

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# 中金投集团

China Financial Services Holdings Ltd

## China Financial Services Holdings Limited

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 605)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

#### FINANCIAL HIGHLIGHTS

	<b>Unaudited six months ended 30 June 2024 HK\$'000</b>	<b>Unaudited six months ended 30 June 2023 HK\$'000</b>	<b>Percentage changes %</b>
Interest and financing consultancy services income	<b>51,297</b>	67,694	(24.2)
Loss for the period attributable to owners of the Company	<b>(18,323)</b>	(117,100)	(84.4)
	<b>HK\$</b>	<b>HK\$</b>	
Basic loss per share	<b>(0.09)</b>	(0.58)	(84.5)

## FINANCIAL RESULTS

The board of directors (the “Board” or “Directors”) of China Financial Services Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2024 (the “Reporting Period”) together with the comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Notes	HK\$'000	HK\$'000
<b>Interest and financing consultancy services income</b>	3	<b>51,297</b>	67,694
Interest and handling expenses	3	<u>(21,564)</u>	<u>(48,673)</u>
<b>Net interest income and service income</b>	3	<b>29,733</b>	19,021
Other income and other gains and losses	4	(662)	(9,483)
Impairment losses on financial instruments, net of reversal		<b>(9,970)</b>	(79,661)
Impairment loss on goodwill		–	(22,155)
Reversal of loan and interest payables		<b>10,077</b>	31,706
Reversal of liabilities arising from loan guarantee contract		<b>11</b>	–
General and administrative expenses		<b>(42,191)</b>	(49,152)
Share of results of associates		<u>(917)</u>	<u>8,036</u>
<b>Loss before taxation</b>	5	<b>(13,919)</b>	(101,688)
Income tax expense	6	<u>(3,996)</u>	<u>(13,657)</u>
<b>Loss for the period</b>		<b><u>(17,915)</u></b>	<b><u>(115,345)</u></b>
<b>Attributable to:</b>			
Owners of the Company		<b>(18,323)</b>	(117,100)
Non-controlling interests		<u>408</u>	<u>1,755</u>
<b>Loss for the period</b>		<b><u>(17,915)</u></b>	<b><u>(115,345)</u></b>
<b>Loss per share</b>	7	<b>HK\$</b>	<b>HK\$</b>
– Basic		<b><u>(0.09)</u></b>	<b><u>(0.58)</u></b>

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

*For the six months ended 30 June 2024*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Loss for the period</b>	<b>(17,915)</b>	<b>(115,345)</b>
<b>Other comprehensive expense for the period, net of income tax</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<b>(4,052)</b>	<b>(19,983)</b>
<b>Total comprehensive expense for the period</b>	<b>(21,967)</b>	<b>(135,328)</b>
<b>Attributable to:</b>		
Owners of the Company	<b>(21,821)</b>	<b>(134,614)</b>
Non-controlling interests	<b>(146)</b>	<b>(714)</b>
<b>Total comprehensive expense for the period</b>	<b>(21,967)</b>	<b>(135,328)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		At 30 June 2024	At 31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		10,679	12,389
Investment properties		1,511	1,723
Goodwill		297,967	300,073
Intangible assets		12,539	12,878
Interests in associates		34,495	35,831
Other financial assets		4,712	5,048
Loan receivables	9	163,353	204,793
Deferred tax assets		24,711	24,700
		<u>549,967</u>	<u>597,435</u>
<b>Current assets</b>			
Loan receivables	9	1,010,598	987,153
Interest receivables	10	5,361	6,199
Other receivables, deposits and prepayments		78,769	86,023
Amounts due from associates		55,984	56,327
Other financial assets		27,392	27,587
Cash and cash equivalents		320,724	453,927
		<u>1,498,828</u>	<u>1,617,216</u>

		At 30 June 2024	At 31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Current liabilities</b>			
Borrowings and loan payables	<i>11</i>	985,484	1,079,112
Other payables, accruals and deposit received		93,296	100,969
Liabilities arising from loan guarantee contracts	<i>11(d)</i>	74,059	74,598
Amount due to an associate		2,805	2,825
Unsecured bonds		10,564	42,138
Lease liabilities		4,259	4,293
Tax payables		155,440	161,613
		<u>1,325,907</u>	<u>1,465,548</u>
<b>Net current assets</b>		<u>172,921</u>	<u>151,668</u>
<b>Total assets less current liabilities</b>		<u>722,888</u>	<u>749,103</u>
<b>Non-current liabilities</b>			
Unsecured bonds		9,999	9,999
Lease liabilities		2,856	3,398
Deferred tax liabilities		34,257	35,762
		<u>47,112</u>	<u>49,159</u>
<b>Net assets</b>		<u><u>675,776</u></u>	<u><u>699,944</u></u>
<b>Equity</b>			
Share capital		2,080,113	2,080,113
Reserves		<u>(1,481,220)</u>	<u>(1,459,399)</u>
<b>Total equity attributable to owners of the Company</b>		<b>598,893</b>	620,714
Non-controlling interests		<u>76,883</u>	<u>79,230</u>
<b>Total equity</b>		<u><u>675,776</u></u>	<u><u>699,944</u></u>

## NOTES:

### 1. BASIS OF PREPARATION

The interim financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2023. The policies of the Group on financial risk management were set out in the consolidated financial statements included in the Company’s 2023 annual report and there have been no significant changes in these policies for the six months ended 30 June 2024.

The interim financial information has 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 financial year ended 31 December 2023 that is included in this announcement of interim results as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory consolidated financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated 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 Hong Kong Companies Ordinance.

The Company’s auditor has reported on the consolidated financial statements for the year ended 31 December 2023. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES

Other than change in accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated financial information for the six months ended 30 June 2024 are the same as those presented in the annual consolidated financial statements of the Group for the year ended 31 December 2023.

### **Amendments to HKFRSs that are mandatorily effective for the current period**

In the current interim period, 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 period beginning on or after 1 January 2024 for the preparation of the Group's interim financial information:

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

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in this interim financial information.

### 3. REVENUE AND SEGMENT REPORTING

#### a) Revenue

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

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Interest and financing consultancy services income from:</b>		
Pawn loans, loan receivables from micro-lending and money-lending	51,110	65,442
Other loan receivables	187	2,252
	<u>51,297</u>	<u>67,694</u>
<b>Interest and handling expenses from:</b>		
Borrowings and loan payables	(2,012)	(14,142)
Loan payables from the Incidents	(17,978)	(31,605)
Lease liabilities	(260)	(198)
Unsecured bonds	(451)	(1,436)
Other finance costs	(863)	(1,292)
	<u>(21,564)</u>	<u>(48,673)</u>
<b>Net interest income and service income</b>	<u><u>29,733</u></u>	<u><u>19,021</u></u>

#### b) Segmental Information

##### *Operating segment information*

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

There was no customer (six months ended 30 June 2023: nil) who individually contributed over 10% of the Group's revenue during the current period.



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

	For the six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>a) Other Income</b>		
Bank interest income	1,519	3,608
Others	399	1,495
	<u>1,918</u>	<u>5,103</u>
<b>b) Other Gains and Losses</b>		
Loss from changes in fair value of financial assets at fair value through profit or loss (“FVTPL”), net	(143)	(12,388)
Loss from changes in fair value of investment properties	(200)	(552)
Impairment loss on intangible assets	(339)	(111)
Exchange loss, net	(1,898)	(1,535)
	<u>(2,580)</u>	<u>(14,586)</u>
Total	<u>(662)</u>	<u>(9,483)</u>

## 5. LOSS BEFORE TAXATION

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

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(a) Staff costs (including directors' emoluments):</b>		
Salaries, allowances and other benefits	18,562	22,176
Contributions to defined contribution retirement plans	<u>2,226</u>	<u>2,457</u>
	<u><b>20,788</b></u>	<u><b>24,633</b></u>
<b>(b) Other items:</b>		
Depreciation of property, plant and equipment		
– self-owned assets	758	1,021
– right-of-use assets	<u>2,563</u>	<u>3,006</u>

## 6. INCOME TAX EXPENSE

Taxation in the unaudited condensed consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current tax – The People’s Republic of China (the “PRC”)</b>		
<b>Enterprise Income Tax</b>		
Provision for the current period	4,258	14,198
Over-provision in respect of prior periods	(1,309)	(541)
<b>Withholding tax on dividends</b>		
Provision for the period	2,491	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1,444)	–
	<u>3,996</u>	<u>13,657</u>

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$18,323,000 (six months ended 30 June 2023: HK\$117,100,000) and the weighted average number of ordinary shares in issue less shares held under the Company’s share award scheme during the period of 202,323,367 (six months ended 30 June 2023: 202,323,367).

The computation of diluted loss per share does not assume the exercise of the Company’s option because the exercise price of those options was higher than the average market price for shares for both periods.

## 8. INTERIM DIVIDEND

No dividends were paid, declared or proposed during both interim periods. The Directors have determined that no dividend will be paid in respect of the interim period.

## 9. LOAN RECEIVABLES

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Pawn loan receivables	207,892	206,531
Loan receivables arising from:		
– Micro-lending	642,178	715,240
– Money-lending	233,847	222,820
Loan receivables from the Incidents	962,711	969,574
Other loan receivables	295,719	249,046
	<u>2,342,347</u>	<u>2,363,211</u>
Less: Impairment	<u>(1,168,396)</u>	<u>(1,171,265)</u>
	<u><u>1,173,951</u></u>	<u><u>1,191,946</u></u>
Amounts due within one year	1,010,598	987,153
Amounts due after one year	<u>163,353</u>	<u>204,793</u>
	<u><u>1,173,951</u></u>	<u><u>1,191,946</u></u>

The loan receivables in the PRC carry interest plus service charge at a range of monthly effective rates of 0.68% to 3.00% (31 December 2023: 0.68% to 3.00%), and the loan receivables in Hong Kong carry interest at a range of monthly effective rates of 0.35% to 4.63% (31 December 2023: 0.35% to 4.89%).

A typical loan generally has a term of 90 days to 30 years (31 December 2023: 30 days to 30 years).

As at 30 June 2024, included in the Group's loan receivables balance are debtors with aggregate carrying amount (net of ECL) of HK\$622,748,000 (31 December 2023: HK\$636,615,000) which are past due. Out of the past due balances, HK\$565,173,000 (31 December 2023: HK\$592,204,000) has been past due 90 days or more. The Directors consider credit risks have increased significantly for those past due more than 30 days and those past due more than 90 days are considered as credit-impaired. During the six months ended 30 June 2024, impairment allowance of HK\$10,246,000 (six months ended 30 June 2023: HK\$85,332,000) was made on credit-impaired debtors.

As at 30 June 2024, loan receivables of RMB206,415,000 (equivalent to approximately HK\$226,163,000) (31 December 2023: RMB162,280,000 (equivalent to approximately HK\$179,074,000)) are due from 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”), who also acts as an agent to assist the Group to negotiate for one-off settlement arrangements directly with the investors/lenders related to the Incidents (please refer to the 2023 annual report for details of the Incidents).

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

### Maturity profile

As at the end of the reporting period, the maturity profile of loan receivables, based on maturity date, is as follows:

#### As at 30 June 2024 (Unaudited)

	Pawn loan receivables <i>HK\$'000</i>	Loan receivables arising from micro- lending <i>HK\$'000</i>	Loan receivables arising from money- lending <i>HK\$'000</i>	Loan receivables from the Incidents <i>HK\$'000</i>	Other loan receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
Due within 1 month or on demand	181,597	393,721	15,560	962,711	295,719	1,849,308
Due after 1 month but within 3 months	2,191	15,332	31,747	-	-	49,270
Due after 3 months but within 6 months	14,572	82,398	15,043	-	-	112,013
Due after 6 months but within 12 months	9,532	105,750	44,732	-	-	160,014
Due after 12 months	-	44,977	126,765	-	-	171,742
Impairment	(57,679)	(104,563)	(10,274)	(962,711)	(33,169)	(1,168,396)
	<u>150,213</u>	<u>537,615</u>	<u>223,573</u>	<u>-</u>	<u>262,550</u>	<u>1,173,951</u>

#### As at 31 December 2023 (Audited)

	Pawn loan receivables <i>HK\$'000</i>	Loan receivables arising from micro- lending <i>HK\$'000</i>	Loan receivables arising from money- lending <i>HK\$'000</i>	Loan receivables from the Incidents <i>HK\$'000</i>	Other loan receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
Due within 1 month or on demand	183,358	393,873	7,223	969,574	249,046	1,803,074
Due after 1 month but within 3 months	-	79,231	5,587	-	-	84,818
Due after 3 months but within 6 months	23,173	89,354	9,148	-	-	121,675
Due after 6 months but within 12 months	-	100,724	39,639	-	-	140,363
Due after 12 months	-	52,058	161,223	-	-	213,281
Impairment	(55,441)	(102,919)	(9,955)	(969,574)	(33,376)	(1,171,265)
	<u>151,090</u>	<u>612,321</u>	<u>212,865</u>	<u>-</u>	<u>215,670</u>	<u>1,191,946</u>

## 10. INTEREST RECEIVABLES

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Interest receivables	<u>5,361</u>	<u>6,199</u>

### Ageing analysis

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

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Within 1 month	2,550	2,463
1 to 3 months	440	709
3 to 6 months	268	360
Over 6 months	<u>2,103</u>	<u>2,667</u>
	<u>5,361</u>	<u>6,199</u>

Interest receivables are due on the date of billing (or on maturity date corresponding of loan receivables according to the relevant loan agreements).

As at 30 June 2024, included in the Group's interest receivables balance are debtors with aggregate carrying amount (net of ECL) of HK\$3,476,000 (31 December 2023: HK\$4,520,000) which are past due. Out of the past due balances, HK\$2,399,000 (31 December 2023: HK\$3,161,000) has been past due 90 days or more. The Directors consider credit risks have increased significantly for those past due more than 30 days and those past due more than 90 days are considered as credit-impaired. During the six months ended 30 June 2024, reversal of impairment allowance of HK\$355,000 (six months ended 30 June 2023: HK\$4,822,000) was made on credit-impaired debtors.

## 11. BORROWINGS AND LOAN PAYABLES

		At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Borrowings from independent third parties	<i>(a)</i>	54,854	64,195
Borrowings from shareholders		83,649	108,651
Borrowings from related parties	<i>(b)</i>	22,390	20,345
Loan payables arising from the Incidents	<i>(c)</i>	824,591	822,531
Note payables		–	63,390
		<u>985,484</u>	<u>1,079,112</u>
Amounts due within one year		<u><u>985,484</u></u>	<u><u>1,079,112</u></u>

### *Notes:*

- a) The borrowings from independent third parties of HK\$30,304,000 (31 December 2023: HK\$36,645,000) bore finance costs measured at a range of annualised rates of 7% to 9.5% (31 December 2023: 7% to 9%), were repayable within one year and not secured by any assets or guarantees of the Group.

The borrowings from independent third parties of HK\$24,550,000 (31 December 2023: HK\$27,550,000) bore finance costs measured at a range of annualised rates of 9.8% to 10% (31 December 2023: 9.8% to 10%), were repayable within one year and secured by loan receivables of the Group of HK\$47,574,000 (31 December 2023: HK\$36,379,000).

- b) The borrowings from Mr. Zhang Min, an executive director and chief executive officer of the Company, bore finance costs measured at an annualised rate of 7.6% (31 December 2023: 7.6%), 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 borrowings of HK\$983,000 were fully settled on 15 March 2024.

- c) Certain unauthorised loans were concluded through court decision and the respective loan and interest payables of HK\$10,077,000 (for the six months ended 30 June 2023: nil) were reversed to profit or loss during the six months ended 30 June 2024.

As at 30 June 2024, unsettled unauthorised loans and related interest payables amounted to HK\$184,181,000 (31 December 2023: HK\$254,340,000) and HK\$48,756,000 (31 December 2023: HK\$54,827,000) respectively. Interest expenses of HK\$17,978,000 (six months ended 30 June 2023: HK\$31,605,000) in relation to those unsettled unauthorised loans were recognised in the profit or loss during the Reporting Period.

- d) As at 30 June 2024, the liabilities arising from loan guarantee contracts represent the outstanding balance of unauthorised guarantees of HK\$74,059,000 (31 December 2023: HK\$74,598,000) if the guarantees were called upon in their entirety.



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

China Financial Services Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is one of the leading integrated financial services providers in Mainland China (Beijing, Chengdu and Shenzhen) and Hong Kong. As the mortgage lending business in Mainland China accounts for 68.2% of the total revenue of the Group, the operation is subject to the macroeconomic and real estate industry conditions in Mainland China. According to the latest information released by the National Bureau of Statistics and the People’s Bank of China, in the first half of 2024, the GDP of Mainland China grew at a rate of 5% year-on-year. The incremental increase in total social financing scale decreased by RMB3.45 trillion compared to the corresponding period last year. From the perspective of the real estate industry, total investment in real estate development in Mainland China in the first half of 2024 amounted to approximately RMB5.2 trillion, representing a year-on-year decrease of 10.1%, of which, total investment in residential properties amounted to approximately RMB4 trillion (accounting for approximately 76.9%), representing a drop of 10.4%. The saleable area of newly constructed commercial properties went down by 19.0% year-on-year (of which, the saleable area of residential properties declined by 21.9%), and the total sales amount decreased by 25.0% year-on-year (of which the sales amount of residential properties decreased by 26.9%). The Real Estate Development Prosperity Index (房地產開發景氣指數) declined significantly from 93.33 at the end of 2023 to 92.11 in June 2024. Based on the current economic and political situation, in July 2024, the government of the People’s Republic of China (“PRC”) released the central guiding development report which aims to deepen reforms in various areas, especially in the systemically important real estate sector, where prevention and resolution of real estate-related risks and improvement of the real estate development model will be one of the government’s key focuses in the coming period.

In Hong Kong, according to the information released by the Statistics Department of the Government of the Hong Kong Special Administrative Region, the rate of change in GDP for the first quarter of 2024 is 2.7%, essentially unchanged over the corresponding period in 2023. The Current Directional Movement Index of Business Income of Small and Medium-sized Enterprises is projected to decrease in aggregate from 43.0 in May 2024 to 41.4 in June 2024, except for the real estate sector which is projected to increase from 40.6 to 44.0. The performance of other sectors, including wholesale and retail trades, import and export trades, restaurants, logistics, and business services sectors are expected to decrease.

## **BUSINESS REVIEW**

Under the current complicated international and domestic economic and political situation, the primary objective of the Group's management is to maintain the overall stability of the business and actively seek new business growth opportunities. Business risk management is another important indicator of business control and management. Adherence to the bottom line and principles of business risk management will be even more important when the economic situation fails to meet expectations and the overall credit risk of the market rises.

In the first half of 2024, the new loans of the Group in Beijing, Chengdu, Shenzhen and Hong Kong amounted to HK\$437,270,000 in total. As of the end of June 2024, the Group's total loan balances (net of ECL) across the region amounted to HK\$1,173,951,000. The proportion of business in Beijing was slightly larger than the other three regions, with Hong Kong having a relatively faster growth rate, but the proportion and growth rate of the Group's overall business were relatively even across the regions. The Group's loan business remained generally stable.

## **FUTURE OUTLOOK**

The global economy is becoming more polarized and coupled with escalating geopolitical risks, every country and region has its complicated internal problems that need to be resolved. According to the data released by the National Bureau of Statistics in its 2024 half-yearly report on China's economy, the GDP growth rate of Mainland China reached 5% in the first half of the year, implying the overall economic operation was stable and improving despite pressures from both internal and external sources. The overall performance of real estate data was relatively weak in the first half of the year, but key cities and regions, including Beijing, Chengdu and Shenzhen, where the Group's main business is located, have inherent resilience and development foundations. The PRC government also plans to adopt a series of measures to address various risks and problems in the real estate sector, optimize the overall structure and policies, and guide the healthy development of the systemically important industry.

For the Hong Kong region, the Central Government continues to promulgate favorable measures in Hong Kong in recent years to facilitate its regional development and also cross-strait connectivity, in particular, the intensive planning and construction of the Guangdong-Hong Kong-Macao Greater Bay Area has brought new opportunities to Hong Kong.

Under this complicated environment, the Group's principal business is under pressure, but at the same time, a solid foundation and opportunity for development also exist. In the first half of 2024, we have already seen a further pick-up in our core business layout, and the business as a whole remains operationally robust under a prudent risk management system. In addition, the Group's management, in conjunction with internal departments and external organizations, has continued to propel the optimization of its governance structure and internal controls, aiming to provide a more efficient mechanism to underpin its subsequent development. The Group's management will adhere to its long-standing business risk management philosophy and actively explore new business growth opportunities under our prudent operation foundation to realize our long-term corporate development objectives.

## **Business Model**

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

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

### **Background check**

Various identification documents shall be provided by the loan applicant, which shall be reviewed and assessed. Information such as personal identification documents, corporate 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. 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 or involves connected person(s) under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") or involves connected person(s) as defined under Chapter 14A of the Listing Rules, the loan transaction will also 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 documentation, 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 his/her 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 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 carrying amount (net of ECL) of property mortgage loans accounted for approximately 74.6% of the entire loan portfolio of the Group as at 30 June 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 reviews. Unsecured loans accounted for approximately 24.4% of the entire loan portfolio of the Group. At the end of the Reporting Period, the Group had 1,595 active customers, of which 1,549 of them were individual customers and the remaining 46 were corporate customers; and of which 488 of them were secured customers and 1,107 of them were unsecured customers. The interest and service fees charged by the Group at a range of monthly effective rates of 0.68% to 3.00% for PRC loans and at a range of monthly effective rates of 0.35% to 4.63% for HK loans. A typical loan generally has a term of 90 days to 30 years.

The top five customers accounted for 29.4% of the total outstanding balances of the Group’s loan portfolio as of 30 June 2024.

## **FINANCIAL REVIEW**

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

During the six months ended 30 June 2024 (the “Reporting Period”), the Group’s revenue principally derived from the interest and services income from loan 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 Reporting Period was approximately HK\$51,297,000, representing a decrease of about 24.2% compared to that of approximately HK\$67,694,000 for the corresponding period 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 periods are shown below:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
Beijing	<b>31.6%</b>	38.6%
Chengdu & Chongqing	<b>26.1%</b>	25.8%
Shenzhen	<b>12.1%</b>	8.1%
Hong Kong	<b>30.2%</b>	27.5%

### **Interest and handling expenses**

Interest and handling expenses represent finance costs incurred for the Reporting Period. The amount decreased from approximately HK\$48,673,000 for the corresponding period in 2023, to approximately HK\$21,564,000 for the Reporting Period, representing a decrease of 55.7%. The decrease in finance costs was due to continuous decrease in borrowings and loan payables during the Reporting Period.

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

Other income includes bank interest income of approximately HK\$1,519,000 and others of approximately HK\$399,000. Other gains and losses were approximately HK\$2,580,000, including an exchange loss of about HK\$1,898,000. A loss of approximately HK\$143,000 was recognized from change in fair value of financial assets at fair value through profit or loss in the Reporting Period. Hence, resulting in net loss in total of approximately HK\$662,000 for the Reporting Period.

There was a one-off other income from reversal of loan and interest payables, and reversal of liabilities arising from loan guarantee contract in amounts of approximately HK\$10,077,000 and HK\$11,000 respectively. Certain unauthorised loans and unauthorised guarantees were concluded through court decision and the respective loan and interest payables and liabilities arising from loan guarantee contract were reversed to profit or loss during the Reporting Period.

### **General and administrative expenses**

General and administrative expenses for the Reporting Period decreased by 14.2% to approximately HK\$42,191,000, primarily comprising of staff costs and related expenses, legal and professional fee, consultancy fee, depreciation of property, plant and equipment and general office expenses. The management will continue to monitor and ensure the proper implementation of its stringent measures on costs control to maintain general and administrative expenses at a reasonable level.

### **Loss for the period**

Loss for the Reporting Period attributable to owners of the Company was approximately HK\$18,323,000, representing a decrease of approximately 84.4% as compared to loss of approximately HK\$117,100,000 for the first half of 2023.

### **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 Reporting Period were approximately HK\$172,921,000 and approximately HK\$598,893,000 respectively. The Group's outstanding borrowings and loan payables and unsecured bonds as at end of the Reporting Period amounted to approximately HK\$1,006,047,000, showing a decrease of approximately 11.1% as compared to the corresponding period last year, out of which HK\$996,048,000 are due within one year and HK\$9,999,000 are due after one year. There is no funding requirements for capital expenditure commitments for the Reporting Period.

## **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 30 June 2024.

## **Ratio**

For the Reporting Period, the current ratio<sup>(i)</sup> and the gearing ratio<sup>(ii)</sup> of the Group are 1.13 and 1.01 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 who had purchased financial products issued by several subsidiaries of the Group (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 for the settlement of the disputed amount of the unauthorised loans and unauthorised guarantees in the PRC.



As at 30 June 2024, there were 239 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 RMB277.2 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 30 June 2024, the Group had approximately 128 employees in the PRC and Hong Kong, of which 67 were female employees. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience, and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period were approximately HK\$20,788,000, showing a decrease of approximately 15.6% as compared to the figure of the corresponding period last year. In order to recognize and reward the contribution of certain eligible participants for the growth and development of the Group, the Company adopted a share award scheme (the "Share Award Scheme") on 14 January 2019. As of the date of this announcement, no awards have been granted or agreed to be granted under the Share Award Scheme.

### **Charge on assets**

As of 30 June 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\$24,550,000. As of 30 June 2024, the Group had pledged its mortgage loan receivables with net book value of approximately HK\$47,574,000 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 Reporting Period.

## **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 Reporting Period, loan payables arising from the incidents involving the unauthorised loans amounted to approximately HK\$824,591,000 are denominated in RMB and cash and cash equivalents amounted to approximately HK\$309,670,000 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 30 June 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 UNAUDITED INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of the Company on 27 August 2024.

## **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 (including the sale of treasury shares) during the Reporting Period. As at 30 June 2024, there were no treasury shares (as defined under the Listing Rules) held by the Company.

## **SHARE AWARD SCHEME**

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

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2023: Nil).

## **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.

## **CORPORATE GOVERNANCE**

The Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Part 2 of Appendix C1 of the Listing Rules throughout the Reporting Period, except for code provisions 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. 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 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 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 term 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.

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

## **AUDIT COMMITTEE AND REVIEW OF UNAUDITED INTERIM RESULTS**

The audit committee of the Company (the “Audit Committee”), which comprises four independent non-executive directors, has reviewed the interim results for six months ended 30 June 2024. The Audit Committee considered that the unaudited condensed consolidated interim financial information for the Reporting Period is in compliance with the relevant financial reporting standards, requirement on the Listing Rules and Laws of Hong Kong, and the Company has made appropriate disclosures thereof. In addition, the independent auditor of the Company, Baker Tilly Hong Kong Limited, has reviewed the unaudited interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 “Reviews of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the independent auditor of the Company will be included in the 2024 interim report to shareholders.

The primary duties of the Audit Committee include providing an independent view of the effectiveness of the Group’s financial report process, internal control and risk management system of the Group.

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

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

The 2024 Interim Report of the Company for the Reporting Period will be despatched to shareholders of the Company and published on both websites in due course.

On behalf of the Board

**Zhang Min**

*Executive Director & Chief Executive Officer*

Hong Kong, 27 August 2024

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

*Executive Director:*

Mr. Zhang Min (*Chief Executive Officer*)

*Non-executive Director:*

Mr. Tao Chun

*Independent Non-executive Directors:*

Mr. John Paul Ribeiro

Mr. Zhang Kun

Mr. Chan Chun Keung

Mr. Lee Ka Wai

Madam Zhan Lili