</u>
<b>TOTAL EQUITY</b>	<b><u>871,062</u></b>	<b><u>1,012,469</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 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.

## 2. APPLICATION OF AMENDMENTS TO HKFRSs

### **Amendments to HKFRSs that are mandatorily effective for the year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Interest, guarantee and financing consultancy services income from:</b>		
Pawn loans, loan receivables from micro-lending and money-lending	195,232	242,462
Other loan receivables	<u>5,594</u>	<u>62,131</u>
	<u>200,826</u>	<u>304,593</u>
<b>Interest and handling expenses from:</b>		
Borrowings and loan payables	(30,336)	(32,954)
Loan payables from the Incidents (as defined in Note 12)	(84,272)	(145,308)
Unsecured bonds	(15,221)	(24,371)
Lease liabilities	(512)	(869)
Bank loans	–	(1,305)
Other finance costs	<u>(5,658)</u>	<u>(2,570)</u>
	<u>(135,999)</u>	<u>(207,377)</u>
<b>Net interest income and service income</b>	<u><u>64,827</u></u>	<u><u>97,216</u></u>
<b>Income recognised over time under HKFRS 15:</b>		
Education consultancy service	<u><u>1,385</u></u>	<u><u>4,650</u></u>

For the year ended 31 December 2022, the total amount of interest income on financial assets that is not at FVTPL, including bank interest income (Note 4(a)), was HK\$205,604,000 respectively (2021: HK\$308,504,000).



**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>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>41,641</b>	63,061
The PRC	<b>159,185</b>	241,532
United Kingdom	<b>1,385</b>	4,650
	<b>202,211</b>	309,243

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

*Non-current assets*

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>23,500</b>	7,339
The PRC	<b>348,138</b>	401,004
United Kingdom	<b>22,923</b>	33,547
	<b>394,561</b>	441,890

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 (2021: Nil) who individually contributed over 10% of the Group's revenue for the year.

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

##### a) Other Income

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	4,778	3,911
Income from government subsidies	4,268	7,511
Other consultancy services income	685	282
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	1	20,060
Others	4,996	4,514
	<u>14,728</u>	<u>36,278</u>

##### b) Other Gains and Losses

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposal of subsidiaries	1,789	–
Gain on deemed disposal of a joint venture	1,000	–
Gain on deregistration of subsidiaries	–	434
Gain/(loss) from changes in fair value of financial assets at FVTPL, net	133	(8,977)
Gain/(loss) from changes in fair value of contingent consideration receivables	11,079	(3,101)
Loss from change in fair value of investment property	(58)	–
Impairment loss on intangible assets	(538)	(20,444)
Loss on disposal of property, plant and equipment	(32)	(69)
Loss on early termination of lease contracts	(367)	–
Exchange (loss)/gain, net	(23)	159
	<u>12,983</u>	<u>(31,998)</u>
Total	<u><u>27,711</u></u>	<u><u>4,280</u></u>

## 5. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Impairment loss on loan, interest and other receivables	6,369	4,093
Impairment loss on loan and interest receivables arising from the Incidents	—	3,822
	<u>6,369</u>	<u>7,915</u>

## 6. LOSS BEFORE TAXATION

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(a) Staff costs (including directors' emoluments):</b>		
Salaries, allowances and other benefits	64,991	78,625
Contributions to defined contribution retirement plans	5,996	6,378
	<u>70,987</u>	<u>85,003</u>
<b>(b) Other items:</b>		
Auditor's remuneration		
– audit service	2,650	2,380
– non-audit service	235	25
	<u>2,885</u>	<u>2,405</u>
Depreciation of property, plant and equipment		
– self-owned assets	2,356	2,829
– right-of-use assets	8,186	11,365
	<u>10,542</u>	<u>14,194</u>

## 7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Under-provision in respect of prior years	–	60
<b>Current tax – PRC Enterprise Income Tax</b>		
Provision for the year	21,539	33,724
Under/(over)-provision in respect of prior years	6,273	(3,404)
<b>Withholding tax on dividends</b>		
Provision for the year	1,572	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	179	2,414
	<u>29,563</u>	<u>32,794</u>

## 8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for 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\$52,553,000 (2021: HK\$250,065,000) 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 (2021: 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Pawn loan receivables	222,472	171,876
Loan receivables arising from:		
– Micro-lending	934,231	1,365,704
– Money-lending	258,828	328,267
Loan receivables from the Incidents	983,630	1,074,667
Other loan receivables	<u>261,016</u>	<u>337,727</u>
	2,660,177	3,278,241
<i>Less: Impairment</i>	<u>(1,035,170)</u>	<u>(1,139,806)</u>
	<u><u>1,625,007</u></u>	<u><u>2,138,435</u></u>
Amounts due within one year	1,372,746	1,816,339
Amounts due after one year	<u>252,261</u>	<u>322,096</u>
	<u><u>1,625,007</u></u>	<u><u>2,138,435</u></u>

## 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	2,983	4,622
1 to 3 months	2,198	945
3 to 6 months	952	590
Over 6 months	5,577	2,116
	<u>11,710</u>	<u>8,273</u>

## 12. BORROWINGS AND LOAN PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Borrowings from employees and independent third parties	68,350	56,854
Borrowings from shareholders	93,510	3,510
Borrowings from related parties	30,740	31,392
Loan payables arising from the Incidents ( <i>note</i> )	967,311	1,229,990
Note payables	141,221	208,225
	<u>1,301,132</u>	<u>1,529,971</u>
Amounts due within one year	1,240,200	1,391,451
Amounts due after one year	60,932	138,520
	<u>1,301,132</u>	<u>1,529,971</u>

*Note:*

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 arise 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”.

The Incidents resulted in material restatements to the Group’s consolidated financial statements for the years ended 31 December 2017 to 2019 and correction of misstatement was made in the Group’s consolidated financial statements for the year ended 31 December 2020.

References should be made to the announcements of the Company dated 19 October 2020, 26, 29 and 31 March 2021, 28 April 2021, 8 and 28 June 2021, 2 July 2021, 28 September 2021, 6 and 12 January 2022, 9, 23 and 31 March 2022, 30 June 2022, 6 September 2022 and 11 November 2022 regarding to the details of the Incidents and the summary of findings from the Independent Consultant and Internal Control Reviewer.

The Group through 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) had successfully achieved settlement with certain investors/lenders in respect of the Unauthorised Loans. Consequently, certain interest payables of HK\$52,508,000 was reversed to profit or loss for the year.

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY REVIEW**

Despite the challenges posed by the COVID-19 pandemic and global macro uncertainties, China's GDP grew by 3% year-on-year in 2022. However, the property market in Mainland China has been showing uncertainties due to the developer debt crunch, a weaker macroeconomic outlook, and housing surplus. The 'mortgage boycott' movement started spreading to multiple cities in July 2022, leading to further uncertainties in the sector.

In March 2022, the US Federal Reserve raised its benchmark rate by 25 basis points and has continued to do so for 6 more times throughout the year. In Hong Kong, property prices have shown some weakness with the Centa-City Leading Index falling by around 15% year-on-year at the end of 2022. The fall could be attributed to rising interest rates and macroeconomic uncertainties, leading to uncertainties in the mortgage lending sector.

### **BUSINESS REVIEW**

Risk management was the key focus for the Group in 2022. By limiting the per loan exposure and loan-to-value ratio, the Group managed to maintain relatively stable operations in the regions we were operating in. In early 2022, various Mainland cities have begun strict lock downs, which has impacted both new loan origination as well as the Group's back-end operations.

### **FINANCIAL REVIEW**

#### **Interest and financing consultancy services income**

During the financial year ended 31 December 2022 (the "Financial Year" or "Reporting Period"), the Group's revenue principally derived from the interest and services income from loan services.

Interest and services income for the year 2022 was approximately HK\$200,826,000, representing about 34.1% decrease compared to that of approximately HK\$304,593,000 last year. The decrease was mainly due to (i) strict lockdowns in various Mainland cities in the first half of the Financial Year due to COVID-19 pandemic, which has impacted our loan origination, and (ii) the Group has taken a conservative approach on granting new loans.



### **Interest and handling expenses**

Interest and handling expenses represent finance costs incurred for the Financial Year. The amount decreased from approximately HK\$207,377,000 for last year, to approximately HK\$135,999,000 for the Financial Year, representing a decrease of 34.4%. The decrease in finance costs was due to decrease in borrowings and loan payables during the Financial Year.

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

Other income and other gains and losses for the Financial Year amounted to approximately HK\$27,711,000. The increase in other income and other gains and losses was mainly attributable to gain from changes in fair value of contingent consideration receivables in an amount of approximately HK\$11,079,000.

During the Reporting Period, there was a one-off other income from reversal of interest payables in an amount of approximately HK\$52,508,000.

### **General and administrative expenses**

General and administrative expenses for the Financial Year decreased by 13.5% to approximately HK\$158,308,000, primarily comprised of staff costs and related expenses, legal and professional fee, consultancy fee 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\$52,553,000, representing a decrease of 79.0% as compared to loss of approximately HK\$250,065,000 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\$311,117,000 and approximately HK\$789,725,000 respectively. The Group's outstanding borrowings and loan payables and unsecured bonds as at end of this Financial Year amounted to HK\$1,375,165,000, a decrease of approximately 22.9% as compared with that of last year, out of which HK\$1,267,941,000 are due within one year and HK\$107,224,000 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 2022.

## **Employee and Remuneration Policies**

As of 31 December 2022, the Group had approximately 146 employees in the PRC and Hong Kong, in which 74 are 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\$70,987,000, a decrease of approximately 16.5% as compared to the corresponding figure of previous year. In order to recognize and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted a share award plan (the "Share Award Plan") 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 Plan.

## **Charge on assets**

As of 31 December 2022, the Group pledged the entire equity interest of Brilliant Star Capital (Cayman) Limited and KP Financial Holdings Limited, wholly owned subsidiaries of the Company, to secure the issue of the note payable with principal amount of HK\$270,000,000. 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\$38,600,000. As of 31 December 2022, the Group had pledged its mortgage loan receivables with net book value of approximately HK\$39,338,000 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.

## **Contingent Liabilities**

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

## **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 on a timely and effective manner. As at end of the Financial Year, loan payables arising from the Incidents amounted to approximately HK\$967,311,000 are denominated in RMB and cash and cash equivalents amounted to approximately HK\$352,517,000 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 2022.

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

The Group did not have any significant investments held, material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

## **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 individuals' customers and corporate customers locate 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 ID/passport, 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, 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. 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 consideration.
Execution of documents	All loan applications must be approved by the relevant approval committees. The proper execution of the loan documentations under the supervision of the responsible officer will be concluded.

After-loan services	There will be continuous monitoring on the repayments from borrower, 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 individuals 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 gross amount of property mortgage loans accounted for approximately 89.2% of the entire loan portfolio of the Group as at 31 December 2022. 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 6.3% of the entire loan portfolio of the Group. At the year ended 31 December 2022, the Group had 1,404 active customers, of which 1,333 of them were individual customers and the remaining 71 were corporate customers; and of which 712 of them were secured customers and 692 of them were unsecured customers. The interest and service fees charged at a range of monthly effective rates of 0.70% to 4.29% for PRC loans and the interest charged at a range of monthly effective rates of 0.35% to 4.99% for HK loans. A typical loan generally has a term of 60 days to 30 years.

For the Reporting Period, the current ratio<sup>(i)</sup> and the gearing ratio<sup>(ii)</sup> of the Group are 1.19 and 1.11 respectively.

The top five customers accounted for 10.3% of the total outstanding balances of the Group’s loan portfolio as of 31 December 2022.

- (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.

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>2021</b>
Beijing	<b>36.6%</b>	49.6%
Chengdu & Chongqing	<b>30.1%</b>	19.2%
Shenzhen	<b>12.6%</b>	10.5%
Hong Kong	<b>20.7%</b>	20.7%

## **FUTURE PROSPECTS**

Shares of the Company have suspended trading from 29 March 2021 to 26 February 2023 and resumed trading on the Main Board of the Stock Exchange of Hong Kong Limited on 27 February 2023. It is the effort of the board and the new management to develop a sound and reliable internal control and operating system.

Given the Hong Kong's and the PRC's borders are recently re-opened to the rest of the world and resumption of business activities back to pre-pandemic level, the economies of Hong Kong and the PRC are expected to recover gradually in 2023. More importantly, Hong Kong is an international financial hub and plays an important role in the Greater Bay Area, and therefore we believe that both our businesses in Hong Kong and Shenzhen will continue to benefit from the development and opportunities in the Greater Bay Area.

However, the Group's business prospects remain uncertain because of the geopolitical risk factors.

The Group will adopt a prudent approach in the course of its business development, while exercising stringent control over operating costs. In addition, further upward adjustment of the US Federal Reserve benchmark interest rates in 2023 will inevitably increase the funding cost of the borrowers which may affect the purchasing power in the property market in Hong Kong. As such, we believe that our loan growth momentum in Hong Kong will continue to be constrained.

With both opportunities and challenges ahead, we are confident that the Group will maintain a steady business development and continue to expand our footprints in these operating regions in a cautious manner amid the difficult business operating environment. To continuously deliver a sustainable value to our clients and shareholders is our long-term strategy.

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

The 2022 consolidated financial statements were approved and authorised for issue by the Board of the Company on 31 March 2023.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **FINAL DIVIDEND**

The Board does not recommend payment of a final dividend for the financial year ended 31 December 2022 (2021: 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 14 of the Listing Rules throughout the Reporting Period except for code provision C.2.1:

### **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. Chan Yuk Ming held the office as Chairman of the Board until 16 December 2022. Mr. Zhang Min, the Chief Executive Officer, assumed the duties of Chairman of the Board on a temporary basis immediately after the resignation of Mr. Chan Yuk Ming until a new Chairman has been selected. The delay in selecting the Chairman was due to recent reform of the Board and the Board is taking active steps to select a suitable 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.

## **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 10 to the Listing Rules.

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

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

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



## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”), which comprises 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 main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the chief financial officer or external auditors of the Company before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company’s financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

## **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 2022 as set out in the preliminary 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 of Directors. 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.

## **EVENTS AFTER THE REPORTING PERIOD**

The trading of the Company's shares on the Main Board of the Stock Exchange was suspended on 29 March 2021. As the Company has fulfilled all the resumption guidance set out by the Stock Exchange on 25 June 2021, trading of the Company's shares was resumed on 27 February 2023. Details of the resumption guidance set out by the Stock Exchange and resumption of trading are set out in the Company's announcement dated 28 June 2021 and 24 February 2023, respectively.

On 13 March 2023, the Board announces that:

- (1) Mr. Zhang Kun has been appointed as an independent non-executive director and the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Business Risks Committee of the Company;
- (2) Mr. Lee Ka Wai has resigned as the chairman of the Remuneration Committee of the Company;
- (3) Mr. Wu Xinjiang has resigned as a non-executive director and a member of the Audit Committee of the Company;
- (4) Dr. Zhang Xiao Jun has resigned as an independent non-executive director and member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Business Risks Committee of the Company.

On 17 March 2023, the Board announces that Mr. John Paul Ribeiro has been appointed as an independent non-executive director of the Company.

## **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 2022 annual report containing all 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 supports during the year.

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

Hong Kong, 31 March 2023

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

*Executive Directors:*

Mr. Zhang Min (*Chief Executive Officer*)

*Non-executive Directors:*

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