中金投集团
China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 605)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Percentage
	2012	2011	change
	HK$'000	*HK$'000*	*%*
		(Restated)	
Turnover	**300,601**	117,677	**155.4**
Profit for the year attributable to owners of the Company	**254,039**	57,302	**343.3**
Basic earnings per share *(HK cents)*	**8.476**	2.373	**257.2**
Cash and cash equivalents	**313,460**	187,239	**67.4**
Bank loans and short-term borrowings	**332,769**	49,175	**576.7**
Current ratio *(Note)*	**3.1**	4.0	**(22.5)**

Note:

The calculation of current ratio (times) is based on total current assets divided by total current liabilities as at 31 December.

The board of directors (the "Board") of China Financial Services Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012, together with the comparative audited consolidated figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000* (Restated)
Continuing operations			
Turnover	*4*	**300,601**	117,677
Other revenue	*4*	**14,867**	10,105
Other net income	*4*	**19,093**	5,288
Administrative expenses		**(72,891)**	(55,342)
Profit from operations		**261,670**	77,728
Finance costs	*5*	**(8,245)**	(1,415)
Profit before taxation from continuing operations	*6*	**253,425**	76,313
Income tax	*7*	**(68,218)**	(23,357)
Profit for the year from continuing operations		**185,207**	52,956
Discontinued operations			
Profit for the year from discontinued operations		**2,208**	6,419
Gain on disposal of a subsidiary		**68,234**	–
		70,442	6,419
Profit for the year		**255,649**	59,375

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Other comprehensive (loss)/income, net of nil income tax			
Exchange differences on translation of financial statements of overseas subsidiaries		**(13,007)**	18,438
Change in fair value of available-for-sale financial assets		**3,336**	(5,041)
Other comprehensive (loss)/income for the year, net of nil income tax		**(9,671)**	13,397
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**245,978**	72,772
Profit for the year attributable to:			
Owners of the Company		**254,039**	57,302
Non-controlling interests		**1,610**	2,073
		255,649	59,375
Profit attributable to owners of the Company			
– Continuing operations		**184,215**	52,680
– Discontinued operations		**69,824**	4,622
		254,039	57,302
Total comprehensive income attributable to:			
Owners of the Company		**244,175**	70,430
Non-controlling interests		**1,803**	2,342
		245,978	72,772
Total comprehensive income attributable to owners of the Company			
– Continuing operations		**174,351**	65,808
– Discontinued operations		**69,824**	4,622
		244,175	70,430

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Earnings per share *(in HK cent)*	*9*		
From continuing and discontinued operations			
– Basic		**HK8.476 cents**	HK2.373 cents
– Diluted		**HK8.453 cents**	HK2.367 cents
From continuing operations			
– Basic		**HK6.147 cents**	HK2.182 cents
– Diluted		**HK6.129 cents**	HK2.176 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**10,732**	11,368
Intangible assets		**–**	385
Goodwill		**622,703**	622,703
Available-for-sale investments		**55,359**	65,348
		688,794	699,804
Current assets			
Inventories		**–**	20,777
Forfeited collateral held for sale		**638**	–
Accounts receivable	*10*	**25,388**	8,012
Consideration receivable from disposal of a subsidiary		**61,543**	–
Interests receivable	*11*	**5,533**	6,283
Short-term loans receivables	*12*	**1,071,318**	809,596
Financial assets at fair value through profit or loss		**–**	3,898
Other receivables, deposits and prepayments		**210,967**	38,610
Security deposits	*13*	**10,923**	18,503
Tax recoverable		**–**	268
Cash and cash equivalents		**313,460**	187,239
		1,699,770	1,093,186
Assets classified as held-for-sale	*14*	**–**	73,959
		1,699,770	1,167,145
Current liabilities			
Accounts payable	*15*	**–**	45,605
Other payables, deposits received and accruals		**189,652**	143,569
Deferred income	*16*	**–**	16,275
Short-term borrowings		**308,103**	–
Bank loans		**3,700**	49,175
Liabilities arising from loan guarantee contracts		**1,111**	1,851
Tax payable		**44,177**	35,011
		546,743	291,486
Net current assets		**1,153,027**	875,659
Total assets less current liabilities		**1,841,821**	1,575,463
Non-current liabilities			
Bank loans		**20,966**	–
Deferred tax liabilities		**10,964**	8,185
		31,930	8,185
NET ASSETS		**1,809,891**	1,567,278

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Share capital		**299,700**	299,700
Reserves		**1,480,823**	1,236,648
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,780,523**	1,536,348
Non-controlling interests		**29,368**	30,930
TOTAL EQUITY		**1,809,891**	1,567,278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

				Other comprehensive income						
	Share capital	**Share premium**	**Share-based compensation reserve**	**Exchange fluctuation reserve**	**Fair value reserve**	**Statutory surplus reserve**	**Retained earnings**	**Attributable to owners of the Company**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 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)
Total comprehensive income	–	–	–	18,169	(5,041)	–	57,302	70,430	2,342	72,772
Transfer to reserve	–	–	–	–	–	8,576	(8,576)	–	–	–
Shares issued through acquisition of subsidiaries	125,000	574,980	–	–	–	–	–	699,980	–	699,980
Increase in non-controlling interests arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	20,153	20,153
Equity settled share-based transactions	100	475	(216)	–	–	–	–	359	–	359
Expense incurred on issuing of new shares	–	(250)	–	–	–	–	–	(250)	–	(250)
Pre-acquisition dividend	–	–	–	–	–	–	–	–	122	122
As 31 December 2011 and 1 January 2012	299,700	865,692	22,117	29,665	(2,751)	9,187	312,738	1,536,348	30,930	1,567,278
Exchange adjustment	–	–	–	(13,200)	–	–	–	(13,200)	193	(13,007)
Profit for the year	–	–	–	–	–	–	254,039	254,039	1,610	255,649
Fair value adjustment	–	–	–	–	3,336	–	–	3,336	–	3,336
Total comprehensive income	–	–	–	(13,200)	3,336	–	254,039	244,175	1,803	245,978
Pre-acquisition dividend paid	–	–	–	–	–	–	–	–	(778)	(778)
Transfer to reserve	–	–	–	–	–	8,773	(8,773)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(2,587)	(2,587)
As 31 December 2012	299,700	865,692	22,117	16,465	585	17,960	558,004	1,780,523	29,368	1,809,891

Notes:

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Amendments to HKFRS 7, Financial Instruments – Disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and several new standards and Interpretations which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which have may be relevant to the Group.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guildance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised on 2011)	Separate Financial Statements[1]
HKAS 28 (as revised on 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]

[1] *Effective for annual periods beginning on or after 1 January 2013.*

[2] *Effective for annual periods beginning on or after 1 January 2014.*

[3] *Effective for annual periods beginning on or after 1 January 2015.*

[4] *Effective for annual periods beginning on or after 1 July 2012.*

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. SEGMENTAL INFORMATION

a) *Operating segment information*

The operation of convenience store was discontinued in the current year.

The Group engaged in a single type business of provision of short-term financing services. Accordingly, no operating segment information is presented.

b) *Geographical Information*

The geographical location of customers is based on the location at which the goods are delivered and services are rendered. Substantially, all of the Group's revenue from external customers, non-current assets and capital expenditure are located in the People's Republic of China ("PRC"), no analysis on revenue from external customers and non-current assets by location are presented.

c) *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 years ended 31 December 2011 and 2012.

4. TURNOVER, OTHER REVENUE AND OTHER NET INCOME

The Group's turnover, other revenue and other net income for the year arose from continuing operations of the following activities:

	Group	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Turnover		
Interest income on provision of short-term financing service	**21,378**	20,166
Loan guarantee service income	**2,612**	1,099
Financing consultancy service income	**276,611**	96,412
	300,601	117,677
Other revenue		
Bank interest income, being total interest income on financial assets not at fair value through profit or loss	**1,039**	1,415
Rental receivable from operating leases, less direct outgoings of Nil (2011: Nil)	**8,138**	7,751
Dividend income from listed investments	**1,274**	939
Income from government subsidies	**4,416**	–
	14,867	10,105
Other net income		
Gain on disposal of available-for-sale financial assets	**5,239**	3,191
Others	**7,561**	2,097
Gain on disposal of property, plant and equipment	**6,189**	–
Exchange gain, net	**104**	–
	19,093	5,288

5. FINANCE COSTS

	Group	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest expense on bank loans, bank overdrafts and other loans repayable within five years, being total interest expense on financial liabilities not at fair value through profit or loss	**8,245**	1,415

6. PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

The Group's profit from continuing operations before taxation is arrived at after charging (crediting):

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Depreciation	**4,087**	760
Operating lease payments – land and buildings	**6,410**	32,592
Auditors' remuneration	**1,235**	1,008
Written off of property, plant and equipment	**–**	202
Reversal of impairment loss for short-term loans receivables	**(35)**	–
Impairment loss for short-term loans receivables	**366**	1,535
Staff costs (including directors' remuneration):		
Salaries, allowances and other benefits	**18,785**	14,626
Pension scheme contribution	**2,453**	997
	21,238	15,623

7. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

Income tax in the consolidated statement of comprehensive income represents:

	Group	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Current tax		
PRC Enterprise Income tax	**57,281**	20,076
Under-provision/(over-provision) of PRC Enterprise Income Tax in prior years	**309**	(701)
Deferred tax		
Current year	**10,628**	3,982
Tax charge	**68,218**	23,357

8. DIVIDEND

The directors recommend the payment of a dividend of HK1 cent per share for the year ended 31 December 2012 (2011: Nil).

9. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**254,039**	57,302

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,997,002,336**	2,414,605,075
Effect of deemed issue of shares under the Company's share options scheme	**8,448,926**	5,902,353
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,005,451,262**	2,420,507,428

From continuing operations

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

Earnings figures are calculated as follows:

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit for the year attributable to owners of the Company	**254,039**	57,302
Adjustment for profit for the year from discontinued operations	**(69,824)**	(4,622)
Earnings for the purpose of basic earnings per share from continuing operations attributable to owners of the Company	**184,215**	52,680

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations attributable to owners of the Company is earnings of HK2.329 cent per share (2011: HK0.191 cents per share) and diluted earnings per share for the discontinued operations attributable to owners of the Company is profit of HK2.324 cent per share (2011: of HK0.191 cents per share), based on the profit for the year from the discontinued operations of the Company of profit of HK$69.82 million (2011: HK$4.62 million) and the denominators detailed above for both basic and diluted earnings per share.

10. ACCOUNTS RECEIVABLE

	Group	
	2012	2011
	HK$'000	*HK$'000*
Accounts receivable	**25,388**	8,012

All the accounts receivable are expected to be recovered within one year. The carrying amount of accounts receivable approximate to their fair values.

Accounts receivable are due on date of billing.

a) Aging analysis

The aging analysis of accounts receivable at the end of the reporting period, presented based on the invoice date:

	2012	2011
	HK$'000	*HK$'000*
Outstanding balances with ages		
0 – 30 days	**23,036**	3,660
Over 90 days	**2,352**	4,352
	25,388	8,012

b) Accounts receivable that are not impaired

	2012	2011
	HK$'000	*HK$'000*
Past due but not impaired	**25,388**	8,012

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group does not hold any collateral or other credit enhancements over these balances.

11. INTERESTS RECEIVABLE

	Group	
	2012	2011
	HK$'000	*HK$'000*
Interests receivable	**5,533**	6,283

All of the interests receivable are expected to be recovered within one year.

a) Maturity profile

The maturity profile of interests receivable at the end of the reporting period, based on maturity dates, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Due within 1 month or on demand	**1,977**	2,900
Due after 1 month but within 3 months	**3,556**	1,009
Due after 3 months but within 6 months	**–**	700
Due after 6 months	**–**	1,674
	5,533	6,283

b) Interests receivable that are not impaired

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**5,533**	6,283

The Group does not hold any collateral or other credit enhancements over these balances.

12. SHORT-TERM LOANS RECEIVABLES

	2012			2011		
	Pawn loan receivables	**Other short-term loan receivables**	**Total**	Pawn loan receivables	Other short-term loan receivables	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	**116,718**	**694,445**	**811,163**	–	–	–
Gross loans advanced	**766,000**	**1,049,382**	**1,815,382**	232,702	697,319	930,021
Repayment during the year	**(729,866)**	**(826,139)**	**(1,556,005)**	(115,984)	(2,874)	(118,858)
Exchange adjustment	**522**	**2,155**	**2,677**	–	–	–
At 31 December	**153,374**	**919,843**	**1,073,217**	116,718	694,445	811,163
Allowance for doubtful debts at 31 December *(see note b)*	**(1,534)**	**(365)**	**(1,899)**	(1,167)	(400)	(1,567)
Net balance at 31 December	**151,840**	**919,478**	**1,071,318**	115,551	694,045	809,596

The Group offers pawn loans secured by tangible personal property, such as real estate merchandise, and other short-term loans commonly known as short-term loans. A typical short-term loan generally has a term of 30 days to 360 days. All of the short-term loans receivables are expected to be recovered within one year.

a) *Maturity profile*

The maturity profile of short-term loans receivables at the end of the reporting period, based on maturity dates, is as follows:

	2012			2011		
	Pawn loan receivables	**Other short-term loan receivables**	**Total**	Pawn loan receivables	Other short-term loan receivables	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Due within 1 month or on demand	**97,999**	**580,065**	**678,064**	25,268	78,148	103,416
Due after 1 month but within 3 months	**28,736**	**208,596**	**237,332**	12,211	47,449	59,660
Due after 3 months	**26,639**	**131,182**	**157,821**	79,239	568,848	648,087
Allowance for doubtful debts	**(1,534)**	**(365)**	**(1,899)**	(1,167)	(400)	(1,567)
	151,840	**919,478**	**1,071,318**	115,551	694,045	809,596

b) Impairment of short-term loans receivables

Impairment losses in respect of short-term loans receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against short-term loans receivables directly.

Movements in allowance for doubtful debts

	2012			2011		
	Pawn loan receivables ***HK$'000***	**Other short-term loans receivables** ***HK$'000***	**Total** ***HK$'000***	Pawn loan receivables *HK$'000*	Other short-term loans receivables *HK$'000*	Total *HK$'000*
At 1 January	**1,167**	**400**	**1,567**	–	–	–
Impairment loss recognised	**366**	**–**	**366**	1,143	392	1,535
Reversal of impairment loss	**–**	**(35)**	**(35)**	–	–	–
Exchange adjustment	**1**	**–**	**1**	24	8	32
At 31 December	**1,534**	**365**	**1,899**	1,167	400	1,567

c) Short term loans receivables that are not impaired

	2012			2011		
	Pawn loan receivables ***HK$'000***	**Other short-term loans receivables** ***HK$'000***	**Total** ***HK$'000***	Pawn loan receivables *HK$'000*	Other short–term loans receivables *HK$'000*	Total *HK$'000*
Loans to customers						
Neither past due nor impaired	**151,840**	**919,478**	**1,071,318**	68,973	694,045	763,018
Past due but not yet impaired	**–**	**–**	**–**	46,578	–	46,578
	151,840	**919,478**	**1,071,318**	115,551	694,045	809,596

Short-term loan receivables that were neither past due nor impaired relate to recognised and creditworthy borrowers for whom there was no recent history of default.

d) All the Group's short-term loans receivables in the PRC were denominated in RMB. The short-term loans receivables in the PRC carry interest plus service charge at a monthly effective rate of 1% to 3.5% (2011: 1% to 3.2%).

13. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the financial service business in the PRC.

14. ASSETS CLASSIFIED AS HELD FOR SALE

	2012	2011
	HK$'000	*HK$'000*
Investment property	–	73,959

Note:

The investment property located at No. 88, Xi San Wan Road North, Hai Ding District, Beijing. 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. The transaction was completed on 14 September 2012.

15. ACCOUNTS PAYABLE

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Outstanding balances with ages		
Due within 1 month or on demand	–	28,574
Due after 1 month but within 3 months	–	17,031
	–	45,605

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 term maturity and measured at amortised cost.

16. DEFERRED INCOME

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Financing consultancy services income	–	14,720
Loan guarantee business income	–	1,555
	–	16,275

Deferred income represents income received under the financing consultancy services and the loan guarantee business. Deferred income from the financing consultancy services is recognised as revenue when the consultancy services are rendered. Deferred income from the loan guarantee business is amortised and recognised as revenue on a straight line basis over the guarantee period.

17. OTHER INFORMATION

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2012 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor, CCIF CPA Limited. The unqualified auditor's report is included in the Annual Report to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of integrated short-term financing services, comprising short-term financing, loan guarantee services and related management and consultancy services.

For the year ended 31 December 2012, the Group's profit attributable to the shareholders was HK$254,039,000 (2011: HK$57,302,000), while earnings per share was HK8.476 cents (2011: HK2.373 cents).

The Board recommended a final dividend of HK1 cent per share of the Company for the financial year ended 31 December 2012 (2011: nil).

During the year under review, our short-term financing business in the PRC experienced a very strong demand. Turnover of continuing operations for the year increased by 155.4% to HK$300,601,000 while profit after taxation increased by 249.7% to approximately HK$185,207,000.

Leveraging on its expertise and experience on operational management and risk control, the Group has been able to capture the rising demand for non-bank financial services from small-to-medium-sized enterprises in China, drive business growth with a wide range of short-term financing services, further enhance market share and consolidate its business foundation. To cater for future development strategies and optimize allocation of resources, the Groups sold 72% of its interest in the convenience store business and use the sales proceeds received to support the continuous growth of the short term financing business, thus generating a higher return for the Group in the future.

Disposal of Convenience Store Business

On 26 November 2012, the Company's indirect wholly-owned subsidiary, K.P.B. Marketing Limited entered into the Sale and Purchase Agreement with MSPEA CVS Holding B.V. to sell the entire share capital of Idea Thrive Limited for a consideration of RMB58,098,218. Together with a receivable of approximately RMB49,900,000 from 北京港佳好鄰居連鎖便利店有限責任公司, the total consideration for the disposal of convenience store business was about RMB107,998,000. Idea Thrive Limited and its subsidiaries carried on convenience store business under the brand name "Hi-24" or "好鄰居連鎖便利" in the PRC.

The Hi-24 convenience stores offer wide range of merchandise and ancillary services to their surrounding communities.

With recent economic growth, rent demanded by landlords increased rapidly and there are fewer good locations with reasonable rental available for opening new outlets. In addition, since the adjustment of the minimum wages of the PRC in 2010, the convenience store business faced greater pressure on staff costs. Convenience store business is a labour intensive business with average 7-8 staff per store. Although the directors are confident that the convenience store business will achieve continuous high sales growth, the profit before taxation and after taxation for the convenience store business seems to be fluctuated.

After the interim result of 2012 was published, the directors realized that the return of short-term financing business was much higher than that of convenience store business in three years trend and would become a stable growth driver of the Company.

Since the convenience store business provides for a vastly different return profile that does not match the long-term strategy of the Group which may hinder the fast growing financing business, the Board considered that it is in the interests of the Company and the shareholders as a whole to devote more resources in the development of the short-term financing business. The disposal represents a good opportunity for the Group to realize its investment in the retail business at a fair and reasonable price while the sales proceeds then received would be able to support the continuous growth of the short-term financing business, thereby generating a higher return for the Group in the future. Details of the disposal were set out in the circular of the Company dated 11 January 2013.

Other than disclosed above, there was no material acquisition or disposal of subsidiaries during the year ended 31 December 2012.

Prospects

In 2013, the Group will maintain its prudent business development strategy, actively expand the scale of its fund under management, improve operational efficiency and promote the continual growth of business and profitability. The Group will also further optimize its loan management team, strengthen its asset assessment and risk management capabilities, so as to minimize operational risk and protect the safety of funds. In addition, the Group will strengthen the communication with cooperating banks to develop more financing business. Leveraging on its ample industry experience, the Group is confident to extend its existing business with more comprehensive products, so as to improve the overall level of profitability and to bring maximum values to shareholders.

FINANCIAL REVIEW

As at 31 December 2012, the Group had direct advances to customers of approximately HK$1,071,318,000.

Revenue generated from financing business includes interest income of approximately HK$21,378,000, financing consultancy service income of approximately HK$276,611,000 and loan guarantee service income of approximately HK$2,612,000.

As at 31 December 2012, the aggregate amount of loan guarantee provided by the Group was approximately HK$71,240,000. The guarantee income is recognized over the life of guarantee contracts. Administrative expenses for the year 2012 were approximately HK$72,891,000. Our unique multi-licence platform in Beijing allowed the Group to structure a more competitive product mix to customers. To sustain continuous business growth, the Group has increased its presence and enhanced public awareness through advertising and marketing activities in public areas. The Group also recruited more talented people to cater future business growth.

Finance Costs

Finance costs for the year under review were approximately HK$8,245,000, representing an increase of 482.7% over HK$1,415,000 for 2011.

Financial Resources and Capital Structure

The Group maintains a healthy cash position and sufficient capital for business development. As at 31 December 2012, current assets of the Group comprised cash and bank balances of approximately HK$313,460,000, short-term loans receivables of approximately HK$1,071,318,000, consideration receivables of approximately HK$61,543,000, accounts and interests receivable of approximately HK$30,921,000, other receivables, deposits and prepayments of approximately HK$210,967,000, and security deposits of approximately HK$10,923,000. Non-current assets mainly comprised property, plant and equipment of about HK$10,732,000, goodwill of about HK$622,703,000, and available-for-sale investments of approximately HK$55,359,000. Current liabilities mainly comprised other payables, deposits received and accrual of approximately HK$189,652,000, short-term borrowings (which are unsecured and repayable within one year) of approximately HK$308,103,000, tax payable of approximately HK$44,177,000 and short-term bank loans of about HK$3,700,000.

Liquidity and Gearing Ratio

The Group maintains a healthy liquidity position. As at 31 December 2012, the current ratio of the Group was 3.1 times. The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings (bank loans plus other borrowings) divided by total equity. As at 31 December 2012, the gearing ratio was about 18.4%.

Fair Value Estimation

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to estimate their fair values.

Employee and Remuneration Policies

As at 31 December 2012, the Group had approximately 110 employees in Mainland China and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also sets up a share option scheme for the purpose of providing incentives to eligible employees. For the year under review, total staff costs were about HK$21,238,000.

Bank Borrowings

The Group's bank borrowings were about HK$24,666,000. The debt maturity profile of the Group as at 31 December 2012 is analyzed below:

	2012	2011
	HK$'000	*HK$'000*
Within 1 year	**3,700**	49,175
After 1 year but within 5 years	**20,966**	–
Over 5 years	**–**	–
	24,666	49,175

Contingent Liabilities

The Group provides loan guarantee service to small-to medium-sized enterprises in China. As at 31 December 2012, the Group had contingent liabilities in relation to the loan guarantee business of approximately HK$71,240,000 in which approximately HK$533,000 and HK$578,000 were recognised as undue liability provision and guarantee compensation provision respectively in the consolidated statement of financial position. The Group may become involved in certain legal proceedings relating to claims arising out of operations in the normal course of business. However, none of these proceedings, individually or in aggregate, is expected to have material adverse effect on the Group's financial situation or operational results.

Event after the reporting period

Issue of convertible bonds

On 15 March 2013, the Company (the issuer), Chance Talent Management Limited (the Subscriber), Cheung Siu Lam and Lo Wan (the joint Guarantors) entered into the Subscription Agreement in respect of the issue of the convertible bonds ("Convertible Bonds") in the principal amount of US$12 million (equivalent to approximately HK$93 million). The net proceeds from the Convertible Bonds of approximately HK$90 million will be used for general working capital and business development of the Group. The Convertible Bonds shall carry an interest of 10% per annum payable semi-annually in arrears. Completion of the issue of the Convertible Bonds to the Subscriber took place on 26 March 2013.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company considers that good corporate governance practices to be essential to the promotion of shareholder value and investor confidence.

The Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), issued by the Stock Exchange in October 2011, is the new edition of the Code on Corporate Governance Practices (the "Former Code"), and is applicable to financial reports covering the financial period which ends after 1 April 2012.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code during the period from 1 April 2012 to 31 December 2012 as well as the Former Code during the financial period from 1 January 2012 to 31 March 2012.

During the financial year ended 31 December 2012, the Company has complied with the code provisions set out in the CG Code during the period from 1 April 2012 to 31 December 2012 as well as the Former Code during the financial period from 1 January 2012 to 31 March 2012, save and except for code provisions A.1.1, A.2.1, and A.6.1.

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. The Board met three times during the year ended 31 December 2012 for approving the final results for the year ended 31 December 2011 and interim results for the period ended 30 June 2012 and transacting other business.

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 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.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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. All 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 year ended 31 December 2012.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company, which comprises all independent non-executive directors, has reviewed the consolidated financial statements of the Group for the year, including the accounting principles and accounting standards adopted by the Company, and discussed matters relating to auditing, internal controls and financial reporting.

FINAL DIVIDEND

The Board recommends payment of a final dividend of HK1 cent per ordinary share of the Company for the financial year ended 31 December 2012 (2011: nil), to the shareholders of the Company whose names are on the register of members on Wednesday, 5 June 2013, subject to the approval by the Company's shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 27 May 2013 ("AGM") and compliance with the Companies Ordinance and other relevant rules and regulations. The payment of final dividend will be made on or about 28 June 2013.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at AGM, the register of members of the Company will be closed from Thursday, 23 May 2013 to Monday, 27 May 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited of 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 22 May 2013.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 3 June 2013 to Wednesday, 5 June 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited of 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 31 May 2013.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, CCIF CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the preliminary announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the Stock Exchange's website and the Company's website (www.cfsh.com.hk). The 2012 Annual Report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

ACKNOWLEDGEMENT

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

On behalf of the Board
China Financial Services Holdings Limited
Cheung Siu Lam
Chairman

Hong Kong, 27 March 2013

As at the date of this announcement, the Board comprised Mr Cheung Siu Lam (Chairman) and Mr Chan Yuk Ming (Vice Chairman) as executive Directors, Mr Tao Ye, Madam Lo Wan and Mr Liu Hui as non-executive Directors, and Mr Wang Jian Sheng, Mr Chan Chun Keung and Mr Tsang Kwok Wai, as independent non-executive Directors.