Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited ("Stock Exchange") 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.

CASH FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The audited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the year ended 31 December 2012 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2012 HK$'000**	2011 HK$'000
Revenue	(3)	**1,281,129**	1,334,440
Other income		**10,563**	5,833
Other gains and losses		**87,138**	178,281
Cost of sales for retailing business		**(647,983)**	(638,297)
Salaries, commission and related benefits		**(279,543)**	(393,554)
Depreciation		**(56,629)**	(53,152)
Finance costs		**(10,277)**	(12,248)
Other operating and administrative expenses		**(418,773)**	(447,062)
Change in fair value of investment properties		**(3,068)**	(7,395)
Share of profit of associate		**14,045**	8,884
Loss before taxation		**(23,398)**	(24,270)
Income tax expense	(5)	**(10,126)**	(7,694)
Loss for the year		**(33,524)**	(31,964)

	Note	**2012** **HK$'000**	2011 HK$'000
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**80**	7,822
Gain on revaluation of leasehold land and building		**-**	22,582
Income tax relating to the gain on revaluation of leasehold land and building		**-**	(3,631)
Other comprehensive income for the year (net of tax)		**80**	26,773
Total comprehensive expense for the year		**(33,444)**	(5,191)
(Loss) profit for the year attributable to:			
Owners of the Company		**(38,699)**	(41,090)
Non-controlling interests		**5,175**	9,126
		(33,524)	(31,964)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(38,619)**	(16,241)
Non-controlling interests		**5,175**	11,050
		(33,444)	(5,191)
Loss per share for loss attributable to the owners of the Company during the year	(6)		
- Basic (HK cents)		**(0.99)**	(1.05)
- Diluted (HK cents)		**(0.99)**	(1.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2012 HK$'000	2011 HK$'000
Non-current assets			
Property and equipment		**81,315**	114,306
Investment properties		**68,832**	85,952
Goodwill		**2,661**	2,661
Intangible assets		**321,059**	321,059
Other assets		**37,020**	7,477
Rental and utility deposits		**34,091**	33,964
Interest in an associate		**152,939**	138,894
Loan to an associate		**10,296**	10,296
Deferred tax assets		**6,700**	4,700
		714,913	719,309
Current assets			
Inventories		**56,785**	59,423
Accounts receivable	(7)	**920,032**	814,286
Loans receivable		**61,496**	44,492
Prepayments, deposits and other receivables		**38,351**	33,692
Tax recoverable		**3,536**	2,894
Investments held for trading		**123,206**	26,961
Bank deposits subject to conditions		**90,555**	80,040
Bank balances - trust and segregated accounts		**782,293**	694,525
Bank balances (general accounts) and cash		**291,250**	414,079
		2,367,504	2,170,392
Current liabilities			
Accounts payable	(8)	**1,590,760**	1,386,140
Accrued liabilities and other payables		**89,427**	145,490
Taxation payable		**14,031**	5,852
Obligations under finance leases - amount due within one year		**263**	289
Bank borrowings - amount due within one year		**356,914**	274,757
Loan from a non-controlling shareholder		**27,437**	27,437
		2,078,832	1,839,965
Net current assets		**288,672**	330,427
Total assets less current liabilities		**1,003,585**	1,049,736

	At 31 December	
	2012	2011
	HK$'000	HK$'000
Non-current liabilities		
Deferred tax liabilities	**55,841**	55,539
Obligations under finance leases		
- amount due after one year	**-**	263
Bank borrowings - amount due after one year	**26,331**	32,840
	82,172	88,642
Net assets	**921,413**	961,094
Capital and reserves		
Share capital	**77,558**	78,382
Reserves	**809,567**	849,349
Equity attributable to owners of the Company	**887,125**	927,731
Non-controlling interests	**34,288**	33,363
Total equity	**921,413**	961,094

Notes:

(1) Basis of preparation

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"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the considerations given in exchange for goods and services.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

(2) Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA that are mandatorily effective for 2012 financial year.

Amendments to HKAS 12	Deferred tax - Recovery of underlying assets
Amendments to HKFRS 7	Disclosures - Transfer of financial assets

Except as described below, the application of these amendments to HKFRS in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred tax - Recovery of underlying assets

Under the amendments of HKAS 12, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures their investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment properties held directly and through interest in an associate located in the People's Republic of China ("PRC") and concluded that (a) the Group's investment properties in PRC are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and (b) the associate's investment properties in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Accordingly, the presumption set out in the amendments to HKAS 12 is rebutted only for investment properties in the PRC held by the associate.

The amendments to HKAS 12 have been applied retrospectively. The application of such has no impact on the deferred tax on changes in fair value of investment properties held by the associate as previously the associate recognised deferred tax on the basis that the entire carrying amounts of the properties were recovered through use. For the investment properties directly held by the Group, in view of the insignificant change in fair value changes in these investment properties, the application has no material impact on the Group's financial performance and position for current and prior years.

In addition, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

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]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance [1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities [2]
HKFRS 9 (Amendments)	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 2012)	Employee benefits [1]
HKAS 27 (as revised in 2011)	Separate financial statements [1]
HKAS 28 (as revised in 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]
HK(IFRIC) - Int 20	Stripping costs in the production phase of a surface mine [1]

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.*

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial instruments: Recognition and measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for the Group for annual period beginning on 1 January 2015, with earlier application permitted. Based on the Group's financial assets and financial liabilities as at 31 December 2012, the directors of the Company anticipate that the adoption of HKFRS 9 is not expected to have a significant impact on the amounts reported in respect of the Group's financial assets and liabilities.

HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) - Int 12 Consolidation - Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to illustrate benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to illustrate when an investor that owns less than 50% of the voting shares in an investee may has control over the investee. For example, in assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

HKFRS 10 is effective for the Group for annual period beginning on 1 January 2013. After assessment of the adoption of the HKFRS 10, the directors of the Company anticipate that no additional investees ought to be consolidated and no investees which were previously consolidated ought to be deconsolidated in accordance with the new definition of control under HKFRS 10. Accordingly, the application of HKFRS 10 will not have material impact on the consolidated financial statements.

HKFRS 12

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

HKFRS 12 is effective for the Group for annual period beginning on 1 January 2013. The directors of the Company anticipate that the adoption of HKFRS may result in more disclosures being made with regard to interest in an associate and non-wholly owned subsidiary that has material non-controlling interests in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for the Group for annual periods beginning on 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no material effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for the Group for annual period beginning on 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the adoption of HKFRS 13 is not expected to have a significant impact on the amounts reported but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for annual period beginning on 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective for the Group until annual period beginning on 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to certain accounts receivable and accounts payable.

The directors of the Company anticipate that the adoption of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

(3) Revenue

Revenue from the Group's principal activities recognised during the year is as follow:

	2012 **HK$'000**	2011 HK$'000
Fees and commission income	**163,599**	226,235
Interest income	**21,850**	35,453
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,095,680**	1,072,752
	1,281,129	1,334,440

(4) Segment information

Reportable and operating segments

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of products or services provided, with each operating segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group's reportable and operating segments are financial services business and retailing business.

The following tables represent revenue and results information for the reportable and operating segments for the years ended 31 December 2012 and 2011.

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit earned by each segment before change in fair value of investment properties, net gains on investments held for trading, share-based compensation, share of profit of associate and unallocated expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

For the year ended 31 December 2012

	Financial services HK$'000	**Retailing HK$'000**	**Total HK$'000**
Revenue	**185,449**	**1,095,680**	**1,281,129**
RESULT			
Segment (loss) profit	**(36,899)**	**12,587**	**(24,312)**
Net gains on investments held for trading			**100,860**
Change in fair value of investment properties			**(3,068)**
Share-based compensation			**(562)**
Share of profit of associate			**14,045**
Unallocated expenses			**(110,361)**
Loss before taxation			**(23,398)**

For the year ended 31 December 2011

	Financial services HK$'000	Retailing HK$'000	Total HK$'000
Revenue	261,688	1,072,752	1,334,440
RESULT			
Segment (loss) profit	(5,757)	16,948	11,191
Net gains on investments held for trading			171,262
Change in fair value of investment properties			(7,395)
Share-based compensation			(21,996)
Share of profit of associate			8,884
Unallocated expenses			(186,216)
Loss before taxation			(24,270)

Segment assets and liabilities

All assets are allocated to operating segments other than interest in an associate, investment properties, loan to an associate and other unallocated property and equipment and other assets. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. No assets used jointly by operating segments.

All liabilities are allocated to operating segments other than unallocated deferred tax liabilities, loan from a non-controlling shareholder and other unallocated bank borrowings and accrued liabilities. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. No liability was used jointly by operating segments.

As at 31 December 2012

	Financial services HK$'000	**Retailing HK$'000**	**Total HK$'000**
ASSETS			
Segment assets	**2,171,075**	**636,139**	**2,807,214**
Interest in an associate			**152,939**
Investment properties			**68,832**
Loan to an associate			**10,296**
Other unallocated assets			**43,136**
Consolidated total assets			**3,082,417**
LIABILITIES			
Segment liabilities	**1,685,700**	**385,041**	**2,070,741**
Unallocated deferred tax liabilities			**4,525**
Loan from a non-controlling shareholder			**27,437**
Other unallocated liabilities			**58,301**
Consolidated total liabilities			**2,161,004**

As at 31 December 2011

	Financial services HK$'000	Retailing HK$'000	Total HK$'000
ASSETS			
Segment assets	1,903,016	711,533	2,614,549
Interest in an associate			138,894
Investment properties			85,952
Loan to an associate			10,296
Other unallocated assets			40,010
Consolidated total assets			2,889,701
LIABILITIES			
Segment liabilities	1,443,493	364,232	1,807,725
Unallocated deferred tax liabilities			4,223
Loan from a non-controlling shareholder			27,437
Other unallocated liabilities			89,222
Consolidated total liabilities			1,928,607

Other information

For the year ended 31 December 2012

	Financial services HK$'000	Retailing HK$'000	Reportable segment total HK$'000	Unallocated amount HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Interest income	**21,850**	**-**	**21,850**	**-**	**21,850**
Write-down on inventories	**-**	**(5,348)**	**(5,348)**	**-**	**(5,348)**
Depreciation	**(12,885)**	**(24,425)**	**(37,310)**	**(19,319)**	**(56,629)**
Finance costs	**(5,003)**	**(4,040)**	**(9,043)**	**(1,234)**	**(10,277)**
Loss on disposal of property and equipment	**(5)**	**(62)**	**(67)**	**(554)**	**(621)**
Impairment loss on property and equipment	**-**	**(4,664)**	**(4,664)**	**-**	**(4,664)**
Allowance on bad and doubtful loans receivable	**(9,700)**	**-**	**(9,700)**	**-**	**(9,700)**
Bad debt on accounts receivable recovered	**3**	**-**	**3**	**-**	**3**
Addition to non-current assets	**11,925**	**23,486**	**35,411**	**37,119**	**72,530**
Amounts regularly provided to the CODM:					
Revenue generated from retailing business in					
- Hong Kong	**-**	**1,086,396**	**-**	**-**	**-**
- PRC	**-**	**9,284**	**-**	**-**	**-**
Profit (loss) earned from retailing business in					
- Hong Kong	**-**	**36,642**	**-**	**-**	**-**
- PRC	**-**	**(24,055)**	**-**	**-**	**-**

For the year ended 31 December 2011

	Financial services HK$'000	Retailing HK$'000	Reportable segment total HK$'000	Unallocated amount HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Interest income	35,453	-	35,453	-	35,453
Write-down on inventories	-	(2,840)	(2,840)	-	(2,840)
Depreciation	(12,544)	(21,432)	(33,976)	(19,176)	(53,152)
Finance costs	(7,106)	(3,913)	(11,019)	(1,229)	(12,248)
Loss on disposal of property and equipment	(14)	-	(14)	-	(14)
Gain on disposal of assets classified as held for sale	-	32,400	32,400	-	32,400
Bad debt on accounts receivable and other receivables written off directly	(77)	(9)	(86)	-	(86)
Allowance on bad and doubtful loans receivable	(28,700)	-	(28,700)	-	(28,700)
Bad debt on accounts receivable and loans receivable recovered	12	-	12	-	12
Addition to non-current assets	27,097	26,523	53,620	16,244	69,864
Amounts regularly provided to the CODM:					
Revenue generated from retailing business in					
- Hong Kong	-	1,068,941	-	-	-
- PRC	-	3,811	-	-	-
Profit (loss) earned from retailing business in					
- Hong Kong	-	33,077	-	-	-
- PRC	-	(16,129)	-	-	-

Entity-wide disclosures

The Group's operations are located in Hong Kong and the PRC.

The Group's segment revenue from external customers and information about its non-current assets (excluding financial instruments and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong (Place of domicile)	**1,271,845**	1,330,629	**608,963**	568,855
PRC	**9,284**	3,811	**88,954**	135,458
Total	**1,281,129**	1,334,440	**697,917**	704,313

There were no customers for the years ended 31 December 2012 and 2011, contributing over 10% of the Group's total revenue.

(5) Income tax expense

	2012 **HK$'000**	2011 HK$'000
Current tax:		
- Hong Kong Profits Tax	**10,566**	11,224
Underprovision in prior years	**1,258**	190
Deferred tax	**(1,698)**	(3,720)
Total income tax expense	**10,126**	7,694

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction. No provision for the PRC income tax has been made as they incurred tax losses in both years.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(6) Loss per share

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company for the year is based on the following data:

	2012 **HK$'000**	2011 HK$'000
Loss for the purposes of basic and diluted loss per share	**(38,699)**	(41,090)

	2012	2011
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,907,301,998**	3,927,037,616

The weighted average number of ordinary shares for the purposes of basic and diluted loss per share for the year ended 31 December 2011 has been adjusted retrospectively for the bonus share issue on 25 May 2011.

For the years ended 31 December 2012 and 2011, the computation of diluted loss per share has not taken into account the effects of share options as it would result in decrease in loss per share.

(7) Accounts receivable

	2012 **HK$'000**	2011 HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**40,050**	59,905
Cash clients	**313,212**	40,185
Margin clients	**270,160**	223,204
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**157**	148
Clearing houses, brokers and dealers	**294,796**	488,885
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**1,357**	859
Accounts receivable arising from the business of provision of corporate finance services	**300**	1,100
	920,032	814,286

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses, brokers and dealers, and accounts receivable arising from the business of dealing in futures and options are one day after trade date or at specific terms agreed with clearing houses, brokers and dealers.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends either to settle on a net basis, or to realise the balances simultaneously.

Accounts receivable from margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No ageing analysis is disclosed as in the opinion of directors, the ageing analysis does not give additional value in view of the nature of broking business.

As at 31 December 2012, in connection with the business of dealing in futures and options, the Group has maintained its own account of HK$373,000 (2011: HK$452,000) and account on behalf of its client of HK$30,363,000 (2011: HK$102,173,000) with MF Global Hong Kong Limited ("MFG HK"). The directors of the Company have been in contact with the liquidators, being appointed by MFG HK since 2 November 2011 following the filing for bankruptcy protection by MF Global UK Limited (its ultimate parent company) in the United States of America on 31 October 2011, for the return of the account balances to the Group and there was subsequent settlement of partial amount of HK$71,889,000 during the year ended 31 December 2012. The Group expects to recover the remaining amount of HK$30,736,000 within the next 12 months from the end of the reporting period. Therefore, the directors of the Company believe no allowance for bad and doubtful debts is necessary.

(8) Accounts payable

	2012 **HK$'000**	2011 HK$'000
Accounts payable arising from the business of dealing in securities :		
Clearing houses	**257,383**	824
Cash clients	**577,656**	485,497
Margin clients	**102,065**	112,617
Accounts payable to clients arising from the business of dealing in futures and options	**487,256**	621,968
Trade creditors arising from retailing business	**166,400**	165,234
	1,590,760	1,386,140

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses. Accounts payable to margin clients and cash clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. At 31 December 2012, the account payable to client of HK$69,534,000 (2011: HK$110,820,000) was related to the amount of HK$30,363,000 (2011: HK$102,173,000) maintained in MFG HK mentioned in note (7) "accounts receivable". The required margin deposits are repayable upon the closure of the corresponding futures and options position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$782,293,000 (2011: HK$694,525,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Trade creditors arising from retailing business principally comprise amount outstanding for trade purpose and ongoing cost. The credit period taken for trade purchase is ranged from 30 to 90 days.

The following is an ageing analysis (from trade date) of trade creditors arising from retailing business at reporting date:

	2012 **HK$'000**	2011 HK$'000
0 - 30 days	**73,623**	46,909
31 - 60 days	**54,195**	51,802
61 - 90 days	**22,035**	27,156
Over 90 days	**16,547**	39,367
	166,400	165,234

(9) Dividends

	2012 HK$'000	2011 HK$'000
Dividends recognised as distribution during the year:		
- 2010 Final - HK 0.4 cent per share	-	14,353

The final dividend of HK0.4 cent based on 3,538,250,353 shares, in respect of the year ended 31 December 2010 was paid during the year ended 31 December 2011. No final dividend in respect of the years ended 31 December 2012 and 2011 was proposed by the directors.

(10) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings and loan from a non-controlling shareholder, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share and options issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission ("SFC") and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout both years.

(11) Capital commitments

	2012	2011
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property and equipment (Note a)	**207,128**	-
Acquisition of interests in associates (Note b)	**20,639**	-
	227,767	-

Notes:

(a) The Group has entered into formal sale and purchase agreements with a property developer on 10 November 2012 for the acquisition of two Hong Kong properties for self-occupation at a consideration of approximately HK$230,142,000 of which deposits of approximately HK$23,014,000 were paid to the property developer during 2012.

(b) The Group, together with an independent third party, has entered into agreement with Infinity Equity Management Company Limited ("Infinity") to conditionally subscribe for 20% of the enlarged issued share capital of Infinity for a consideration of US$2,670,000 (equivalent to approximately HK$20,639,000) on 3 December 2012. Infinity is engaged in the business of venture capital and private equity management in the PRC. The transaction was completed on 3 January 2013 upon fulfillment of precedent conditions set out in the agreement.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2012 (2011: nil).

REVIEW AND OUTLOOK

Financial Review

The Group's financial services business (FSG) had inevitably been affected by the challenging global environment and economic uncertainty while its retail management business (CRMG) managed to weather through the difficulties and maintained the same revenue level of the previous year due to a relatively stable domestic economy. For the year ended 31 December 2012, the Group recorded revenue of HK$1,281.1 million as compared to HK$1,334.4 million for the previous year. Overall, the Group reported a net loss of HK$33.5 million for the year ended 31 December 2012 as compared to a net loss of HK$32.0 million for the previous year.

Financial Services Business - FSG

The global economic conditions in 2012 continued to deteriorate. The consequences unlashed by the unresolved Eurozone debt crisis, coupled with the worry about the market impact of US "Fiscal Cliff" posted a downside risk on the global economy, weighing on the already lackluster investment sentiment. At the same time, China's economy had been showing signs of slowdown for the past two years. Amid the external jitters and domestic woes, the GDP growth on the Mainland slowed to 7.8% year-on-year in 2012, representing a second consecutive drop from 10.4% in 2010 and 9.3% in 2011. To combat with the faltered growth, the People's Bank of China responded to the economic concerns by cutting interest rates for the first time since 2008.

The Hong Kong financial market was inexorably beleaguered by these global crises and the local economic growth had trended downward. Under such a challenging macro-economic environment, investors had been reducing their exposures in securities investments. The average daily turnover of the Hong Kong stock market in 2012 was approximately HK$53.9 billion, representing a plunge of 23% as compared with HK$69.7 billion in 2011 while the average daily turnover for derivatives market dropped remarkably by 15% when compared with the previous year. Total funds raised from IPOs were only HK$89.8 billion in 2012, representing a significant decrease of 65.4% as compared to HK$259.8 billion in 2011. The Group's financial services business was also affected, recording revenue of HK$185.4 million for the year ended 31 December 2012, representing a 29.1% decrease as compared to HK$261.7 million for the previous year. During the year under review, FSG continued to maintain stringent cost controls over its operations while actively promoted business innovation and transformation. Overall, FSG recorded a net loss of HK$36.9 million for the year ended 31 December 2012 as compared to a net loss of HK$5.8 million in 2011.

Retail Management Business - CRMG

For the year ended 31 December 2012, CRMG recorded revenue of HK$1,095.7 million and a net profit of HK$12.6 million as compared to revenue of HK$1,072.8 million and a net profit of HK$16.9 million in 2011.

Hong Kong Retailing Business

Rising operating costs posed the biggest challenge to the Group's retail management business. The skyrocketing rental cost coupled with the inflationary pressure in all aspects, added to CRMG's operating costs and further eroded into our profit margin. Worse still, measures imposed by the government to curb the overheated property market had hit the property market hard, which directly dragged our furniture sales. The Hong Kong property market had been slowing down and reported a remarkable drop in residential property's transactions. Notwithstanding the challenging business environment, our Hong Kong operations of CRMG managed to maintain the same revenue level as the previous year and recorded revenue of HK$1,086.4 million for the year ended 31 December 2012, representing a slight increase of 1.6% as compared to HK$1,068.9 million in 2011. During the year under review, we enhanced our competitiveness and continued to launch various business initiatives. New products and services had been introduced into the market. In particular, the Tailor Made Furniture (TMF) and Tailor Size Furniture (TSF) services, both launched in 2011, have already achieved encouraging results since late last year. In addition, we have stepped up the cost rationalisation measures to maintain our cost leadership approach. Despite the gloomy economic outlook, our Hong Kong operations remained profitable and reported a net profit of HK$36.6 million as compared to a net profit of HK$33.1 million in 2011. Despite the encouraging results in 2012, CRMG remains very cautious about the operations against the backdrop of a deteriorating operating environment.

PRC Retailing Business

Our retailing business in mainland China is still in its early investment phase. CRMG had opened three stores in Guangzhou in 2011 and has yet to make any profit contribution to the Group. For the year under review, our PRC operations recorded revenue of HK$9.3 million and a net loss of HK$24.1 million as compared to revenue of HK$3.8 million and a net loss of HK$16.1 million in 2011. We will continue to optimize our product mix, enhance its operational efficiency and make timely strategic adjustments as the market changes.

Liquidity and Financial Resources

The Group's total equity amounted to HK$921.4 million as at 31 December 2012 as compared to HK$961.1 million at the end of the previous year. The change was the combined result of the decrease in retained earnings due to the reported loss for the year under review, dividends to non-controlling interest and the cancellation of repurchased shares.

As at 31 December 2012, the Group had total outstanding bank borrowings of approximately HK$383.2 million, comprising of bank loans of HK$227.6 million, trust receipt loans of HK$111.3 million, mortgage loans of HK$30.3 million and bank overdrafts of HK$14.0 million. Bank loans and overdrafts in aggregate of HK$141.0 million were collateralised by its margin clients' securities pledged to the Group. A bank loan of HK$23.3 million was secured by the Group's listed equity securities and listed debt securities with a total carrying amount of approximately HK$35.6 million. Trust receipt loans in aggregate of HK$111.3 million were secured by pledged deposits of HK$73.4 million. Mortgage loans in aggregate of HK$30.3 million were secured by the Group's investment properties with a total carrying amount of approximately HK$68.8 million. The remaining bank loans and overdrafts in aggregate of HK$77.3 million were secured by corporate guarantees from the Company.

As mentioned above, as at 31 December 2012, bank deposits with an aggregate amount of approximately HK$73.4 million were pledged as collateral for trust receipt loan facilities granted by banks to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Accordingly, bank deposits in aggregate of approximately HK$17.2 million were held for this purpose. Therefore, total bank deposits subject to conditions were approximately HK$90.6 million as at 31 December 2012.

The Group also had an unsecured loan of US$3.5 million (equivalent to approximately HK$27.4 million) from a minority shareholder of one of its subsidiaries and an outstanding obligation under a finance lease of approximately HK$0.3 million as at 31 December 2012.

As at 31 December 2012, our cash and bank balances including the trust and segregated accounts totalled HK$1,164.1 million as compared to HK$1,188.6 million at the end of the previous year.

The liquidity ratio as at 31 December 2012 remained healthy at 1.1 times, being at the same level as at 31 December 2011. The gearing ratio as at 31 December 2012, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 41.6% from 32.1% as at 31 December 2011. The increase was due to the extra funding requirements for deposits made for acquisition of properties, as mentioned in the following paragraph and for financing the enlarged investment portfolio. On the other hand, we have no material contingent liabilities at the year-end.

Foreign Exchange Risks

As at the end of the year, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

Material Acquisitions and Disposals

On 10 November 2012, the Group announced a major transaction in relation to the acquisitions of the whole floors of 21/F and 22/F of Rykadan Capital Tower, No. 135-137 Hoi Bun Road, Kwun Tong, Kowloon (with a total gross area of approximately 24,067 square feet), together with eight car parking spaces in the same building ("Properties"), by the Group at the total consideration of approximately HK$230,142,000 in cash. The construction of the properties is expected to be completed on or before 31 December 2013. The acquisitions were approved by way of written shareholders' approval under the Listing Rules. Details of the transaction are disclosed in the Company's announcements dated 10 November 2012 and 13 November 2012, and the circular dated 17 December 2012.

On 3 December 2012, the Group announced a discloseable transaction in relation to the subscription of 20% equity interest in Infinity (which is engaged in business of venture capital and private equity management in the PRC) ("Subscription") by the Group at the consideration of US$2,670,000 (equivalent to approximately HK$20,639,000) in cash. Completion of the subscription took place on 3 January 2013. Details of the transaction are disclosed in the announcement of the Company dated 3 December 2012.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year.

Capital Commitment

As at 31 December 2012, the Group has total capital commitments of HK$227.7 million, comprising (i) HK$207.1 million in relation to the balance of consideration of acquisition of the Properties, and (ii) HK$20.6 million in relation to the Subscription. Details of the capital commitments are disclosed in note 11 above.

Save as aforesaid, the Group did not have any material outstanding capital commitment at the end of the year.

Material Investments

As at 31 December 2012, the Group was holding a portfolio of investments held for trading with market values of approximately HK$123.2 million. The net gain derived from investments held for trading of HK$100.9 million was recorded for the year.

We do not have any future plans for material investments, nor addition of capital assets.

Industry and Business Review

Industry Review

The global economic activities remained subdued throughout 2012, with the fiscal deadlock in the US stalling its recovering speed, an unresolved Eurozone debt crisis, a slowdown in China and staggering corporate earnings growth.

Against an austere external economic environment, new listings and IPO fundraising activities in Hong Kong also dropped. A total of 62 IPO deals were recorded in 2012, raising an aggregate of HK$89.8 billion, down 31% and 65% respectively in terms of number of deals and funds raised, as compared with 2011. More than half of the IPO proceeds raised in the year came from the last quarter. Overall, Hong Kong secured the position as the world's fourth largest IPO listing venue in 2012, after the New York Stock Exchange, NASDAQ and Tokyo Stock Exchange.

In Mainland China, the real GDP growth for 2012 dipped to 7.8%, the weakest expansion in 13 years. The Shanghai Composite Index was also one of the world's worst-performing indices for much of 2012. Despite these setbacks, the release of monetary easing measures in the latter half of the year drove the index up significantly in December and closed the year at 2,269 points, up 3% since the beginning of the year.

Hang Seng Index was up 23% to conclude the year at 22,656.92, while market capitalisation increased 25% to HK$21,950 billion. Average daily turnover for the year, however, recorded a 23% decrease at HK$53,851 million.

Domestic consumer spending, on the other hand, was stable thanks to a buoyant labour market, increasing the value of total retail sales by 9.8% in 2012. However, the government's cooling measures to curb the residential property market speculation had dealt a severe blow to the number of residential building units sold and its total consideration, directly resulting in a 9.7% drop in market volume of furniture and fixtures sales.

Business Review

Financial Services Business - FSG

Platform Development

Since last year, CFSG is dedicated to developing the mobile trading services by introducing various stock trading apps on iPhone, iPad and Android mobile and tablet devices. Clients are able to get instant market information and trade anytime and anywhere, borderless. In addition to the Hong Kong stocks, we also developed a futures trading app on iPhone to broaden our product offerings. We have also launched an online trading application "CASH HK Stocks Express" to facilitate mainland clients by providing them with a user-friendly quotation and trading platform layout. Given the new apps, our client can leverage on our state-of-art trading platform to invest in both exchange traded equities and commodities products any time and anywhere without limit. To cope with the advancement of the technology, we have made significant investment in the IT infrastructure and upgrading the trading platform. We are one of the first movers to subscribe for the hosting services offered by the HKEx and move into the low-latency co-location data centre at Tseung Kwan O Industrial Estate in December 2012. In addition, there have been increasing demands for international commodities from Hong Kong and the mainland China. To improve our services and competitiveness in international commodities trading, preparation works for the direct participation to the Hong Kong hub of CME (Chicago Mercantile Exchange) and as market maker for CNH futures (U.S. Dollar/Offshore Chinese Renminbi (CNH) futures) were made during the year. Our efforts got pay-off. In February 2013, we were admitted one of the three market makers for CNH futures of CME.

Apart from our strong foothold in the Hong Kong market, we have also gained wide recognition in the mainland market. We received the "Most Popular HK Brokerage Institution" accolades in consecutive from three major mainland media, namely QQ.com, China Finance Online and Money Weekly magazine. This proves that we are widely recognized in the mainland as China's premier financial services provider.

In the year forward, we will continue to improve our online trading platform to provide clients with a more reliable and stable trading channel.

Fund Management

To tap into the lucrative fund management business in China, CFSG invested in Infinity, a prominent cross-border, Chinese focused fund management group with a RMB2 billion asset under management through a growing portfolio of funds investing in China. The Group considers it a golden opportunity to diversify into the fund management business and reap from the booming PRC market, given the steady and consistent revenue stream of the Infinity RMB Funds. With CFSG's established strengths in brokerage, investment banking, wealth management and asset management, we strongly believe that further synergies can be derived through closer ties with Infinity.

Infinity currently owns 16 local RMB funds, linking people, technologies and markets together. It invests in a diverse portfolio of Chinese companies in a wide range of industry sectors, with an impressive track record for partnering with high-growth technology companies. This coincides with CFSG's technology-focused strategy.

Investment Banking

Negative market sentiment impacted the IPO market adversely in 2011. Such unfavourable market condition continued in 2012, reflected by a significant drop in the total fund raised through IPOs in Hong Kong by more than 60% as compared with 2011.

Notwithstanding the prevailing lacklustre market sentiment, there are still a lot of quality companies in China that look for IPO opportunities in Hong Kong and we have successfully obtained mandates to act as the sponsor to certain IPO applicants during the period. In addition to the IPO projects, we also acted as the financial advisor/independent financial advisor in respect of M&As, fund raising activities and other corporate finance exercises. In particular, we were appointed as the financial advisor/independent financial advisor of H-Share listed companies/A-Share listed companies in China, including Guangzhou Pharmaceutical Company Limited and Beiren Printing Machinery Holdings Limited, in respect of their respective major assets reorganisation.

The market sentiment is expected to be improving in 2013, but the global as well as local economies are still subject to instability. Capital market participants will face another year of challenges in 2013. We will continue to maintain our proven strategy to have a balanced focus on IPOs and other financial advisory and corporate transactions in the near future for the purpose of diversifying our business and income streams.

Securities Broking

During the year, most investors were cautious toward both investment and speculations, especially in domestic equities market. Trading volume and our brokerage income are inevitably adversely affected. Nevertheless, there was steady demand for international commodities trading against the backdrop of hedging needs and speculation of commodities prices as a result of further quantitative easing measures around the world. The Group's broking business recorded an operating revenue of HK$185.4 million in the reporting period, decreasing 29.1% compared with that of last year.

Looking forward, since the last quarter of 2012, we noted a surge in both trading volume and the market index. It is cautiously expected that our broking business can benefit from increased participation of our investors given the improvement of market sentiments.

Asset Management

As China's economy bottomed out in the fourth quarter of 2012, investor regained confidence in the economic outlook of mainland China and the capital began to inflow into Hong Kong. The Hong Kong stock market is trading at around 11 times prospective 2013 P/E and around 3.2% dividend yield. The current valuation is attractive and undemanding. As the concerns of some negative factors, such as the slowdown of the economic growth in China, have been somewhat eased, we are conservatively optimistic about the stock market outlook of Hong Kong in 2013.

Looking forward, we expect China's economy to grow at a range between 7.6% and 8% in 2013. Corporate earnings are expected to resume positive growth in the second half, which should be a catalyst to Hong Kong stock market. We expect our AUM and revenue, such as performance fee and management fee, to remain stable in 2013.

Wealth Management

During the past year, we continued to devote more resources to strengthen our discretionary portfolio management business. All three landmark portfolios achieved respectable performance and outperformed their respective benchmarks. This value-added service not only benefited the existing clients but also helped attract new assets from prospective clients.

To better serve the investment needs of clients and to accommodate different risk appetite, we introduced a number of new investment tools. Amongst the many, private equity investment products in China and pre-development land investment opportunities overseas have successfully gained recognition from the market and they have outperformed our initial projection. The new services have not only strengthened the firm-client relationship but also increased our income sources. Our goal remains to increase income and diversify revenue sources through strengthening our portfolio management capability and recurring income mix.

Outlook and Corporate Strategy

In the year of 2012, the Eurozone debt crisis and the US fiscal cliff had been looming over the global economy. Looking ahead to 2013, the economic outlook still hinges to a large extent on the development in the European and US markets.

Whilst the external environment remains uncertain, the outlook for the Asian markets looks more optimistic. Asian economies, particularly mainland China, are expected to recover more swiftly from the present soft patch and grow more forcefully than the developed countries. With its strategic role, Hong Kong continues to benefit from such development and progression.

In Hong Kong, while inflation has bottomed during the last year, renewed capital inflows and further asset market rallies pose upside risk to the inflation outlook to the year ahead. Coupled with the rebound in China's grain prices, persistent strength in RMB against Hong Kong dollar and rising rental and property prices, inflation is expected to edge higher in the coming year.

With the completion of US and Chinese political transitions, growth in the economies showed a clearer sign of picking up. Intensified by demand recovery and expected appreciation of Asian currencies, capital inflows to Asia have significant room for acceleration. Quantitative easing measures of various economies were launched in 2012. Accommodative region-wide monetary and fiscal policies were in place throughout 2012. Fears of US "Fiscal Cliff" was eventually fading in the end of 2012.

We are cautiously optimistic about the economic outlook in the medium term. We see potential opportunities available to financial institutions in Hong Kong. The year-end robust rally in stock market indices signaled an improving economic condition. Coupled with rising risk appetite, positive fund flows and structural reforms, we expect to see a higher return in 2013. With the expected money inflows into Asia, we envisage to see a further growth in the stock performance. We will continue to expand our client base and provide comprehensive financial solutions from a global perspective to our clients. On top of our established services in the PRC, we will continue to look for strategic opportunities with business partners and adopt a proactive approach in order to capitalise the opportunities ahead.

To cope with the growing complexity of the capital market, Hong Kong is looking to adapt to the low latency network and to retain its role as one of the world's most established financial centres. To remain competitive and relevant in an increasingly interconnected global equities market driven by technology-based trading strategies, we will continue to develop and enhance our IT infrastructure in order to stay compatible with market changes.

Alongside the clear approach of the Hong Kong Stock Exchange in developing advanced trading platform to commensurate with the increasing demand for more efficient and speedy executions, we dedicated our resources in IT infrastructure and trading platform development in order to capture the valuable opportunities in the market and to meet with the versatile needs of our clients in Hong Kong and mainland China. We believe that high-speed, reliable and technologically advanced platforms are still highly sought by investors. We are committed to investing in our IT infrastructure and enhance the comprehensiveness of products to our clients.

2012 saw a slowdown in the IPO activities in Hong Kong at the back of intense competition from other bourses. The last quarter of 2012 however showed signs of recovery and is expected to continue in the coming year. The recent relaxation of the H-share listing requirements for mainland companies would be expected to spur some of the A-share IPO applicants to switch to list in Hong Kong. Hong Kong would continue to be a major fundraising hub for Chinese mainland companies and we expect to see a wave of small and medium-sized mainland enterprises and international companies seeking access to additional funding by securing a listing status in Hong Kong. Going forward, we continue to position our investment banking group as specialist in small and medium enterprises. We will continue to build up our brand name and gain wider prominence and recognition in our investment banking services.

With the growing sophistication of the capital market, we are constantly looking for educated and internationally oriented workforce. We are able to attract professionals from around the globe. They include scholars and professors with different backgrounds and qualifications. The mix of academic specialists has brought an inspiring enhancement to our trading models and infrastructure development. With the dedication of our professional workflow, we will continue to develop our advanced and high technology trading strategies and to capture each and every opportunities present in the market.

Retail Management Business - CRMG

Pricerite Operation Review

Impacted by the global economic crisis, Hong Kong continued to undergo economic downturn in 2012. However, Pricerite managed to achieve steady growth in both revenue and gross profit amid unfavorable economic environment, mainly thanks to the strategic initiatives embarked throughout the year.

Store Network & Operations

In the reporting year, Pricerite strengthened its store network by adding a flagship store in Mongkok and a district store in Tseung Kwan O, bringing together 34 outlets in total. The first Super Mega flagship store was opened in Mongkok in May with a comprehensive range of furniture, home products and electrical appliances. The district store in Tseung Kwan O was opened in the second half of the year, tapping potential market in this densely populated area. These two stores have been successful in attracting new and young customers with encouraging sales performance. The accomplishments were mainly attributable to the brand-new store image, cozy and friendly shopping environment and enhanced merchandise offered in the new stores.

Furthermore, Pricerite dedicatedly renewed a number of existing stores through the long-term rejuvenation program, targeting to highlight its market position as the home-furnishing specialty store providing a true "one-stop shopping" experience for the busy customers in urban city nowadays.

At the store level, Pricerite also deployed advanced technology to facilitate product presentation by applying QR code, tablet PCs and videos to feature merchandises.

LIVING SMART by Pricerite

During 2012, Pricerite adopted a new branding and launched a marketing campaign named Living Smart 生活智慧 with a clear objective to providing smart and flexible living solutions to urban household living in cramped apartments.

To deliver our Living Smart 生活智慧 concept, home-furnishing and household tips and smart product recommendations are highlighted in our marketing communications and in-store materials. Customers can now obtain smart living ideas easily at Pricerite and better understand how Pricerite products are designed to provide extra benefits in space optimization, home-furnishing and decoration so as to improve their living quality.

New Products

In response to the increasing demand in space optimization, a new product range of "transformable furniture", namely Hiddenbed, was introduced. Hiddenbed has demonstrated proven success in most major cities around the globe. It enables customers to transform a single bed to a desk, and vice versa in just a few seconds, with a simple touch, bringing the benefits of multifunction together with space maximisation to customers.

In addition, Tailor Made Furniture (TMF) and Tailor Size Furniture (TSF), both launched in 2011, continued to grow satisfactorily during the year, further evidencing that our professional and personalized services as well as higher quality tailored solutions have been well-recognised by customers. Pricerite will continue to develop all aspects of smart and flexible home furnishing solutions to better serve our customer needs.

With a clear aim to enhancing both the aesthetics and functionality of our products and to stimulate customer demand on stylish and functional items, Pricerite has during the year revamped a number of the core product ranges by bringing in new products, new designs as well as an expanded product range with different colors, sizes and forms.

E-Channels

Riding on the popularity of electronic platforms, Pricerite invested in various online channels during the year to better serve customers online. The official Pricerite E-shop for Hong Kong has caught immediate attention since its launch in the first half of the year and has contributed to our growing sales revenue. During the year, the website was further upgraded by including a number of interactive and sorting features to enhance browsing and shopping experience.

Facebook page also supported our product promotion and customer interactions in an effective way. Different theme-based online and offline campaigns during the year attracted a number of participants to visit regularly and helped to build our brand awareness.

Rewards & Recognitions

Pricerite was committed to providing customers with excellent services. During the year, several honorable accolades were received. Our well-trained salespersons have stood out amongst the keen retail practitioners, winning not only the Outstanding Young Salesperson Award 2012 organized by HKMA but also the HKRMA's Service & Courtesy Award, the "Oscars Award" in the retail industry in Hong Kong.

Besides, Pricerite won the Manpower Developer Award Scheme 2012, Family-Friendly Employers Award 2012 and Customers' Most Favorable Hong Kong Brands Award 2012, organized by the Employees Retraining Board, the Family Council and the China Enterprise Reputation and Credibility Association.

China Operations

In China, our retail brand 生活經艷 has gradually built up the brand awareness amongst our target customers, mainly young and mid-income professionals in Guangzhou. In addition to existing retail outlets, we have organised a number of road shows during the year to promote and increase public awareness of our brand. 生活經艷 is also regularly covered in various media including newspapers, magazines and on-line channels to promote our positioning of modern home furnishing chain. 生活經艷 has also planned to develop e-commerce in 2013, to tap the fast expanding market opportunity in China.

Looking Ahead

In 2013, the economy of Hong Kong will continue to encounter different challenges and opportunities. We will continue to reinforce the Living Smart 生活智慧 brand attribute and to secure the leading position in home-furnishing retailer in town. On the other hand, gradual increase in housing supply by the government to meet overwhelming demand is expected to create continuous and vast demand in better home furnishing solutions. Pricerite is ready to capture the business ahead.

EMPLOYEE INFORMATION

As at 31 December 2012, the Group had 1,184 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the period under review was approximately HK$240.6 million.

Benefits

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staff. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the Securities and Futures Ordinance (“SFO”), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group’s history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee’s concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles (“Principles”) which aligns with the requirements set out in the Code on Corporate Governance Practices (“CG Code”, including the revised code provisions which became effective from 1 April 2012) and the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2012, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations with explanation described below:

i. The Company does not have a nomination committee as provided for in code provision A.5.1 as its function has been performed by the Board as a whole. The Board under the leadership of the Chairman is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the directors.

ii. The Chairman of the Board, Mr Kwan Pak Hoo Bankee, was unable to attend the annual general meeting of the Company held on 21 May 2012 as provided for in code provision E.1.2 as he was on an overseas engagement.

iii. The independent non-executive directors of the Company, Mr Cheng Shu Shing Raymond and Mr Lo Kwok Hung John, were unable to attend the annual general meeting of the Company held on 21 May 2012 as provided for in code provision A.6.7 as they were on overseas engagement and other business engagement respectively.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2012 have been reviewed by the Audit Committee of the Company.

REPURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SECURITIES

During the year ended 31 December 2012, the Company repurchased a total of 41,202,000 shares of HK$0.02 each in its own issued share capital on the Stock Exchange and such shares were then subsequently cancelled. The directors believe that such repurchases would help enhancing the assets per share of the Company and would benefit the Company and the shareholders as a whole. Details of the repurchase of shares are summarised as follows:

Month/Year	**Number of shares repurchased**	**Repurchase price per share**		**Approximate aggregate consideration paid (excluding expenses)**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
August 2012	24,492,000	0.062	0.059	1,470,000
September 2012	16,710,000	0.069	0.059	1,036,000
Total	41,202,000			2,506,000

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 15 March 2013

As at the date hereof, the directors of the Company are:-

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Chan Chi Ming Benson
Mr Law Ping Wah Bernard
Mr Cheng Man Pan Ben
Ms Cheng Pui Lai Majone

Independent non-executive directors:

Mr Cheng Shu Shing Raymond
Mr Lo Kwok Hung John
Mr Lo Ming Chi Charles