



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 Report

2012



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Cheung Siu Lam (*Chairman*)
Mr. Chan Yuk Ming (*Vice-Chairman*)
Mr. Tao Ye

Non-Executive Directors

Mr. Liu Hui
Madam Lo Wan

Independent Non-Executive Directors

Mr. Wang Jian Sheng
Mr. Chan Chun Keung
Mr. Tsang Kwok Wai

COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, ACA, CTA

AUDITORS

CCIF CPA Limited

AUDIT COMMITTEE

Mr. Tsang Kwok Wai (*Chairman*)
Mr. Wang Jian Sheng
Mr. Chan Chun Keung

REMUNERATION COMMITTEE

Mr. Tsang Kwok Wai (*Chairman*)
Mr. Wang Jian Sheng
Mr. Chan Chun Keung
Madam Lo Wan

NOMINATION COMMITTEE

Mr. Cheung Siu Lam (*Chairman*)
Mr. Wang Jian Sheng
Mr. Chan Chun Keung
Mr. Tsang Kwok Wai

PRINCIPAL BANKERS

Bank of Communications
Bank of Beijing

SHARE REGISTRARS

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Suite 5606
56th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

STOCK CODE: 605

WEBSITE

www.cfsh.com.hk

FINANCIAL HIGHLIGHTS

The Board of Directors (the “Board”) 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 2012 (the “Reporting Period”) together with the comparative figures.

- Revenue for the Reporting Period was approximately HK\$285.1 million, which represents an increase of approximately 105.4%;
- Net profit attributable to owners of the Company for the Reporting Period was about HK\$87.4 million;
- Earnings per share were approximately HK2.92 cents (2011: HK0.32 cent) for the six months ended 30 June 2012; and
- The Directors do not recommend payment of dividend for the six months ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a total solutions provider that offers a wide range of short-term financing services to accommodate different customers' needs. Our services offered to individual & small-to-medium enterprise ("SME") customers include pawn loan services, entrusted loan services, loan guarantees, financial consultancy and loan management services.

The expansion of businesses and various commercial activities in the People's Republic of China ("PRC") have created a growing demand for funding. SMEs play an irreplaceable role in creating jobs and boosting economic growth but are facing difficulties in obtaining sufficient funds due to credit tightening. SMEs create 80 per cent of the nation's jobs and produce 60 per cent of its industrial output, and have long complained about difficulties in securing loans from state-owned banks. Traditionally SMEs do not have the same access to funding from state-owned banks as enjoyed by major state-owned enterprises, and so they often lack the track record to obtain credit from state-owned banks. Even with the required collateral, the loan approval process is time consuming and may take more than one month while SMEs and individuals often need cash at short notice. It is estimated that the total funding needs of SMEs in Beijing may reach RMB300 billion but banks could only grant up to 30% of the said amount. Although the government has ordered banks to make new loans to SMEs, reduced their cost of borrowing and allowed a higher non-performing loan ratio, alternative financing providers, such as the Group, is playing an increasingly important role as we assist SMEs by providing more speedy, convenient and efficient services.

The Group provides alternative financing to SMEs and individuals by three different kinds of licences, namely pawn loan licence, small credit licence and loan guarantee licence. The project executive of the operation department would meet with the potential customer to understand his/her financing needs and then recommend the suitable loan/guarantee package to him/her. In general, every application shall be supported by collateral with loan-to-value ratio of no more than 60%. For real estate collateral, borrowers are required to sign a notarized enforceable court execution order, which is enforceable immediately upon default, allowing us to foreclose the collateral without any prolonged litigation. A risk assessment and credit approval committee has been set up to review and exercise effective risk monitoring measures. The operation department performs checking on each customer at least quarterly to identify any significant potential credit risk where irregularity is noted, in which event the risk control department will take remedial actions, such as extending repayment terms, selling the rights outright to other interested third parties in the market or taking legal action against the customer and gain control. Although there was slowdown in growth of GDP as the government proactively controlled the growth rate, the funding demand of SMEs and individuals is still very strong and there is much room to accommodate the market demand to the best extent. The Board is confident that the short-term financing business will be a growth driver of the Group.

Financial Review

Revenue and Net Profit

For the six months ended 30 June 2012, the Group's revenue was about HK\$285.1 million (2011: HK\$138.8 million), an increase of about 2.05 times as compared with the corresponding figure of the last year. Net profit after tax attributable to owners of the Company was approximately HK\$87,388,000 (2011: HK\$5,890,000), an increase of about 14.8 times as compared with the corresponding figure of the last year.

Retail Business

Currently, the Group has about 183 convenience store outlets in Beijing city. Turnover generated from retail business for the Reporting Period amounted to approximately HK\$140,360,000 (2011: HK\$118,920,000), an increase of about 1.18 times as compared with the corresponding figure of the last year.

Alternative Financing Business

Turnover generated from alternative financing business for the Reporting Period amounted to approximately HK\$144,746,000 (2011: HK\$19,825,000), an increase of about 7.3 times as compared with the corresponding figure of the last year. During the Reporting Period, revenue generated from direct advances to customers amounted to approximately HK\$143,764,000 while revenue generated from loan guarantee services amounted to approximately HK\$982,000. Guarantee income is recognized over the life of guarantee contracts. As at 30 June 2012, the deferred income was approximately HK\$1,426,000, which would be recognized in the forthcoming 18 months.

As at 30 June 2012, the Group managed direct advances to customers and loan guarantees in an amount of approximately HK\$906,771,000 and HK\$139,692,000 respectively, exceeding HK\$1,046 million in aggregate. An analysis by major category of SME customers is shown below:

SME Customers	% on loans receivable balances	% on outstanding loan guarantees
Property development & construction companies	16.6	6.2
Services companies and retail suppliers	32.6	58.7
High technology companies	6.6	14.0
Manufacturing and processing companies	12.0	21.1
Commercial property management companies	32.2	–



Financial Resources and Capital Structure

The Group maintains a healthy cash position and sufficient capital for business development. As at 30 June 2012, current assets of the Group comprised cash and bank balances of approximately HK\$153,822,000, security deposits of HK\$24,533,000, short-term loans receivable of approximately HK\$906,771,000, accounts and interests receivable of HK\$41,671,000, other receivables, deposits and prepayments of approximately HK\$78,932,000, and inventories of approximately HK\$27,517,000. Non-current assets mainly comprised goodwill of about HK\$622,703,000 and available-for-sale investments of approximately HK\$58,207,000. Current liabilities mainly comprised accounts payable of approximately HK\$74,011,000, deferred income and liabilities arising from loan guarantee contracts of about HK\$3,912,000, other payables, deposits received and accrual of approximately HK\$221,318,000, tax payable of approximately HK\$28,009,000 and short-term bank loans of about HK\$18,499,000.

Liquidity and Gearing Ratio

The Group maintains a healthy liquidity position. As at 30 June 2012, the current ratio of the Group was 3.8 times. The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings divided by total equity. As at 30 June 2012, the gearing ratio was about 0.01.

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.

Employee and Remuneration Policies

As at 30 June 2012, the Group had approximately 1,460 employees in PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group has also set up a share option scheme for the purpose of providing incentives to eligible employees. For the Reporting Period, total staff costs were about HK\$33,485,000.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) for the six months ended 30 June	
	Note	2012 HK\$'000	2011 HK\$'000
Turnover	6	285,106	138,820
Cost of sales		(107,188)	(89,626)
Gross profit		177,918	49,194
Other revenue	6	22,135	17,348
Other net income	6	11,472	3,361
Selling and distribution expenses		(42,162)	(36,430)
Administrative expenses		(45,263)	(23,181)
Finance costs		(1,508)	(726)
Profit before taxation	7	122,592	9,566
Income tax	8	(34,441)	(3,143)
Profit for the period		88,151	6,423
Other comprehensive income:			
Exchange differences on translating of financial statements of overseas subsidiaries		(4,175)	4,023
Transfer to statement of comprehensive income for disposal of available-for-sale financial assets		(2,930)	849
Other comprehensive income for the period		(7,105)	4,872
Total comprehensive income for the period		81,046	11,295

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		14,553	11,368
Intangible assets		378	385
Goodwill	11	622,703	622,703
Available-for-sale investments		58,207	65,348
		695,841	699,804
Current assets			
Accounts receivable	13	34,304	8,012
Interests receivable	13	7,367	6,283
Short term loans receivable	12	906,771	809,596
Financial assets at fair value through profit or loss		–	3,898
Inventories		27,517	20,777
Other receivables, deposits and prepayments		78,932	38,610
Security deposits		24,533	18,503
Tax recoverable		3,705	268
Cash and cash equivalents		153,822	187,239
		1,236,951	1,093,186
Asset classified as held-for-sale	10	73,959	73,959
		1,310,910	1,167,145
Current liabilities			
Tax payable		28,009	35,011
Accounts payable	14	74,011	45,605
Other payables, deposits received and accruals		221,318	143,569
Deferred income		1,426	16,275
Liabilities arising from loan guarantee contracts		2,486	1,851
Short term bank loans – secured	15	–	49,175
Short term bank loans – unsecured	15	18,499	–
		345,749	291,486
Net current assets		965,161	875,659
Total assets less current liabilities		1,661,002	1,575,463

	<i>Note</i>	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Non-current liabilities			
Deferred tax liabilities	16	12,678	8,185
		12,678	8,185
NET ASSETS		1,648,324	1,567,278
Equity			
Share capital	17	299,700	299,700
Reserves		1,316,919	1,236,648
Total equity attributable to owners of the Company		1,616,619	1,536,348
Non-controlling interests		31,705	30,930
TOTAL EQUITY		1,648,324	1,567,278

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$ '000	Share premium HK\$ '000	Share-based compensation reserve HK\$ '000	Other comprehensive income		Statutory surplus reserve HK\$ '000	Retained earnings HK\$ '000	Attributable to owners of the Company HK\$ '000	Non-controlling interests HK\$ '000	Total HK\$ '000
				Exchange fluctuation reserve HK\$ '000	Fair value reserve HK\$ '000					
At 1 January 2010	172,590	287,362	16,914	11,192	9,014	1,104	238,657	736,833	104,216	841,049
Exchange adjustment	-	-	-	7,639	-	-	-	7,639	932	8,571
Profit for the year	-	-	-	-	-	-	25,355	25,355	6,791	32,146
Fair value adjustment for financial assets	-	-	-	-	(6,724)	-	-	(6,724)	-	(6,724)
Total comprehensive income	-	-	-	7,639	(6,724)	-	25,355	26,270	7,723	33,993
Shares issued under share option scheme	2,010	3,125	(2,369)	-	-	-	-	2,766	-	2,766
Decrease in non-controlling interests arising from disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	(103,626)	(103,626)
Decrease in exchange fluctuation reserve arising from disposal of interest in a subsidiary	-	-	-	(7,335)	-	-	-	(7,335)	-	(7,335)
Decrease in statutory surplus reserve arising from disposal of interest in a subsidiary	-	-	-	-	-	(493)	-	(493)	-	(493)
Equity settled share-based transactions	-	-	7,788	-	-	-	-	7,788	-	7,788
At 31 December 2010 and 1 January 2011	174,600	290,487	22,333	11,496	2,290	611	264,012	765,829	8,313	774,142
Exchange adjustment	-	-	-	18,169	-	-	-	18,169	269	18,438
Profit for the year	-	-	-	-	-	-	57,302	57,302	2,073	59,375
Fair value adjustment for financial assets	-	-	-	-	(5,041)	-	-	(5,041)	-	(5,041)
Transfer to reserve	-	-	-	-	-	8,576	(8,576)	-	-	-
Total comprehensive income	-	-	-	18,169	(5,041)	8,576	48,726	70,430	2,342	72,772
Share issued through acquisition of subsidiaries	125,000	574,980	-	-	-	-	-	699,980	-	699,980
Increase in non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	20,153	20,153
Equity settled share-based transactions	100	475	(216)	-	-	-	-	359	-	359
Application of white wash waiver	-	(250)	-	-	-	-	-	(250)	-	(250)
Pre-acquisition dividend	-	-	-	-	-	-	-	-	122	122
As 31 December 2011	299,700	865,692	22,117	29,665	(2,751)	9,187	312,738	1,536,348	30,930	1,567,278
Balance at 1 January 2012 (Audited)	299,700	865,692	22,117	29,665	(2,751)	9,187	312,738	1,536,348	30,930	1,567,278
Change in equity for the six months ended 30 June 2012:										
Exchange adjustment	-	-	-	(4,187)	-	-	-	(4,187)	12	(4,175)
Profit for the period	-	-	-	-	-	-	87,388	87,388	763	88,151
Fair value adjustment for financial assets	-	-	-	-	(2,930)	-	-	(2,930)	-	(2,930)
Total comprehensive income	-	-	-	(4,187)	(2,930)	-	87,388	80,271	775	81,046
As 30 June 2012	299,700	865,692	22,117	25,478	(5,681)	9,187	400,126	1,616,619	31,705	1,648,324

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(433)	(183,708)
Net cash inflow from investing activities	3,375	162,912
Net cash outflow from financing activities	(32,184)	(23,618)
Decrease in cash and cash equivalents	(29,242)	(44,414)
Effect of foreign exchange rate changes	(4,175)	3,333
Cash and cash equivalents at beginning of period	187,239	339,954
Cash and cash equivalents at end of period	153,822	298,873
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	153,822	298,873
	153,822	298,873

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale or as financial assets at fair value through profit or loss, which are measured at revalued amounts or fair values, as appropriate.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

New/revised HKFRS not adopted

The Group has not early applied any of the following new and revised Standard or Amendments that have been issued but are not yet effective.

New standards and amendments		Effective for accounting periods beginning on or after
HKFRS 7 Amendment	Disclosures – offsetting Financial Assets and Financial Liabilities	1st January 2013
HKFRS 9	Financial Instruments	1st January 2013
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurements	1st January 2013
HKAS 1 Amendment	Presentation of Financial Statements	1st July 2012
HKAS 19 Amendment	Employee Benefits	1st January 2013
HKAS 27 Amendment	Separate Financial Statement	1st January 2013
HKAS 28 Amendment	Investments in Associate and Joint Ventures	1st January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Consolidated Financial statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transaction Guidance	1st January 2013
HK (IFRIC)-INT 20	Stopping Costs in the Production Phase of a Surface Mine	1st January 2013
Annual Improvements 2009-2011 Cycle	Amendments to a Number of HKFRSs Contained in Annual Improvements 2009-2011 Cycle Issued in June 2012	1st January 2013

The Group has not early adopted the above standards and amendments and is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. FINANCIAL RISK MANAGEMENT

The Group is exposed to a number of financial risks through the normal course of business. In the view of the Board, all aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual accounts for the year ended 31 December 2011.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied in the preparation of the unaudited condensed interim financial information are consistent with those used in the annual accounts for the year ended 31 December 2011.

5. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports which provide information about components of the Group.

These information are reported to and reviewed by the Board of Directors, the chief operating decision-makers, for the purposes of resource allocation and performance assessment.

The Group has presented the segment information by the following categories. These segments are managed separately.

1. *Retail business*
2. *Alternative financing business*

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Segment revenue, results, assets and liabilities mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(a) *An analysis of the Group's revenue and results by operating segments is as follows:*

Six months ended 30 June

	Retail business		Alternative financing business		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue from external customers	140,360	118,920	131,760	16,290	272,120	135,210
Interest revenue	–	75	12,986	3,535	12,986	3,610
Reportable segment revenue	140,360	118,995	144,746	19,825	285,106	138,820
Reporting segment profit before taxation	809	2,465	126,561	11,778	127,370	14,243
Reportable segment assets	141,966	280,588	1,717,619	1,167,793	1,859,585	1,448,381
Reportable segment liabilities	(93,903)	(52,424)	(263,823)	(26,106)	(357,726)	(78,530)

5. SEGMENTAL INFORMATION (continued)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	(Unaudited) Six months ended 30 June 2012 HK\$'000	2011 HK\$'000
Revenue		
Reportable segments' revenue	285,106	138,820
Consolidated revenue	285,106	138,820
Profit		
Reportable segments' profit derived from Group's external customers	127,370	14,243
Unallocated other revenue and income	12,462	7,606
Unallocated head office and corporate expenses	(17,240)	(12,283)
Consolidated profit before taxation	122,592	9,566
Assets		
Reportable segments' assets	1,859,585	1,448,381
Unallocated head office and corporate assets	73,207	188,347
Investment property	–	73,959
Assets classified as held-for-sale	73,959	–
Consolidated total assets	2,006,751	1,710,687
Liabilities		
Reportable segments' liabilities	(357,726)	(78,530)
Unallocated head office and corporate liabilities	(701)	(128,466)
Consolidated total liabilities	(358,427)	(206,996)

(c) Geographical Information

The geographical location of customers is based on the location at which the goods or services are delivered.

Substantially, all of the Group's revenue from external customers, non-current assets and capital expenditure are located in PRC, no analysis on revenue from external customers and non-current assets by location are presented.

(d) Information about major customers

The Group has a very wide customer base, no single customer contributed more than 10% of the Group's revenue for each of the period ended 30 June 2011 and 2012.

6. TURNOVER, OTHER REVENUE AND OTHER NET INCOME

The Group's turnover, other revenue and other net income for the Reporting Period arose from the following activities:

	(Unaudited) For the six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 HK\$'000
Turnover		
Convenience store chain operations	140,360	118,920
Interest income on provision of short term financing service	12,986	3,610
Financing consultancy service income	130,778	16,285
Loan guarantee service income	982	5
	285,106	138,820
Other revenue		
Dividend income	458	613
Bank interest income	532	11
Gross rental income from investment property	–	3,621
Gross rental income from leasing of premises	4,983	1,561
Promotion and store display income from suppliers	16,162	11,542
	22,135	17,348
Other net income		
Change in fair value of financial assets at fair value through profit or loss, net	738	395
Gain on disposal of fixed assets	495	–
Gain on realisation of share options	47	397
Gain on sales of available-for-sale financial assets	2,475	1,970
Exchange gain, net	–	(110)
Income from government subsidies	768	–
Others	6,949	556
Other interest income	–	153
	11,472	3,361

7. PROFIT BEFORE TAXATION

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

	(Unaudited) For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Auditor's remuneration	613	480
Amortisation of intangible assets	9	9
Cost of inventories sold	107,188	89,626
Depreciation	1,105	255
Operating lease payments	24,594	14,849
Staff cost	33,485	22,913

8. INCOME TAX

	(Unaudited) For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current Taxation		
Hong Kong profits tax (under provision in previous years)	–	–
PRC enterprise income tax	29,947	3,143
Deferred taxation	4,494	–
Tax charge for the period	34,441	3,143

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated net assessable profits for the Reporting Period.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2011: 25%).

Taxes on profits assessable other than Hong Kong have been calculated at the rates of tax prevailing in the places in which the Group operates based on existing legislation, practices and interpretations thereof.

Deferred tax assets in respect of the unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Group has not recognised the deferred tax assets in respect of the tax losses of HK\$60,221,000 (31 December 2011: HK\$54,253,000) due to unpredictability to future profit streams. The unrecognised tax losses, mainly arising from companies incorporated in Hong Kong, can be carried forward indefinitely.

9. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	(Unaudited)	
	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit attributable to owners of the Company)	87,388	5,890
	Number of shares	
Number of shares:		
Issued ordinary shares at 1 January	2,997,002,336	1,746,002,336
Shares issued under share option scheme	–	1,000,000
Share issued pursuant to acquisition	–	1,250,000,000
	2,997,002,336	2,997,002,336
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,997,002,336	1,843,586,843

b) Diluted earnings per share

The calculation of diluted earnings per share is based on the weighted average number of shares in issue adjusted for the potential dilutive effect caused by the share options granted under the share options scheme assuming they were fully exercised.

	2012	2011
Weighted average number of shares (diluted):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,997,002,336	1,843,586,843
Effect of deemed issue of shares under the Company's share options scheme	2,712,720	5,167,921
Weighted average number of ordinary share (diluted)	2,999,715,056	1,848,754,764

10. ASSET CLASSIFIED AS HELD-FOR-SALE

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Investment property	73,959	73,959

The disposal transaction of the investment property located at No. 88, Xi San Wan Road North, Hai Ding District, Beijing was completed in July 2012. The investment property was revalued at RMB63 million (equivalent to approximately HK\$74 million) on 31 October 2011, which was equivalent to the consideration of the disposal.

Since the disposal transaction has not yet been completed at the end of the reporting period, the property was still classified as held-for-sale at the financial position date.

11. GOODWILL

	<i>HK\$'000</i>
Cost	
At 1 January 2012 (audited)	622,703
At 30 June 2012 (unaudited)	622,703
Accumulated impairment	
At 1 January and 30 June 2012	—
Carrying amount	
At 30 June 2012 (unaudited)	622,703

11. GOODWILL (continued)

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to business segments as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Alternative Financing		
Balance brought forward	<u>622,703</u>	<u>622,703</u>
Carrying amount End of the Reporting Period	<u>622,703</u>	<u>622,703</u>

Impairment tests for cash-generating units containing goodwill

The goodwill arose from acquisition of additional interest in a subsidiary, K.P. Financial Group Limited and is allocated to the Group's cash generating unit ("CGU") identified in short-term financing operation.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to service charges and direct costs during the year. Management estimates the discount rate using pretax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in service charges and direct costs are based on past practices and expectations of future changes in the market.

During the period, the Group performed an impairment review for goodwill based on cash flow forecasts derived from the respective most recent financial budget for the next five years approved by management using a pre-tax discount rate of 29.69% (2011: 29.69%) which reflects the current market assessments of the time value of money and the risks specific to the CGU. The growth rate per annum is approximately 0% (2011: 0%) in light of the Group's industry growth forecast. This growth rate does not exceed the average long term growth rate for the relevant industry.

Based on the impairment tests performed, the recoverable amount of the CGU is higher than its carrying amount based on value-in-use calculation. Accordingly, no impairment loss is recognised for the year (2011: Nil).

12. SHORT TERM LOANS RECEIVABLE

The following is an aging analysis of the Group's short term loans receivable or advances provided to customers:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 1 month or on demand	275,438	103,416
More than 1 month but less than 3 months	248,313	59,661
More than 3 months	386,084	648,087
Allowance for doubtful debts	(3,064)	(1,535)
Exchange adjustment	–	(33)
	906,771	809,596

The Group offers loans secured by tangible personal property, such as real estates, merchandise, commonly known as short term loans. A typical short term loan generally has a term of 30 days to 360 days.

The Group has set up a risk management team responsible for the evaluation of customers' credit rating to ensure that all customers have healthy financial background and adequate repayment abilities. Management has set up the credit limits of the managers of each operation departments. Any further extension of credit beyond these approved limits has to be first approved by credit approval committee and then by the executive directors of the Group. The risk management team are also required to take follow-up action where customers have defaulted on the repayment of loans to banks and on the repayment of advances from the Group. Management considers the receivable that is neither past due nor impaired to be of good credit quality.

13. ACCOUNTS RECEIVABLE & INTERESTS RECEIVABLE

Accounts receivable represent the financing consultancy fee income not yet received during the Reporting Period. All the accounts receivable and interests receivable will be settled according to contract terms and are expected to be recovered within one year. The carrying amount of accounts and interests receivable approximate to their fair values.

14. ACCOUNTS PAYABLE

The aging analysis of the Group's accounts payable is analysed as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Outstanding balances with ages:		
Due within 1 month or on demand	44,604	28,574
Due after 1 month but within 3 months	29,407	17,031
	74,011	45,605

Note:

Accounts payable are interest free and are normally settled on 90-day terms.

The carrying amounts of accounts payable approximate to their fair values due to their short maturity and measured at amortised cost.

15. BANK BORROWINGS

At the end of the Reporting Period, all the bank loans of the Group, which were all obtained in PRC and denominated in RMB, are listed as follows:

	Group	
	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 1 year or on demand		
Bank loans – secured	–	49,175
Bank loans – unsecured	18,499	–
	–	49,175
After 1 year but within 5 years		
Bank loans – secured	–	–
	18,499	49,175

16. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the period are as follows:

	Revaluation of investment property <i>HK\$'000</i>	Withholding tax on undistributed profit of subsidiaries in PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012 (Audited)	4,202	3,982	8,184
Charge to profit or loss	—	4,494	4,494
At 30 June 2012 (Unaudited)	<u>4,202</u>	<u>8,476</u>	<u>12,678</u>

Under the PRC Enterprise Income Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

17. SHARE CAPITAL

	30 June 2012 (Unaudited)		31 December 2011 (Audited)	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised				
Ordinary share of HK\$0.10 each	<u>4,000,000,000</u>	<u>400,000</u>	<u>4,000,000,000</u>	<u>400,000</u>
Issued and fully paid				
At 31 December 2011 and 1 January 2012	<u>2,997,002,336</u>	<u>299,700</u>		
At 30 June 2012	<u>2,997,002,336</u>	<u>299,700</u>		

18. OPERATING LEASE COMMITMENT

(a) *As lessor*

The Group leases its shop premises of convenience store chain operation and golf club membership under operating lease arrangements, with leases negotiated for terms of one to five years for shop premises of convenience store chain operation and one to two years for golf club membership. The terms of the leases generally also require the lessees to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At the statement of financial position date, the Group had total future minimum lease receivables under non-cancellable operating leases with its lessees falling due as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	2,688	11,248
In the second to fifth years, inclusive	662	23,064
After the fifth year	37	9,238
	3,387	43,550

18. OPERATING LEASE COMMITMENT (continued)

(b) As lessee

The Group leases certain of its office properties, director's quarter and shop premises of convenience store chain operation under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years.

At the statement of financial position date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	43,231	36,369
In the second to fifth years, inclusive	75,691	54,937
After the fifth year	14,878	11,484
	133,800	102,790

19. RELATED PARTY TRANSACTIONS

For the six months period, the Group had the following significant transaction with related parties:

Compensation of key management personnel of the Group

	(Unaudited) For the six months ended 30 June 2012 HK\$'000	2011 HK\$'000
Salaries, allowances and other benefits	1,859	2,039
Pension scheme contribution	6	6
	1,865	2,045



20. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Reporting Period (2011: Nil).

21. 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 2012.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2012, the following Directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Long Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital
Cheung Siu Lam	Beneficial owner of 1,710,044,240 ordinary shares and 11,000,000 underlying shares, family interest of 236,108,000 ordinary shares and 11,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,032,552,240	22,000,000	68.55%
Lo Wan	Beneficial owner of 236,108,000 ordinary shares and 11,000,000 underlying shares, family interest of 1,710,044,240 ordinary shares and 11,000,000 underlying shares (Note 4) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,032,552,240	22,000,000	68.55%
Chan Yuk Ming	Beneficial owner	10,000,000	12,000,000	0.73%
Tao Ye	Beneficial owner		7,000,000	0.23%

Notes:

1. The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.
2. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 236,108,000 ordinary shares and 11,000,000 underlying shares held by Lo Wan.
3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
4. By virtue of the SFO, Lo Wan is deemed to be interested in 1,710,044,240 ordinary shares and 11,000,000 underlying shares held by Cheung Siu Lam.

Long Positions in Shares and Underlying Shares of Associated Corporation

Name of Director	Name of Associated Corporation	Approximate Percentage
Cheung Siu Lam	K.P.I. Convenience Retail Company Limited	28%

Save as disclosed above, none of the Directors nor the chief executives of the Company or any of their associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed under the section headed "Directors' Interests and Short Positions in the Securities of the Company and its Associated Corporations", the Directors were not aware of any other person who had, or was deemed to have, interests or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

SHARE OPTION

The Company adopted a new share option scheme on 7 June 2004 (the “New Scheme”) whereby the directors of the Company are authorised, at their discretion, to invite any eligible employee, executive directors, non-executive directors and independent non-executive directors, any shareholder of any member of the Group, any supplier and customer of the Group and any technical, financial and legal professional adviser of the Group, to take up options to subscribe for shares of the Company.

During the Reporting Period, no share options were granted. A summary of the movement of the share options granted under the New Scheme are as follows:

Director	Date of offer	Exercise price	Outstanding at 1.1.2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2012	Exercise period	Closing price of the securities immediately before the date on which the options were offered
		HK\$							HK\$
Cheung Siu Lam	04.10.07	0.479	10,000,000	-	-	-	10,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	1,000,000	-	-	-	1,000,000	22.10.10 – 21.10.20	0.360
Lo Wan	04.10.07	0.479	10,000,000	-	-	-	10,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	1,000,000	-	-	-	1,000,000	22.10.10 – 21.10.20	0.360
Chan Yuk Ming	04.10.07	0.479	10,000,000	-	-	-	10,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	2,000,000	-	-	-	2,000,000	22.10.10 – 21.10.20	0.360
Tao Ye	04.10.07	0.479	5,000,000	-	-	-	5,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	2,000,000	-	-	-	2,000,000	22.10.10 – 21.10.20	0.360
Employees in aggregate	04.10.07	0.479	28,000,000	-	-	-	28,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	28,000,000	-	-	-	28,000,000	22.10.10 – 21.10.20	0.360

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the Reporting Period, except for code provisions A.1.1, A.1.8, A.2.1 and A.6.1:

Code Provision A.1.1

Code provision A.1.1 stipulates that at least 4 regular Board meetings a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary.

Code Provision A.1.8

Code provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors.

There is no arrangement in place for providing insurance cover to the directors in respect of legal action against them. The Company would provide the said insurance cover to the directors in the near future.

Code Provision A.2.1

Code provision A.2.1 stipulates that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Board considers that the responsibilities of the Chairman and Chief Executive Officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Code Provision A.6.1

Code provision A.6.1 stipulates that every newly appointed director of the issuer should receive a comprehensive, formal and tailored induction on his first appointment, and subsequently such briefing and professional development as is necessary to ensure that he has a proper understanding of operations and business of the issuer and his responsibilities under statute, common law, Listing Rules, applicable legal requirements and other regulatory requirements and the business/governance policies of the issuer.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own Code of Conduct, which laid down terms no less exacting than those set out in Appendix 10 of the Listing Rules, regarding directors' transactions in securities of the Company. The Company has made specific enquiry of all the directors and the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers throughout the Reporting Period.

The Company also has established written guidelines on no less exacting terms 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, which comprises three independent non-executive directors, has reviewed the interim results for six months ended 30 June 2012. The Audit Committee considered that the interim financial report for the Reporting Period is in compliance with the relevant financial reporting standards, requirement on 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 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 controls system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

On behalf of the Board
Cheung Siu Lam
Chairman

Hong Kong, 27 August 2012