時富金融 CFSG

CASH Financial Services Group Limited

(Stock Code: 510)

2012 Annual Report

Contents

Company Profile

COMPANY PROFILE

CASH Financial Services Group Limited ("CFSG", stock code: 510) is a leading financial services conglomerate in China. Established in 1972, CFSG provides a comprehensive range of financial products and quality services that includes mobile and premium trading, investment banking and corporate finance advisory, wealth and asset management, alternative trading, etc, for the versatile investment and wealth management needs of our broad-based clients.

As a leading technology-focused financial services provider, coupled with our professional human talents, CFSG is committed to operating the state-of-the-art trading platform to meet the investment needs of clients in today's borderless world. In 1998, CFSG was the first in Hong Kong to develop electronic trading via the Internet, demonstrating our innovation and dedication to integrating technology into daily life. As technologies advance, CFSG is dedicated to enhancing the trading experience of our clients. We further developed the mobile trading services by introducing various stock and futures trading apps on iPhone, iPad and Android operating systems, enabling institutional, corporate, commercial and individual clients to obtain instant market information while at the same time trade anytime, anywhere, borderless.

Our mission is to be a "Total Caring Organisation": creating value for stakeholders, delivering superior shareholder returns, caring for employees' welfare, being a trusted partner to clients we serve and a responsible corporate citizen in the communities and environment we operate.

Our shareholders include ARTAR Group, one of Saudi Arabia's top 10 prominent investment groups. The alliances have broadened CFSG's shareholder base from Asia to the Middle East, raising our international recognition.

Leveraging our advanced electronic trading platform, CFSG has developed an extensive distribution network to reach our institutional, corporate and individual clients across China. Along with our headquarters in Hong Kong, we have established a Mainland head office in Shanghai, with branch offices strategically located in Beijing, Chengdu, Shenzhen, Qingdao and Xiamen.

Known for our innovation and quality services, CFSG has been widely recognised by the industry. In 2008, CFSG was the first organisation in Hong Kong to obtain the stringent ISO 9001:2008 certification, with zero non-conformity. Other accolades include a Top Service Brand award from the Hong Kong Brand Development Council, Distinguished Salespersons Awards from the Hong Kong Management Association, a Certificate of Merit of the Hong Kong Awards for Industries in Technological Achievement from the Hong Kong Productivity Council, a Certificate of Merit of the Hong Kong Awards for Industries in Innovation and Creativity from the Hong Kong General Chamber of Commerce, a Certificate of Merit of "Wastewi$e Label" in Hong Kong Awards for Environmental Excellence from Environmental Campaign Committee, a Certificate of Merit in the Best Brand Enterprise Award from the Hong Kong Productivity Council, etc.

For further information, please visit www.cashon-line.com.

COMPANY PROFILE

Pricerite is the largest home furnishing specialist in Hong Kong. Through our comprehensive network of outlets, we offer products from furniture, DIY products, home textiles, household products, home appliances to AV products. Upholding the "Living Smart" principle, we are committed to providing one-stop smart home solutions that exceed customer expectations. We also strive to foster a caring culture for our customers, employees, vendors, communities and natural environment.

We uphold the Group's "People-oriented" Principle, and attain leadership by innovation — innovation in our product mix, merchandising, store layout and entire market strategy in home improvement product retailing. Our constant efforts to increase our understanding of customers' expectations and needs through the use of information technology to gain accurate and timely data and use of market research tools drive our customer-focused innovations.

We deliver through a balanced fusion of technology and people. We utilise technology to enhance product delivery, operating efficiency and ultimately our logistical strength. We complement this with our dedicated workforce to develop and source the best products, to build our brand and create our customer-friendly shopping environment, as well as to assist our customers with the best service possible.

Pricerite is known for its relentless effort in enhancing customer satisfaction, which is acknowledged by obtaining various accreditations, such as the Premier Service Brand from the Hong Kong Brand Development Council, the PRC Consumers' Favourite Brands Campaign 2008 from the China Enterprise Reputation & Credibility Association (Overseas) Ltd, the Hong Kong and Macau Merchants of Integrity Award in the both 2007 and 2008 from the Guangzhou Daily and Ming Pao Daily News, the Distinguished Salespersons Awards from The Hong Kong Management Association, the Service and Courtesy Awards from Hong Kong Retail Management Association, and "2011 Outstanding Quality Tourism Services Merchant" — Silver Award from Hong Kong Tourism Board. Other service certifications obtained include the Q-Mark Service Scheme certification, the Quality Tourism Services Trademark from Hong Kong Tourism Board, and the "No Fakes" Pledge.

For further information, please visit www.pricerite.com.hk.

Corporate Information

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee (Chairman)
CHAN Chi Ming Benson (CEO)
LAW Ping Wah Bernard (CFO)
CHENG Man Pan Ben (ED)
CHENG Pui Lai Majone (COO)

Independent Non-executive:

CHENG Shu Shing Raymond
LO Kwok Hung John
LO Ming Chi Charles

AUDIT COMMITTEE

CHENG Shu Shing Raymond (committee chairman)
LO Kwok Hung John
LO Ming Chi Charles

REMUNERATION COMMITTEE

CHENG Shu Shing Raymond (committee chairman)
LO Ming Chi Charles
KWAN Pak Hoo Bankee

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, FCIS

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee (alternate: LAW Ping Wah Bernard)
CHENG Man Pan Ben (alternate: LUKE Wing Sheung Suzanne)

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
Wing Hang Bank, Limited
The Hong Kong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Shanghai Commercial Bank Limited
DBS Bank (Hong Kong) Limited
Oversea-Chinese Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

www.cashon-line.com

STOCK CODE ON MAIN BOARD

510

CONTACTS

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Chairman's Letter

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

It has been an unsettling year in 2012, plagued by regional leadership changes and instability in key economies. Against the backdrop of an austere and uncertain global economy, the investment appetite of the local stock market remained subdued, with average daily turnover plunging by 23%. Retail investor sentiment was full of gloom while the brokerage industry was characterised with a glut of low bidders. With accelerating overheads and the escalating costs of compliance, it all added up to a difficult 12 months.

Such changes in the financial market landscape cry out for revitalization of the broker-dealer business model, with the traditional approach rendered increasingly unviable in these volatile times. At the same time, the constant advance of technology and ongoing globalisation of capital markets offer unprecedented new horizons for dynamic financial institutions such as CFSG.

Thus, after in-depth research, analysis, and exhaustive discussions on the company's business road map, the Board of Directors resolved that CFSG should be transformed from a retail-oriented brokerage into a technology-driven financial services house, serving high net worth individuals, institutional, corporate, commercial and premium clients. The decision was grounded upon CFSG's deep-rooted strengths in advanced technology-based platforms and our unparalleled human capital.

In the medium to long term, CFSG will focus on developing several high-growth business pillars: an algo trading platform, investment banking, wealth management, and premium and mobile brokerage services.

Taking advantage of our leading-edge technologies, infrastructure and well-developed systems, our algo trading architecture will be built to facilitate our seamless network and instant connectivity to global exchanges. It will be characterised by ultra-high speed, execution precision, and stringent credit control, and its high-calibre professionals will include financial mathematicians, computer scientists and researchers who take a disciplined approach to performance, risk management and optimised efficiency.

Our sophisticated infrastructure can on the other hand provide premium brokerage clients with a suite of mobile solutions to grasp investment opportunities while on the go. The success of our clients in catching investment opportunities anytime, anywhere, is also our success. With our innovative mobile services catering for a fresh generation of clients, a new set of pricing models will be launched, providing a higher level of flexibility and efficiency.

To capture the unprecedented opportunities associated with the accelerating internationalisation of the RMB and Hong Kong's role as China's offshore RMB centre, CFSG has invested in Infinity, an internationally renowned fund management group. As China continues to open up its finance sector, more capital exchanges between the mainland and the international markets are expected. We will therefore dedicate more resources to grow our wealth management businesses by expanding the scope of our investment products and optimising the strategic interaction of our fund management, wealth management and premium brokerage businesses.

In response to the Hong Kong Stock Exchange's strategy to encourage mainland and international companies to list in Hong Kong, our investment banking division will continue to position the company as a mid-cap specialist in line with our expertise and market niche. Our investment banking team will also work closely with Infinity to create the most productive synergy for pre- and post-IPO financial advisory projects.

Looking forward, we are cautiously optimistic about the outlook for 2013. Central banks in various economies are launching monetary-easing initiatives to help to sustain growth. In addition, with more stability on the political front, uncertainties are gradually being removed and greater optimism and confidence appearing, even though the pace of growth remains slow.

With the 10th anniversary of the removal of minimum commission looming in this year, we believe that a new market environment will soon arise, calling for fresh insights and innovative strategies. We are confident that CFSG's proven record in managing change, controlling risk and preserving capital will ensure our development keeps on course. We will remain prudent, both financially and operationally, and take flexible and proactive measures to manage the challenges ahead.

Finally, I would like to sincerely thank my diligent, creative and dedicated staff for their unfailing support and contributions during the year.

Yours sincerely,

Bankee P. Kwan
Chairman
CASH Financial Services Group Limited

Financial Review

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.

FINANCIAL REVIEW

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, 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. 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) 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 in Infinity, as mentioned in the above paragraph. Details of the capital commitments are also disclosed in note 40 to the consolidated financial statements.

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

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 生活經艶 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. 生活經艶 is also regularly covered in various media including newspapers, magazines and on-line channels to promote our positioning of modern home furnishing chain. 生活經艶 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

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 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.

Board of Directors and Senior Management

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman, MBA, BBA, FFA, MHKSI, CPM(HK), MHKIM, aged 53, joined the Board on 11 August 2000. He is responsible for the overall business strategy of the Group. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Mr Kwan is also a fellow of the Institute of Financial Accountants, UK, a member of the Hong Kong Securities Institute, a Certified Professional Marketer (HK) and a member of the Hong Kong Institute of Marketing.

Mr Kwan is a firm believer in youth education and development. He is a John Harvard fellow of the Harvard University, US; a member of the Harvard University Asia Center Advisory Committee; an honorary university fellow of The Open University of Hong Kong; a trustee of New Asia College of The Chinese University of Hong Kong; an advisory professor and an honorary member of the Board of Trustees of Nanjing University. Mr Kwan is also an honorary advisor of several higher education institutions, including the LiPACE of The Open University of Hong Kong and the Academy of Oriental Studies of Peking University. Furthermore, Mr Kwan is appointed as an honorary advisor of the Fong Yun Wah Foundation and the China Charity Federation.

In addition to education, Mr Kwan is also active in serving the community. He is a member of the standing committee of the Chinese People's Political Consultative Conference (CPPCC), Shanghai Committee; a member of the Election Committee for the Fourth Term of the Chief Executive Election of the HKSAR; and the immediate past chairman and honorary advisor of the Hong Kong Retail Management Association. Mr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR. Currently, he is also a member of The Minimum Wage Commission; The Employees Retraining Board, Retail Industry Consultative Networks; the SME Development Fund Vetting Committee of the Trade and Industry Department; The Small and Medium Enterprises Committee (SMEC), Trade and Industry Department; the Consumer Council, the Consultation Panel of the West Kowloon Cultural District Authority and the Corporate Advisory Council of Hong Kong Securities Institute. Mr Kwan is also an honorary advisor of the CEPA Business Opportunities Development Alliance.

In December 2009, Mr Kwan was named "Entrepreneur of the Year 2009" in the Asia Pacific Entrepreneurship Awards as organised by Enterprise Asia, which recognised his outstanding entrepreneurial success and significant contributions to economic life and society.

Mr Kwan is a substantial Shareholder and the chairman of CASH. He is a member of the Remuneration Committee, as well as a member of the remuneration committee of CASH.

Benson Chi-ming CHAN

CEO, MBA, BA, FCCA, CPA, MHKSI, aged 46, joined the Board on 5 October 2007. He is in charge of the Group's overall business development and management. Mr Chan has extensive experience in the field of investment banking, corporate finance, auditing and accounting. He is a holder of Master Degree of Business Administration from The Hong Kong University of Science and Technology and Bachelor of Arts (Hons.) Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. Mr Chan is also the managing director and a responsible officer of Celestial Capital (the investment banking group of the Group).

Bernard Ping-wah LAW

CFO, MBA, FCCA, FCPA, MHKSI, aged 54, joined the Board on 11 August 2000. He is in charge of the Group's overall financial and accounting management. Mr Law has extensive experience in financial management and accountancy. He graduated from The University of Warwick, United Kingdom with a Master Degree of Business Administration. He is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and a member of Hong Kong Securities Institute. Mr Law is also an executive director and chief financial officer of CASH.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ben Man-pan CHENG

ED, BA, FCCA, CPA, aged 43, joined the Board on 7 June 2004. He is the managing director of brokerage services, and is responsible for the overall business development of the Group's brokerage division. Mr Cheng has extensive experience in auditing, accounting, financial controlling and project management. Mr Cheng graduated from The City University of Hong Kong with a Bachelor Degree in Accountancy. He has been admitted as a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Cheng is a responsible officer of Celestial Securities, Celestial Commodities and CASH Asset Management respectively.

Majone Pui-lai CHENG

COO, MSc, BEcon, aged 40, joined the Board on 1 June 2011. She is in charge of the overall operations of the Group. Ms Cheng has extensive relevant experiences in the financial services industry. She graduated from The University of London, United Kingdom with a Master Degree of Science in Financial Management and from The University of Hong Kong with a Bachelor Degree in Economics. Ms Cheng is a responsible officer of Celestial Securities and Celestial Commodities respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

INED, aged 57, joined the Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. He is a honorary fellow of The Professional Validation Centre of Hong Kong Business Sector, a member of Young Industrialists Council Ltd and the president of the Lions Club of Tuen Mun. Mr Cheng was the winner of The Young Industrialist Awards for the year 1992 and a member of The Watches and Clocks Advisory Committee of Hong Kong Trade Development Council. He was the chairman of The Federation of Hong Kong Watch Trades and Industries Limited and is currently an advisor of the federation. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee.

John Kwok-hung LO

INED, MBA, LL.B, FCCA, CFC, aged 54, joined the Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance field and is the managing partner of a certified public accounting firm in Hong Kong. He graduated from The Oklahoma City University, US with a Master Degree in Business Administration and from The University of London, United Kingdom with a Bachelor Degree in Laws. Mr Lo is a fellow of The Association of Chartered Certified Accountants. Mr Lo is also a Certified Financial Consultant of US. Mr Lo is also a member of the Audit Committee.

Charles Ming-chi LO

INED, CPA, FFSI, aged 63, joined the Board on 27 October 2008. Mr Lo has extensive professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He is a Certified Practising Accountant of the CPA Australia, and a fellow member of the Financial Services Institute of Australasia. Mr Lo is also a member of the Audit Committee and the Remuneration Committee.

SENIOR MANAGEMENT

Bob Yau-ching CHAN

Executive Director and Deputy Chief Executive Officer of CASH, aged 50, received a Doctorate Degree in Business from Purdue University, US and a Master Degree of Business Administration from The University of Wisconsin-Madison, US, and is a Chartered Financial Analyst. Dr Chan joined the Group in September 2000 and has global vision and extensive experience in corporate business enhancement, restructuring and financial re-engineering, financial management, strategic analysis and portfolio management. He is a responsible officer of CASH Wealth Management. Dr Chan provides valuable advice to the Chairman and the Board in corporate strategy and positioning and business growth of the Group.

Derek Hin-sing NG

Chief Executive Officer, Pricerite, aged 44, received a Master Degree of Business Administration from Southern Illinois University Carbondale in USA and a Bachelor Degree of Business Administration from Ottawa University in USA, and is a CERTIFIED FINANCIAL PLANNER[CM] professional. Mr Ng joined the Group in January 1997 and has extensive experience in the field of corporate development and retail business. He is in charge of the overall strategic development and operation of the Group's retail business.

James Siu-pong LEUNG

Deputy Chief Executive Officer, Pricerite, aged 50, received a Master Degree of Business Administration from Heriot-Watt University in UK and a Bachelor Degree of Social Sciences from The University of Hong Kong. Mr Leung joined the Group in October 2001 and has extensive experience in the field of retail management business. He is in charge of the retail operation management of the Group's retail business.

Wing-kai WONG

Managing Director, Alternative Investment, aged 45, received a Doctorate Degree in Finance and Physics and a Master Degree in Computer Science from Stanford University, and a Master Degree of Advanced Studies from University of Cambridge. Dr Wong joined the Group in April 2009 and has extensive experience in the field of strategic investment and portfolio management. He is responsible for overseeing the Group's alternative investment business.

Samuel Po-shing WONG

Head of Research (Trading Strategies and Risk Management), Alternative Investment, aged 46, received a Doctorate Degree of Philosophy in Statistics from The Stanford University. Dr Wong joined the Group in January 2011 and has extensive experience in the field of financial risk management and consultancy. Dr Wong serves on the Advisory Council of The Stanford Quantitative Finance Program in Hong Kong. He is responsible for the research and investment activities of the Group.

Eric Di WU

Managing Director, CASH Talent Investment Limited, aged 29, received a Doctorate Degree of Philosophy in System Engineering and Engineering Management from The Chinese University of Hong Kong and a Bachelor Degree of Computer Science from The University of Science and Technology of China. Dr Wu joined the Group in January 2013 and has extensive management and technology transfer experience in large information technology companies. He is responsible for designing business and technology strategy for the Group.

Daphne Wai-suen NG

Managing Director and Head of Investment Banking Group, aged 43, received a Master Degree of Science in Financial Analysis from The Hong Kong University of Science and Technology and a Bachelor Degree of Arts (Honours) in Accountancy from The Hong Kong Polytechnic University, and was admitted an Associate of The Institute of Chartered Secretaries and Administrators. She is also a member of Hong Kong Securities Institute. Ms Ng joined the Group in October 1998 and has extensive experience in the field of corporate finance and investment banking. She is a responsible officer of Celestial Capital. She is in charge of the provision of corporate finance advisory services and investment banking services.

Angela Sze-kai WONG

Managing Director, CASH Wealth Management, aged 45, received an Executive Master of Business Administration from Tsinghua University, Beijing and is a Chartered Financial Analyst. Ms Wong joined the Group in February 2004 and has extensive experience in financial services and wealth management in North America, Hong Kong and China. She is responsible for the overall wealth management business of the Group.

Horace Pak-leung KWAN

Deputy Chief Operating Officer, aged 49, is an ordinary member of Hong Kong Securities Institute. Mr Kwan joined the Group in March 1998 and has extensive experience in equity dealings, operations and product knowledge. He is a responsible officer of Celestial Securities and Celestial Commodities respectively. He assumes the overall responsibility for the operation support to the retail brokerage services. He is the brother of Mr Kwan Pak Hoo Bankee (the chairman of the Group) and the spouse of Ms Chan Siu Fei Susanna (a senior management of the Group).

Patrick Ho-yin YIU

Managing Director, Asset Management, aged 39, received a Bachelor Degree of Economics from The Chinese University of Hong Kong. Mr Yiu joined the Group in April 2006 and has extensive relevant experience in the financial services field. He is a responsible officer of CASH Asset Management and CASH Wealth Management. He is in charge of the provision of asset management services.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Dennis Yat-keung CHAN

Head of Mobile Trading, aged 42, received a Master Degree of Business Administration from University of Oxford, United Kingdom. Mr Chan joined the Group in June 2007 and has extensive experience in strategic business development. He is responsible for developing and managing the online trading platform, CASH SNS, iPhone App and mobile trading business.

Susanna Siu-fei CHAN

Head of Brokerage Services, Hong Kong, aged 40, received a Bachelor Degree of Business Studies in Management from National University of Ireland. Ms Chan joined the Group in February 1998 and has extensive experience in the securities brokerage industry and business operations. She is responsible for the management of various teams of account executives and relationship managers to provide premium brokerage services for the clients of the Group. She is the spouse of Mr Kwan Pak Leung Horace (a senior management of the Group).

Alan King-wang CHAN

Head of Brokerage Services, China, aged 38, received a Bachelor Degree of Information Technology from The City University of Hong Kong. Mr Chan joined the Group in November 2010 and has extensive experience in managing the sales and marketing of brokerage business. He is responsible for the Group's overall brokerage business and management across several financial markets including the Mainland China and Hong Kong.

Winky Wing-hang YAN

Head of Information Technology, aged 36, received a Bachelor Degree of Engineering in Computer Science from The Hong Kong University of Science and Technology. Mr Yan joined the Group in September 1998 and has extensive experience in computer and information technology in the financial services industry. He is responsible for all computer system and operation issues of the Group.

Sonija Wan-yi LI

Deputy Head of Research and Chief Strategist, aged 27, received a Bachelor Degree of Business Administration from The University of Hong Kong, and is a certified Financial Risk Manager. Ms Li joined the Group in September 2007 and has extensive experience in securities and investment portfolio. She is responsible for providing investment analyses to the clients of the Group.

Connie Wai-yin SHUM

Head of Compliance, aged 38, received a Master Degree of Professional Accounting from the Hong Kong Polytechnic University and a Bachelor Degree of Business Administration (Hons) in Finance from the Hong Kong Baptist University. Ms Shum joined the Group in March 1999 and has extensive experience in compliance, risk management and credit control, and operations. She is in charge of compliance functions of the Group.

Hon-wo SHUM

Legal Counsel, aged 40, received a Master Degree in Laws from The City University of Hong Kong, a Master Degree in Laws from Renmin University of China and a Bachelor Degree in Laws from The University of Hong Kong, and is a qualified solicitor of the HKSAR. Mr Shum joined the Group in August 2005 and has extensive experience in legal field. He is the Group's legal counsel and is responsible for all legal issues of the Group.

Raymond Pak-lau YUEN

Deputy CFO, aged 49, received a Bachelor Degree of Arts in Accountancy from The City University of Hong Kong and is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate of The Institute of Chartered Accountants in England and Wales. Mr Yuen joined the Group in November 2000 and has extensive experience in internal audit, credit risk management and operations control. He is responsible for overseeing Group's financial and accounting management.

Wallace Hon-ming WONG

Financial Controller, aged 46, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Wong joined the Group in March 2000 and has extensive relevant experiences in the field of accounting and auditing. He is also the financial controller of the Group.

Suzanne Wing-sheung LUKE

Company Secretary, aged 44, is a fellow of The Institute of Chartered Secretaries and Administrators. Ms Luke joined the Group in May 2000 and has extensive listed company secretarial experience. In addition to taking the role as company secretary of the Company, she is also the company secretary of CASH.

CORPORATE GOVERNANCE REPORT

The Directors of the Company have adopted various policies to ensure compliance with the code provisions of the CG Code on Corporate Governance Practices (effective until 31 March 2012) and the CG Code (effective from 1 April 2012) under Appendix 14 of the Listing Rules. For the year, the Company has complied fully with the code provisions of the CG 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 AGM 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 INEDs of the Company, Mr Cheng Shu Shing Raymond and Mr Lo Kwok Hung John, were unable to attend the AGM 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.

THE BOARD COMPOSITION

As at the date of this report, the Board comprised eight Directors (five EDs and three INEDs) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The INEDs will also share their valuable impartial view on matters to be discussed at the Board meetings. The biographies of the Directors are set out from pages 22 to 24 of this annual report under the "Board of Directors and Senior Management" section.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr Kwan Pak Hoo Bankee served as the Chairman of the Board throughout the year and is responsible for formulating the strategies and policies of the business development of the Group, and overseeing the functioning of the Board. Mr Chan Chi Ming Benson, the CEO, is responsible for managing the business of the Group and attending to the formulation and successful implementation of the Group's policies. The division of the responsibilities between the Chairman and the CEO has been established and set out clearly in writing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The INEDs are all professionals with well recognised experience and expertise in professional and/or accounting fields who provide valuable advice to the Board. They are appointed for a term of one year and are subject to retirement from office and re-election at the AGM every year. The Company has received a confirmation of independence from each of the INEDs. The Board considers each of them to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The INEDs have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the Group and is responsible for promoting the success of the Group by directing and supervising the business operations of the Group in the interests of the Shareholders by formulating strategic directions and monitoring the financial and management performance of the Group.

DELEGATION TO THE MANAGEMENT

The Management is led by the EDs of the Board and has delegated powers and authorities to carry out the day-to-day management and operation of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The Management assumes full accountability to the Board for the operation of the Group.

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to the Management that certain matters (including the followings) must be reserved to the Board:

— Publication of final and interim results of the Company

— Dividend distribution or other distribution

— Major issues of treasury policy, accounting policy and remuneration policy

— Review on internal control system and risk management

— Corporate governance functions

— Review on the succession plan and consideration of the appointment, re-election and removal of the Directors

— Changes to major group structure or Board composition requiring notification by announcement

— Notifiable transaction and non-exempted connected transaction/continuing connected transaction

— Proposed transaction requiring Shareholders' approval

— Capital restructuring

— Joint venture with outside party involving substantial capital commitment from the Group that requires notification by announcement

— Financial assistance to Directors

RELATIONSHIP BETWEEN THE BOARD MEMBERS

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relations) between each other.

INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors have been given a Directors' handbook containing relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and corporate information of the Group. The Directors' handbook will be regularly updated to reflect the updated corporate information and new rules and regulations.

All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. During the year or since the effective date of the CG Code, all Directors have participated in continuous professional development by attending seminars/training and program/in-house briefing/reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Name of Directors	Topics on training covered (Note)
Kwan Pak Hoo Bankee	(a), (b), (d), (e)
Chan Chi Ming Benson	(b), (d)
Law Ping Wah Bernard	(b), (c), (d), (e)
Cheng Man Pan Ben	(b), (d)
Cheng Pui Lai Majone	(b), (d), (e)
Cheng Shu Shing Raymond	(b), (d)
Lo Kwok Hung John	(b), (c)
Lo Ming Chi Charles	(b), (c)

Notes:

(a) Global and local financial market and business environment

(b) Regulatory and corporate governance

(c) Finance & taxation

(d) Leadership and management skills

(e) Other information relevant to the Company or its business

There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code effective on 1 April 2012 on Directors' training.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

The attendance of Directors at the following meetings during the year is set out below:

	Meetings attended/held				
Name of Directors	**Executive Committee Meeting**	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**
Executive Directors					
Kwan Pak Hoo Bankee	12/12	7/7	N/A	1/1	0/1
Chan Chi Ming Benson	12/12	7/7	N/A	N/A	1/1
Law Ping Wah Bernard	12/12	7/7	N/A	N/A	1/1
Cheng Man Pan Ben	12/12	6/7	N/A	N/A	1/1
Cheng Pui Lai Majone	11/12	6/7	N/A	N/A	1/1
Independent Non-Executive Directors					
Cheng Shu Shing Raymond	N/A	7/7	5/5	1/1	0/1
Lo Kwok Hung John	N/A	7/7	5/5	N/A	0/1
Lo Ming Chi Charles	N/A	7/7	5/5	1/1	1/1
Total number of meetings held:	12	7	5	1	1

During the year, the Chairman of the Board held a meeting with the INEDs without the presence of the EDs.

Upon reviewing (i) the annual confirmation of the time commitment given by each Director; (ii) the directorships and major commitments of each Director; and (iii) the attendance rate of each Director on full Board and their executive committee meetings with the Management on their respective functional duties and responsibilities, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the year.

BOARD MEETINGS AND PROCEEDINGS

Regular Board meetings were held at approximately quarterly interval. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team for ensuring that the Board procedures, and all applicable rules and regulations, are followed.

All Directors are consulted as to whether they wish to include any matter in the meeting agenda before the agenda for each board meeting is issued. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board Meeting. Originals of the minutes of Board meetings will be kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates have a material interest and that he/she shall not be counted in the quorum present at the Board meeting.

AUDIT COMMITTEE *(SET UP ON 30 OCTOBER 2000)*

The Audit Committee comprises three INEDs, namely Mr Cheng Shu Shing Raymond (Chairman of the Committee), Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles.

The specific written terms of reference of the Audit Committee which was re-adopted on 7 February 2012 in light of the amendments of the Listing Rules, is available on the Company's website.

The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, approving the remuneration and terms of engagement of external auditor, reviewing financial information and overseeing of the financial reporting system and internal control procedures. The Audit Committee held five meetings during the year.

A summary of work performed by the Audit Committee during the year is set out as follows:

i. reviewed the annual and interim financial statements for the year ended 31 December 2012 and for the six-months ended 30 June 2012 respectively, and the business operation and development of the Group for the quarters ended 31 March 2012 and 30 September 2012;

ii. discussed/met with the external auditor on general accounting issues of the Group, and reviewed their work and findings relating to the annual audit for the year ended 31 December 2012 and the effectiveness of the audit process;

iii. reviewed the effectiveness of the internal control system of the Group;

iv. annual review of the non-exempt continuing connected transactions of the Group for the year ended 31 December 2012;

v. reviewed the external auditor's independence, approved the engagement and remuneration of external auditor and recommended the Board on the re-appointment of external auditor;

vi. reviewed the terms of reference of the Audit Committee in light of the relevant amendments to the Listing Rules and recommended the Board to re-adopt such terms; and

vii. noted the impact to the Group in respect of the amendments to the accounting principles and standards and the development of corporate governance.

REMUNERATION COMMITTEE *(SET UP ON 30 OCTOBER 2000)*

The Remuneration Committee comprises two INEDs, Mr Cheng Shu Shing Raymond (Chairman of the Committee) and Mr Lo Ming Chi Charles, as well as Mr Kwan Pak Hoo Bankee (Chairman of the Board).

The specific written terms of reference of the Remuneration Committee which was re-adopted on 7 February 2012 in light of the amendments of the Listing Rules, is available on the Company's website. Pursuant to model B.1.2(c)(ii) and the revised terms of reference in the CG Code adopted by the Remuneration Committee, its primary duties are to make recommendation to the Board on the Company's policies and structure of the remuneration of Directors and senior management and the remuneration packages of individual EDs and senior management. Details of the remuneration of each of the Directors for the year are set out in note 12 to the consolidated financial statements. The Remuneration Committee held one meeting during the year.

A summary of the work performed by the Remuneration Committee during the year is set out as follows:

i. determined and endorsed to the remuneration policy and structure for the Directors and senior management; and

ii. assessed the performance of executive Directors and reviewed their current level and remuneration structure/package and approved their specific remuneration package of executive Directors.

NOMINATION AND REMUNERATION POLICY FOR DIRECTORS

Nomination of Directors

The Company had adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors. The criteria to select candidates for directorship include the candidate's background, academic qualification, professional skill, experience in relevant areas, personal qualities, and whether the candidate can demonstrate his commitment, competence and integrity required for the position of Director, and in case of INEDs, the independence requirements set out in the Listing Rules and their time commitment to the Company. Nomination of new Director(s) will normally be made by the Chairman and/or the CEO and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

During the year, the Board as a whole regularly reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The independence of the INEDs was assessed according to the relevant rules and requirements under the Listing Rules.

Remuneration policy of Directors

The Company adopted a remuneration policy providing guideline for Directors' remuneration.

Under the remuneration policy, Directors' remuneration should be based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance — which is set in accordance to the Director's duties, responsibilities, skills, experiences and market influences;

- pension — which is based on the local Mandatory Provident Fund Contribution Scheme;

- short term variable incentive — which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets;

- long term variable incentive — which may include share options designed to encourage long-term commitment.

The remuneration of NEDs and INEDs will be a lump sum of Directors' remuneration made annually.

The remuneration paid to and/or entitled by each of the Directors for the year under review is set out in note 12 to the consolidated financial statements in this annual report.

The share options granted to and/or entitled by the Directors during the year under review are set out in the section headed "Directors' Interests in Securities" in the Directors' report of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions of the Group, the specific written terms of reference of the corporate governance functions is available on the Company's website. The primary duties of the corporate governance functions are (a) reviewing the policies and practices on (i) corporate governance and (ii) compliance with legal and regulations requirements of the Company; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; and (c) reviewing the Company's compliance with code and disclosure in this report.

During the year, the Board reviewed the policies and practices on corporate governance, the training and continuous professional development of Directors and senior management and the Company's compliance with code and disclosure in this report.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions of Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors of the Company, all of them confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the financial statements of the Group and other financial disclosures required under the Listing Rules and the Management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the financial statements are prepared on a "going concern" basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor's Report.

The Management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The Management is primarily responsible for the design, implementation and maintenance of the internal control system to safeguard the Shareholders' investment and assets of the Group. The Management monitors the business activities closely and reviews monthly financial results of operations against budgets/forecast. Proper controls are in place for the recording of complete, accurate and timely accounting and management information.

Regular reviews and audits are carried out to ensure that the preparation of financial statements are carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

The Board had conducted review from time to time of the effectiveness of the system of internal control of the Company and its subsidiaries. The review covered the major operating areas of the business of the Group, including accounts opening and handling, dealing practices, settlement and asset protection. Proper management of risks, including credit risk, market risk, liquidity risk, operational risk and compliance risk are also important to the business of the Group. The Group has implemented policies and procedures on these areas and continuous revisions to its relevant policies and procedures will be made from time to time. Monitoring of the internal control system and risk management is mainly relied on the Risk Management and Credit Control Department and Compliance Department.

During the year, the Management had analyzed the control environment and risk assessment, identified the various control systems implemented. The approach of the review includes conducting interviews with relevant management and staff members, reviewing relevant documentation of the internal control system and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate. The scope and findings of the review had been reported to and reviewed by the Audit Committee.

The Board and the Audit Committee had conducted a review on the effectiveness of internal control system of the Group (including financial, operational, compliance controls, risk management functions) and the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function for the year. The Board considered that its internal control system is effective and adequate and the Company had complied with the code provisions on internal control of the CG Code in this respect in general.

COMMUNICATION WITH SHAREHOLDERS

The Directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGMs and SGMs, if any, which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases of the Company providing updated information of the Group; (iii) the holding of press conference from time to time; and (iv) the upkeeping of the latest information of the Group in the Company's website at http://www.cashon-line.com. Shareholders and investors are welcome to visit such website.

In order to protect the environment and save costs for the benefit of Shareholders, the Company has introduced electronic means for receiving corporate communication by Shareholders. Shareholders may elect to receive printed or electronic copies of corporate communication. However, Shareholders are encouraged to access corporate communication from the Company through the Company's website.

Separate resolutions are proposed at the general meetings for substantial issues, including re-election of retiring Directors. The Company's notice to Shareholders for the 2012 AGM was sent to Shareholders at least 20 clear business days before the meeting and notices of SGMs will be sent to shareholders at least 10 clear business days before such meetings.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year.

SHAREHOLDERS' RIGHTS

Convening a SGM and putting forward proposals at general meetings

Pursuant to the Bye-laws of the Company, Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a SGM to be called by the Board.

The written requisition (i) must state the object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an SGM by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM for a day within two months after the date of deposit of such requisition, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.

Pursuant to the Bermuda Companies Act 1981, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Enquiries from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong or tel: (852) 2980 1333 or email: cfsg510@cash.com.hk.

Other Shareholders' enquiries can be directed to the Investor Relations Department of the Company at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong or tel: (852) 2287 8888 or fax: (852) 2287 8000 or email: inquiry@cash.com.hk

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Committee were of the view that the Company's auditor, Messrs. Deloitte Touche Tohmatsu is independent and has recommended the Board to re-appoint it as the Company's auditor at the forthcoming AGM. During the year, Messrs. Deloitte Touche Tohmatsu has rendered audit services and certain non-audit services to the Company and the remuneration paid/payable to it by the Company are set out as follows:

Services rendered	**Fees paid/payable** HK$
Audit services	2,250,000
Non-audit services:	
Review of the preliminary results announcement	20,000
Review of circular for properties acquisition	130,000
	2,400,000

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 15 March 2013

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of (a) online and traditional brokerage of securities, futures and options as well as mutual funds and insurance-linked investment products, (b) principal investments of securities and options, (c) margin financing and money lending services, (d) corporate finance services, and (e) sales of furniture and household goods and electrical appliances.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 51 of this annual report.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2012 is set out on page 122 of this annual report.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in note 19 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 46 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 36 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" in the consolidated financial statements.

As at 31 December 2012, the reserves of the Company available for distribution to shareholders were approximately HK$115,278,000, comprising contributed surplus of HK$59,080,000 and retained earnings of HK$56,198,000. And the Company's share premium available for distribution in the form of fully paid bonus shares was HK$459,940,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

(a) Financial assistance

(i) Previous Margin Financing Arrangement

As disclosed in the Company's announcement dated 25 November 2009, the Company proposed the Previous Margin Financing Arrangement with each of the Previous Connected Clients. Under the Previous Margin Financing Arrangement, the Company would extend margin financing facilities to the Previous Connected Clients, at an annual cap of up to HK$30 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) to each of the Previous Connected Clients for each of the three financial years ended on 31 December 2012 and are on terms and rates which are in line with the rates offered by the Company to other independent margin clients. The margin financing facilities are repayable on demand and secured by listed securities held by the respective Previous Connected Clients.

The Previous Connected Clients are all substantial Shareholders and/or Directors and/or their respective associates, and hence connected persons of the Company within the meaning of the Listing Rules. The granting of margin financing facilities by the Company under the Previous Margin Financing Arrangement constituted continuing connected transactions relating to financial assistance for the Company under the Listing Rules. The Previous Margin Financing Arrangement was approved by the independent Shareholders at a SGM held on 31 December 2009. Details of the Previous Margin Financing Arrangement were disclosed in the Company's circular dated 15 December 2009.

The Previous Margin Financing Arrangement was expired on 31 December 2012. The facilities granted to the Previous Connected Clients were renewed by the New Margin Financing Arrangement as disclosed in paragraph (a)(ii) below. Details of the maximum amounts of the margin financing facilities granted to the Previous Connected Clients during the year under review are set out in note 29 to the consolidated financial statements. The commission and interest income received from the Previous Connected Clients during the year under review are disclosed in note 42 to the consolidated financial statements.

Pursuant to rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform and report to the Board in respect of the Previous Margin Financing Arrangement in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The INEDs have reviewed the Previous Margin Financing Arrangement and the report of the auditor and confirmed that the Previous Margin Financing Arrangement has been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the terms of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the work performed, the auditor of the Company has also confirmed that the Previous Margin Financing Arrangement (a) has received the approval of the Board; (b) has been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties; (c) has been entered into in accordance with the terms of the relevant agreements governing such transactions; and (d) has not exceeded the relevant cap amount for the financial year ended 31 December 2012 as set out in the circular of the Company dated 15 December 2009.

(ii) New Margin Financing Arrangement

As disclosed in the Company's announcement dated 14 December 2012, the Company proposed the New Margin Financing Arrangement with each of the Connected Clients as a renewal of the Previous Margin Financing Arrangement to the Previous Connected Clients and to grant new facilities to other new Connected Clients. Under the New Margin Financing Arrangement, the Company would extend margin financing facilities to the Connected Clients, at an annual cap of up to HK$30 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) to each of the Connected Clients for each of the three financial years ending on 31 December 2015 and are on terms and rates which are in line with the rates offered by the Company to other independent margin clients. The margin financing facilities are repayable on demand and secured by listed securities held by the respective Connected Clients.

The Connected Clients are all substantial Shareholders and/or directors of the Group and/or their respective associates, and hence connected persons of the Company within the meaning of the Listing Rules. The granting of margin financing facilities by the Company under the New Margin Financing Arrangement constituted continuing connected transactions relating to financial assistance for the Company under the Listing Rules. The New Margin Financing Arrangement was approved by the independent Shareholders at a SGM held on 22 January 2013. Details of the New Margin Financing Arrangement were disclosed in the Company's circular dated 2 January 2013.

(b) Transaction between CASH Group and the CRMG Group

On 14 December 2011, CASH (the substantial Shareholder) and CRM(HK) (a wholly-owned subsidiary of the Company) entered into a renewal agreement to renew the sub-leasing arrangement dated 19 December 2008. Pursuant to the renewal agreement, a wholly-owned subsidiary of CASH Group will continue to sub-lease around 60% of floor area of its office premises to the CRMG Group as its office premises at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong for two years commencing from 1 January 2012 and expiring on 31 December 2013 at the annual cap of rental (including rent and management fees) of not exceeding HK$5 million in total. Details of the renewal agreement were disclosed in the Company's announcement dated 14 December 2011.

During the financial year ended 31 December 2012, the actual amount involved in the sub-leasing arrangement above did not exceed the annual cap of HK$5 million, and is set out in note 42 to the consolidated financial statements.

Pursuant to rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform and report to the Board in respect of the sub-leasing arrangement between CASH Group and the CRMG Group under in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The INEDs have reviewed the sub-leasing arrangement and the report of the auditor and confirmed that the sub-leasing arrangement has been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the terms of the relevant agreement governing it on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the work performed, the auditor of the Company has also confirmed that the sub-leasing arrangement (a) has received the approval of the Board; (b) has been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties; (c) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and (d) has not exceeded the relevant cap amount for the financial year ended 31 December 2012 as set out in the announcement of the Company dated 14 December 2011.

DIRECTORS' REPORT

RELATED PARTIES TRANSACTIONS

Save as the continuing connected transactions as disclosed in the above section, the Group also entered into certain transactions as disclosed in note 42 which were regarded as related party transactions under the applicable accounting standards. Such related party transactions constituted de minis connected transactions of the Company, but were exempted from the reporting, announcement and independent shareholders' approval requirements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

RAISING OF FUNDS AND USE OF PROCEEDS

The Company did not have any fund raising activity during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover.

In the year under review, the Group's purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were as follows:

Executive Directors:

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

Independent Non-executive Directors:

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

Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the AGM in each year in accordance with their terms of office of directorship and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the Previous Margin Financing Arrangement as disclosed under the heading of "Continuing connected transactions" in this section above, no Director had a material interest in, either directly or indirectly, any contract of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the financial year under review.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2012, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the Shares

		Number of Shares		
Name	**Capacity**	**Personal**	**Corporate interest**	**Shareholding** (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	—	1,725,160,589*	44.48
Chan Chi Ming Benson	Beneficial owner	55,000,000	—	1.41
Law Ping Wah Bernard	Beneficial owner	27,506,160	—	0.70
Cheng Man Pan Ben	Beneficial owner	29,337,000	—	0.75
Lo Kwok Hung John	Beneficial owner	2,095,500	—	0.05
		113,938,660	1,725,160,589	47.39

* The Shares were held as to 1,657,801,069 Shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (a substantial Shareholder)), and as to 67,359,520 Shares by Cash Guardian (which was 100% beneficially owned by Mr Kwan Pak Hoo Bankee ("Mr Kwan")). Pursuant to the SFO, Mr Kwan was and deemed to be interested in a total of 32.00% shareholding interest in CASH, details of which are disclosed in the heading of "Substantial Shareholders" below. Mr Kwan was deemed to be interested in all these Shares held by CIGL and Cash Guardian as a result of his interests in CASH and Cash Guardian pursuant to the SFO.

Out of the above 1,725,160,589 Shares in aggregate, a total of 1,707,220,589 Shares were charged under the Share Charges (as defined hereunder). Details of such shareholding interests are disclosed in the heading of "Substantial Shareholders" below.

(b) Long positions in the underlying shares of the Company — options under share option scheme

Name	Date of grant	Option period	Notes	Exercise price per share (HK$)	Number of options: outstanding as at 1 January 2012	granted during the year (Notes (4) & (5))	lapsed during the year (Note (6))	outstanding as at 31 December 2012	Percentage to issued Shares as at 31 December 2012 (%)
Kwan Pak Hoo Bankee	15/10/2010	15/10/2010–31/10/2012	(1), (2)(B)(ii)&(3)(i)	0.2764	22,000,000	—	(22,000,000)	—	—
	11/10/2012	11/10/2012–31/10/2014	(1)&(3)(ii)	0.0930	—	39,000,000	—	39,000,000	1.01
Chan Chi Ming Benson	15/6/2009	15/6/2009–30/6/2013	(2)(A)(i)	0.1335	16,500,000	—	—	16,500,000	0.42
	15/10/2010	15/10/2010–31/10/2012	(2)(B)(ii)&(3)(i)	0.2764	33,000,000	—	(33,000,000)	—	—
	11/10/2012	11/10/2012–31/10/2014	(3)(ii)	0.0930	—	39,000,000	—	39,000,000	1.01
Law Ping Wah Bernard	15/10/2010	15/10/2010–31/10/2012	(2)(B)(ii)&(3)(i)	0.2764	33,000,000	—	(33,000,000)	—	—
	11/10/2012	11/10/2012–31/10/2014	(3)(ii)	0.0930	—	39,000,000	—	39,000,000	1.01
Cheng Man Pan Ben	15/6/2009	15/6/2009–30/6/2013	(2)(A)(i)	0.1335	16,500,000	—	—	16,500,000	0.42
	15/10/2010	15/10/2010–31/10/2012	(2)(B)(ii)&(3)(i)	0.2764	11,000,000	—	(11,000,000)	—	—
	11/10/2012	11/10/2012–31/10/2014	(3)(ii)	0.0930	—	39,000,000	—	39,000,000	1.01
Cheng Pui Lai Majone	15/10/2010	15/10/2010–31/10/2013	(2)(B)(iii)	0.2764	5,500,000	—	—	5,500,000	0.13
	11/10/2012	11/10/2012–31/10/2014	(3)(ii)	0.0930	—	39,000,000	—	39,000,000	1.01
Cheng Shu Shing Raymond	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i)	0.2764	2,750,000	—	(2,750,000)	—	—
Lo Kwok Hung John	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i)	0.2764	2,750,000	—	(2,750,000)	—	—
Lo Ming Chi Charles	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i)	0.2764	5,500,000	—	(5,500,000)	—	—
					148,500,000	195,000,000	(110,000,000)	233,500,000	6.02

Notes:

(1) Mr Kwan Pak Hoo Bankee is also the substantial Shareholder.

(2) The options are vested in the following tranches:

(A) Options granted on 15 June 2009

(i) 2 tranches as to (a) 50% exercisable from 15 December 2009 up to 30 June 2013; and (b) 50% exercisable from 15 June 2010 up to 30 June 2013.

(B) Options granted on 15 October 2010

(i) 2 tranches as to (a) 50% exercisable from 15 October 2010 up to 31 October 2012; and (b) 50% exercisable from 15 October 2011 up to 31 October 2012; or

(ii) 2 tranches as to (a) 50% exercisable from 1 January 2011 up to 31 October 2012; and (b) 50% exercisable from 1 January 2012 up to 31 October 2012; or

(iii) 3 tranches as to (a) 20% exercisable from 15 October 2010 up to 31 October 2013; (b) 30% exercisable from 15 October 2011 up to 31 October 2013; and (c) 50% exercisable from 15 October 2012 up to 31 October 2013.

(3) The vesting of certain options is subject to:

(i) the grantee having been with members of the Group for 14 months from the date of grant; or

(ii) the achievement of agreed milestones/performance indicators as determined at the sole discretion of the Board and the options must be exercised within one month from the date on which the Board's approval of the vesting of the options.

(4) The closing price of the Share immediately before the date of grant of option on 11 October 2012 was HK$0.0920.

(5) No share-based compensation expense was recognised during the year ended 31 December 2012 as the performance targets set for the options had not been achieved by the end of the year under review.

(6) The lapsed options were due to expiry of the options.

(7) The options are held by the Directors in the capacity of beneficial owners.

(c) Aggregate long positions in the Shares and the underlying shares of the Company

Name	Number of Shares	Number of underlying shares	Aggregate in number	Percentage to issued Shares as at 31 December 2012 (%)
Kwan Pak Hoo Bankee	1,725,160,589	39,000,000	1,764,160,589	45.49
Chan Chi Ming Benson	55,000,000	55,500,000	110,500,000	2.84
Law Ping Wah Bernard	27,506,160	39,000,000	66,506,160	1.71
Cheng Man Pan Ben	29,337,000	55,500,000	84,837,000	2.18
Cheng Pui Lai Majone	—	44,500,000	44,500,000	1.14
Lo Kwok Hung John	2,095,500	—	2,095,500	0.05
	1,839,099,249	233,500,000	2,072,599,249	53.41

Save as disclosed above, as at 31 December 2012, none of the Directors, chief executives or their associates had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to an ordinary resolution passed at the SGM of the Company held on 22 February 2008, which took effect on 3 March 2008. Particulars of the terms of the Share Option Scheme are set out in note 41 to the consolidated financial statements. The following table discloses details of the Company's share options granted under the Share Option Scheme held by the Directors and the employees of the Group and movements in such holdings during the year ended 31 December 2012.

					Number of options			
Name of scheme	**Date of grant**	**Option period**	**Exercise price per share**	**Notes**	**outstanding as at 1 January 2012**	**granted during the year**	**lapsed during the year**	**outstanding as at 31 December 2012**
			HK$			(Notes (4) & (5))	(Note (6))	
Directors								
Share Option Scheme	15/6/2009	15/6/2009–30/6/2013	0.1335	(1)&(2)(A)(i)	33,000,000	—	—	33,000,000
	15/10/2010	15/10/2010–31/10/2012	0.2764	(1), (2)(C)(ii)&(3)(ii)	99,000,000	—	(99,000,000)	—
		15/10/2010–31/10/2012	0.2764	(1)&(2)(C)(i)	11,000,000	—	(11,000,000)	—
		15/10/2010–31/10/2013	0.2764	(1)&(2)(C)(iii)	5,500,000	—	—	5,500,000
	11/10/2012	11/10/2012–31/10/2014	0.0930	(1)&(3)(iv)	—	195,000,000	—	195,000,000
					148,500,000	195,000,000	(110,000,000)	233,500,000
Employees and consultants								
Share Option Scheme	15/6/2009	15/6/2009–30/6/2013	0.1335	(2)(A)(i)	16,500,000	—	—	16,500,000
		15/6/2009–30/6/2013	0.1335	(2)(A)(ii)	42,900,000	—	—	42,900,000
	22/6/2009	22/6/2009–30/6/2013	0.1309	(3)(i)	82,500,000	—	—	82,500,000
	3/6/2010	3/6/2010–31/5/2012	0.1145	(2)(B)(i)	68,750,000	—	(68,750,000)	—
	15/10/2010	15/10/2010–31/10/2012	0.2764	(2)(C)(ii)&(3)(ii)	38,500,000	—	(38,500,000)	—
		15/10/2010–31/10/2012	0.2764	(3)(i)&(iii)	99,000,000	—	(99,000,000)	—
		15/10/2010–31/10/2013	0.2764	(2)(C)(iii)	8,250,000	—	—	8,250,000
		15/10/2010–31/10/2013	0.2764	(2)(C)(iv)&(3)(ii)	5,500,000	—	—	5,500,000
	22/11/2010	22/11/2010–30/11/2012	0.4636	(3)(i)&(iii)	66,000,000	—	(66,000,000)	—
	1/2/2011	1/2/2011–31/12/2013	0.4318	(3)(i)&(iii)	77,000,000	—	—	77,000,000
	11/10/2012	11/10/2012–31/10/2014	0.0930	3(iv)	—	119,000,000	—	119,000,000
					504,900,000	119,000,000	(272,250,000)	351,650,000
					653,400,000	314,000,000	(382,250,000)	585,150,000

Notes:

(1) Details of the options granted to the Directors are set out in the section headed "Directors' interests in securities" above.

(2) The options are vested in the following tranches:

(A) Options granted on 15 June 2009

(i) 2 tranches as to (a) 50% exercisable from 15 December 2009 up to 30 June 2013; and (b) 50% exercisable from 15 June 2010 up to 30 June 2013; or

(ii) 3 tranches as to (a) 30% exercisable from 15 June 2010 up to 30 June 2013; (b) 30% exercisable from 15 June 2011 up to 30 June 2013; and (c) 40% exercisable from 15 June 2012 up to 30 June 2013.

(B) Options granted on 3 June 2010

(i) 2 tranches as to (a) 50% exercisable from 1 January 2011 up to 31 May 2012; and (b) 50% exercisable from 1 January 2012 up to 31 May 2012.

(C) Options granted on 15 October 2010

(i) 2 tranches as to (a) 50% exercisable from 15 October 2010 up to 31 October 2012; and (b) 50% exercisable from 15 October 2011 up to 31 October 2012; or

(ii) 2 tranches as to (a) 50% exercisable from 1 January 2011 up to 31 October 2012; and (b) 50% exercisable from 1 January 2012 up to 31 October 2012; or

(iii) 3 tranches as to (a) 20% exercisable from 15 October 2010 up to 31 October 2013; (b) 30% exercisable from 15 October 2011 up to 31 October 2013; and (c) 50% exercisable from 15 October 2012 up to 31 October 2013; or

(iv) 2 tranches as to (a) 50% exercisable from 1 January 2011 up to 31 October 2012; and (b) 50% exercisable from 1 January 2012 up to 31 October 2013.

(3) The vesting of certain options is subject to:

(i) provision of satisfactory services as determined at the sole discretion of the Board; or

(ii) the grantee having been with members of the Group for 14 months from the date of grant; or

(iii) within 7 days upon completion of services as determined at the sole discretion of the Board; or

(iv) the achievement of agreed milestones/performance indicators as determined at the sole discretion of the Board and the options must be exercised within one month from the date on which the Board's approval of the vesting of the options.

(4) The closing price of the Share immediately before the date of grant of option on 11 October 2012 was HK$0.0920.

(5) No share-based compensation expense was recognised during the year ended 31 December 2012 as the performance targets set for the options had not been achieved by the end of the year under review.

(6) The lapsed options were due to expiry of the options.

(7) No option was exercised or cancelled during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, so far as is known to the Directors and chief executives of the Company, the persons/companies, other than a Director or chief executives of the Company, who had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	**Capacity**	**Number of Shares**	**Shareholding** (%)
Hobart Assets Limited (Notes (1) & (2)(i))	Interest in a controlled corporation	1,725,160,589	44.48
Cash Guardian (Notes (1) & (2)(i))	Interest in a controlled corporation	1,725,160,589	44.48
CASH (Notes (1) & (2)(i))	Interest in a controlled corporation	1,657,801,069	42.75
Praise Joy Limited (Notes (1) & (2)(i))	Interest in a controlled corporation	1,657,801,069	42.75
CIGL (Notes (1) & (2)(i))	Beneficial owner	1,657,801,069	42.75
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (3))	Interest in a controlled corporation	315,131,640	8.12
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (3))	Beneficial owner	315,131,640	8.12

Notes:

(1) This refers to the same number of 1,725,160,589 Shares which were held as to 1,657,801,069 Shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH) and as to 67,359,520 Shares by Cash Guardian. CASH was owned as to a total of approximately 32.00% by Mr Kwan Pak Hoo Bankee, being approximately 31.91% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan) and approximately 0.09% by Mr Kwan in his personal name. Pursuant to the SFO, Mr Kwan and Hobart Assets Limited were deemed to be interested in all the Shares held by CIGL through CASH and Cash Guardian. The above interest has already been disclosed as corporate interest of Mr Kwan in the section headed "Directors' interests in securities" above.

(2) (i) Out of the above 1,725,160,589 Shares in aggregate, a total of 1,707,220,589 Shares (44.02%) were charged under two share charges dated 14 July 2011 in favour of Wah Sun Finance Limited ("Wah Sun") ("Share Charges"). Wah Sun was controlled (1) as to 50% by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina; and (2) as to 50% by Hyper Chain Limited (which was wholly controlled by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina).

(ii) In addition, Hampstead Trading Limited and Diamond Leaf Limited held 99,644,160 Shares (2.56%) and 7,656,742 Shares (0.19%) respectively in the Company. Both companies were wholly controlled by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina.

Together with the interests of Wah Sun in 1,707,220,589 Shares (44.02%) in the Company under the Share Charges as disclosed in (2)(i) above, the Estate of Kung, Nina also known as Nina T.H. Wang was deemed to be interested in a total of 1,814,521,491 Shares (46.79%) in the Company pursuant to the SFO.

(3) This refers to the same number of 315,131,640 Shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the Shares held by ARTAR.

Save as disclosed above, as at 31 December 2012, so far as is known to the Directors and chief executives of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2012, the Company repurchased a total of 41,202,000 Shares of HK$0.02 par value 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 repurchased, redeemed or sold any of the Company's listed securities during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of its Shares in the hands of the public in accordance with the Listing Rules as at the latest practicable date prior to the issue of this annual report.

DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$500,000.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the INEDs in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them to be independent.

AUDITOR

On 21 September 2010, Grant Thornton resigned as auditor of the Company and Messrs. Deloitte Touche Tohmatsu was appointed by the Board as auditor of the Company to fill the casual vacancy. Save as disclosed herein, there have been no other changes of auditor in the preceding three years.

The consolidated financial statements of the Company for the year were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 15 March 2013

Independent Auditor's Report

Deloitte.
德勤

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TO THE MEMBERS OF CASH FINANCIAL SERVICES GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CASH Financial Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 120, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	5	**1,281,129**	1,334,440
Other income	7	**10,563**	5,833
Other gains and losses	8	**87,138**	178,281
Cost of sales for retailing business	9	**(647,983)**	(638,297)
Salaries, commission and related benefits	10	**(279,543)**	(393,554)
Depreciation		**(56,629)**	(53,152)
Finance costs	11	**(10,277)**	(12,248)
Other operating and administrative expenses		**(418,773)**	(447,062)
Change in fair value of investment properties	20	**(3,068)**	(7,395)
Share of profit of associate	26	**14,045**	8,884
Loss before taxation		**(23,398)**	(24,270)
Income tax expense	15	**(10,126)**	(7,694)
Loss for the year	17	**(33,524)**	(31,964)
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	18		
— Basic (HK cents)		**(0.99)**	(1.05)
— Diluted (HK cents)		**(0.99)**	(1.05)

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property and equipment	19	**81,315**	114,306
Investment properties	20	**68,832**	85,952
Goodwill	21	**2,661**	2,661
Intangible assets	22	**321,059**	321,059
Other assets	24	**37,020**	7,477
Rental and utility deposits		**34,091**	33,964
Interest in an associate	26	**152,939**	138,894
Loan to an associate	26	**10,296**	10,296
Deferred tax assets	16	**6,700**	4,700
		714,913	719,309
Current assets			
Inventories	27	**56,785**	59,423
Accounts receivable	29	**920,032**	814,286
Loans receivable	25	**61,496**	44,492
Prepayments, deposits and other receivables	35	**38,351**	33,692
Tax recoverable		**3,536**	2,894
Investments held for trading	30	**123,206**	26,961
Bank deposits subject to conditions	31	**90,555**	80,040
Bank balances — trust and segregated accounts	28	**782,293**	694,525
Bank balances (general accounts) and cash	28	**291,250**	414,079
		2,367,504	2,170,392
Current liabilities			
Accounts payable	32	**1,590,760**	1,386,140
Accrued liabilities and other payables	37	**89,427**	145,490
Taxation payable		**14,031**	5,852
Obligations under finance leases — amount due within one year	33	**263**	289
Bank borrowings — amount due within one year	34	**356,914**	274,757
Loan from a non-controlling shareholder	28	**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

Consolidated Statement of Financial Position (continued)

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Deferred tax liabilities	16	**55,841**	55,539
Obligations under finance leases — amount due after one year	33	**—**	263
Bank borrowings — amount due after one year	34	**26,331**	32,840
		82,172	88,642
Net assets		**921,413**	961,094
Capital and reserves			
Share capital	36	**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

The consolidated financial statements on pages 51 to 120 were approved and authorised for issue by the Board of Directors on 15 March 2013 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LAW PING WAH BERNARD
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Share-based payment reserve	Revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	70,765	460,745	176,788	11,451	25,439	7,421	171,821	924,430	20,313	944,743
Loss for the year	—	—	—	—	—	—	(41,090)	(41,090)	9,126	(31,964)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	5,898	—	5,898	1,924	7,822
Gain on revaluation of leasehold land and building	—	—	—	—	22,582	—	—	22,582	—	22,582
Income tax relating to the gain on revaluation of leasehold land and building	—	—	—	—	(3,631)	—	—	(3,631)	—	(3,631)
Other comprehensive income for the year (net of tax)	—	—	—	—	18,951	5,898	—	24,849	1,924	26,773
Total comprehensive income for the year	—	—	—	—	18,951	5,898	(41,090)	(16,241)	11,050	(5,191)
Issue of new shares	1,000	6,340	—	—	—	—	—	7,340	—	7,340
Issue of bonus shares	7,177	(7,177)	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	21,996	—	—	—	21,996	—	21,996
Amount transferred to retained earnings upon disposal of assets classified as held for sale (note 44)	—	—	—	—	(44,390)	—	53,048	8,658	—	8,658
Amount transferred to share premium as a result of exercise of share option	—	5,296	—	(5,296)	—	—	—	—	—	—
Dividends recognised as distribution (note 14)	—	—	—	—	—	—	(14,353)	(14,353)	—	(14,353)
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	2,000	2,000
Share repurchased and cancelled	(560)	(3,539)	—	—	—	—	—	(4,099)	—	(4,099)
At 31 December 2011	78,382	461,665	176,788	28,151	—	13,319	169,426	927,731	33,363	961,094
Loss for the year	—	—	—	—	—	—	(38,699)	(38,699)	5,175	(33,524)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	80	—	80	—	80
Other comprehensive income for the year (net of tax)	—	—	—	—	—	80	—	80	—	80
Total comprehensive income for the year	—	—	—	—	—	80	(38,699)	(38,619)	5,175	(33,444)
Share-based compensation	—	—	—	562	—	—	—	562	—	562
Amount transferred to retained earnings as a result of expiration of share option	—	—	—	(20,899)	—	—	20,899	—	—	—
Dividends to non-controlling interest	—	—	—	—	—	—	—	—	(4,250)	(4,250)
Share repurchased and cancelled	(824)	(1,725)	—	—	—	—	—	(2,549)	—	(2,549)
At 31 December 2012	**77,558**	**459,940**	**176,788**	**7,814**	**—**	**13,399**	**151,626**	**887,125**	**34,288**	**921,413**

Note: The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to eliminate accumulated losses.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Operating activities			
Loss before taxation		**(23,398)**	(24,270)
Adjustments for:			
Write-down on inventories	9	**5,348**	2,840
Depreciation of property and equipment	19	**56,629**	53,152
Interest expense	11	**10,277**	12,248
Change in fair value of investment properties	20	**3,068**	7,395
Impairment loss on property and equipment		**4,664**	—
Loss on disposal of property and equipment	8	**621**	14
Gain on disposal of assets classified as held for sale	44	**—**	(32,400)
Allowance on bad and doubtful loans receivable	8	**9,700**	28,700
Bad debt on accounts receivable and other receivables written off directly	8	**—**	86
Share-based compensation	41	**562**	21,996
Share of profit of an associate	26	**(14,045)**	(8,884)
Operating cash flows before movements in working capital		**53,426**	60,877
Increase in rental and utility deposits		**(127)**	(9,005)
Increase in inventories		**(2,710)**	(13,315)
Increase in accounts receivable		**(105,746)**	(107,287)
Increase in loans receivable		**(26,704)**	(60,175)
Decrease in prepayments, deposits and other receivables		**1,799**	9,950
Decrease in amounts due from related companies		**—**	334
(Increase) decrease in investments held for trading		**(96,245)**	15,474
(Increase) decrease in bank balances — trust and segregated accounts		**(87,768)**	2,535
Increase in accounts payable		**204,620**	213,546
(Decrease) increase in accrued liabilities and other payables		**(56,063)**	62,042
Cash (used in) generated from operations		**(115,518)**	174,976
Income taxes refunded		**1,651**	—
Income taxes paid		**(4,852)**	(17,834)
Net cash (used in) from operating activities		**(118,719)**	157,142
Investing activities			
Increase in bank deposits subject to conditions		**(10,515)**	(11,788)
(Placement) refund of statutory and other deposits		**(29,543)**	7,374
Purchases of property and equipment		**(28,816)**	(46,476)
Proceeds on disposal of investment properties		**8,149**	—
Proceeds on disposal of assets classified as held for sale	44	**—**	123,500
Net cash (used in) from investing activities		**(60,725)**	72,610

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Financing activities			
Capital contribution from a non-controlling shareholder		—	2,000
Increase (decrease) in bank borrowings		**75,648**	(129,114)
Proceeds on issue of shares		—	7,340
Payment on repurchase of shares		**(2,549)**	(4,099)
Dividends paid	14	—	(14,353)
Dividends paid to non-controlling interest		**(4,250)**	—
Interest paid on bank borrowings	11	**(10,259)**	(12,211)
Interest paid on obligations under finance leases	11	**(18)**	(37)
Repayment of obligations under finance leases		**(289)**	(382)
Net cash from (used in) financing activities		**58,283**	(150,856)
Net (decrease) increase in cash and cash equivalents		**(121,161)**	78,896
Cash and cash equivalents at beginning of year		**414,079**	336,844
Effect of change in foreign exchange rate		**(1,668)**	(1,661)
Cash and cash equivalents at end of year		**291,250**	414,079
Bank balances (general accounts) and cash		**291,250**	414,079

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL

CASH Financial Services Group Limited ("Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, while the address of the principal place of business of the Company is 21/F Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

Celestial Investment Group Limited ("CIGL") and Celestial Asia Securities Holdings Limited ("CASH") (formerly known as "Net2Gather (China) Holdings Limited") were the Company's immediate holding company and ultimate holding company respectively up to 10 October 2010. Since 11 October 2010, both CIGL and CASH no longer held more than 50% of the voting power at all the shareholders' meetings of the Company. Under the definition of control set out in HKAS 27 Consolidated and Separate financial statements, both CIGL and CASH were considered to have ceased to control the Company. As a result, the Company became an associate of CIGL and CASH with effect from 11 October 2010. Since then, CIGL owned between 41.55% and 42.75% of ordinary shares of the Company up to 31 December 2012.

As at 31 December 2012, CIGL owns 42.75% of ordinary shares of the Company and holds the same percentage of voting rights in the Company. Taking into account the relevant facts and circumstances, particularly the size of the CIGL's holding of voting rights relative to the size and dispersion of holdings of other vote holders, the Company has been regarded as a subsidiary of CIGL and CASH under the new definition of control and the related guidance set out in HKFRS 10 Consolidated financial statements.

The Company and its subsidiaries ("Group") are principally engaged in the following activities:

- provision of online and traditional brokerage of securities, futures and options as well as mutual funds and insurance-linked investment products;
- principal investments of securities and options;
- provision of margin financing and money lending services;
- provision of corporate finance services; and
- sales of furniture and household goods and electrical appliances.

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 ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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 (the "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 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 10 (continued)

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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. 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 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, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the considerations given in exchange for goods and services.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture or joint operations. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before the initial classification as held for sale, the non-current assets are measured in accordance with applicable HKFRSs. Subsequent to classification, non-current assets that are within the scope of the measurement requirements of HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured at the lower of their previous carrying amount and fair value less costs to sell. On disposal of the non-current assets, any gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the non-current assets) is included in the profit or loss in the period in which the assets are disposed of.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue arising from financial services are recognised on the following basis:

- The net increase or decrease in fair value of trading investments is recognised directly in net profit or loss;
- Commission income for broking business is recorded as income on a trade date basis;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Underwriting commission income, sub-underwriting income and placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed;

- Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered; and

- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Revenue from sales of goods arising from retailing business is recognised when goods are delivered and title has passed.

Other interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property and equipment

Property and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Where an item of property and equipment is reclassified as held for sale (in which case it is accounted for under HKFRS 5 "Non-current assets held for sale and discontinued operations"), it is revalued immediately prior to reclassification as held for sale.

Any revaluation increase arising on revaluation of leasehold land and building is recognised in other comprehensive income and accumulated in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or fair value of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy on borrowing costs below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building (continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

Sale and leaseback transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Group's financial assets at FVTPL comprise financial assets held for trading. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 39.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, loan to an associate, other receivables, bank balances and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of loans and receivables (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as loans receivable and accounts receivable arising from the business of dealing in securities and equity options with margin clients, amounts that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of accounts receivable and loans receivable where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable and loans receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

Financial liabilities (including accounts payable, other payables, bank borrowings and loan from a non-controlling shareholder) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees of the Group for their services to the Group

The fair value of services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of share options granted at the grant date, without taking into account any service and non-market performance vesting conditions. Services and non-market performance vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity (share-based payment reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees of the Group for their services to the Group (continued)

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained earnings.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements within the next financial year are disclosed below.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability, ageing analysis of accounts, the values of underlying collateral and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of those clients in default of settlement. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2012, the aggregate carrying amount of accounts and loans receivable and other receivables is HK$992,774,000 (2011: HK$869,006,000) (net of allowance for bad and doubtful debts).

Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the remaining estimated unused tax losses of approximately HK$213,246,000 (2011: HK$171,283,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and trading rights allocating to the cash generating units ("CGUs") of financial services are impaired requires an estimation of respective recoverable amounts, which is the higher of value in use and fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise. As at 31 December 2012, the carrying amounts of goodwill and trading rights allocating to financial services CGUs are approximately HK$2,661,000 (2011: HK$2,661,000) and HK$9,392,000 (2011: HK$9,392,000) respectively. Details of the recoverable amount calculation are disclosed in note 23.

Determining whether trademark allocating to CGU of retailing business are impaired requires an estimation of recoverable amount, which is the higher of value in use and fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and trademarks and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise. As at 31 December 2012, the carrying amount of trademark allocating to CGU of retailing business are approximately HK$311,007,000 (2011: HK$311,007,000). Details of the recoverable amount calculation are disclosed in note 23.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of accounts receivable from a broker

As described in note 29, the directors of the Company, based on the best information available as at 31 December 2012, assessed the provision for estimated compensation on potential uncollectable amount of an account balance held on behalf of its client of HK$30,363,000 (2011: HK$102,173,000) maintained in MF Global Hong Kong Limited ("MFG HK") which is subject to liquidation. The directors are of the view that the Group will recover the carrying amount at the end of the reporting period. In cases where the development of this matter suggests outcome is worse than expected, an impairment may be recognised in the consolidated statement of comprehensive income for the period when such event takes place.

5. REVENUE

	2012	2011
	HK$'000	HK$'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

6. 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 described in note 3. 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.

6. SEGMENT INFORMATION (continued)

Reportable and operating segments (continued)

Segment revenue and result (continued)

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 (Note)	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)

All the segment revenue is derived from external customers.

6. SEGMENT INFORMATION (continued)

Reportable and operating segments (continued)

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 liabilities 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

6. SEGMENT INFORMATION (continued)

Reportable and operating segments (continued)

Segment assets and liabilities (continued)

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**
Additions 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)**	**—**	**—**	**—**

6. SEGMENT INFORMATION (continued)

Reportable and operating segments (continued)

Other information (continued)

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
Additions 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)	—	—	—

6. SEGMENT INFORMATION (continued)

Reportable and operating segments (continued)

Entity-wide disclosures

The Group's operations are located in Hong Kong and the People's Republic of China ("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	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'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.

7. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Dividends from listed investments held for trading	**2,587**	411
Sundry income	**7,976**	5,422
	10,563	5,833

8. OTHER GAINS AND (LOSSES)

	2012	2011
	HK$'000	HK$'000
Net gains on investments held for trading	**100,860**	171,262
Loss on disposal of property and equipment	**(621)**	(14)
Impairment loss on property and equipment	**(4,664)**	—
Gain on disposal of assets classified as held for sale	**—**	32,400
Net foreign exchange gain	**1,260**	3,407
Bad debt on accounts receivable recovered	**3**	12
Allowance on bad and doubtful loans receivable	**(9,700)**	(28,700)
Bad debt on accounts receivable and other receivables written off directly	**—**	(86)
	87,138	178,281

9. COST OF SALES FOR RETAILING BUSINESS

	2012	2011
	HK$'000	HK$'000
Cost of inventories recognised on expenses	**642,635**	635,457
Write-down on inventories	**5,348**	2,840
	647,983	638,297

10. SALARIES, COMMISSION AND RELATED BENEFITS

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and commission represent the amounts paid and payable to the directors of the Company and employees and account executives and comprise:		
Salaries, allowances and commission	**271,121**	361,568
Share-based compensation	**562**	21,996
Contributions to retirement benefits schemes	**7,860**	9,990
	279,543	393,554

11. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on:		
Bank overdrafts and borrowings:		
— repayable within five years	**9,025**	10,910
— repayable more than five years	**1,234**	1,301
Finance leases	**18**	37
	10,277	12,248

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company during the year were as follows:

	Kwan Pak Hoo Bankee HK$'000	Chan Chi Ming Benson HK$'000	Law Ping Wah Bernard HK$'000	Cheng Man Pan Ben HK$'000	Cheng Pui Lai Majone HK$'000	Cheng Shu Shing Raymond HK$'000	Lo Kwok Hung John HK$'000	Lo Ming Chi Charles HK$'000	2012 Total HK$'000
Fees:									
Executive directors	—	—	—	—	—	—	—	—	—
Independent non-executive directors	—	—	—	—	—	150	150	150	450
Other remuneration paid to executive directors:									
Salaries, allowances and benefits in kind	1,933	1,610	743	1,358	632	—	—	—	6,276
Share-based compensation	—	—	—	—	155	—	—	—	155
Contributions to retirement benefit scheme	61	108	37	68	32	—	—	—	306
Total remuneration	1,994	1,718	780	1,426	819	150	150	150	7,187

	Kwan Pak Hoo Bankee HK$'000	Chan Chi Ming Benson HK$'000	Law Ping Wah Bernard HK$'000	Cheng Man Pan Ben HK$'000	Yuen Pak Lau Raymond HK$'000	Cheng Pui Lai Majone HK$'000	Cheng Shu Shing Raymond HK$'000	Lo Kwok Hung John HK$'000	Lo Ming Chi Charles HK$'000	2011 Total HK$'000
Fees:										
Executive directors	—	—	—	—	—	—	—	—	—	—
Independent non-executive directors	—	—	—	—	—	—	—	150	150	300
Other remuneration paid to executive directors:										
Salaries, allowances and benefits in kind	4,806	1,775	894	1,448	325	389	—	—	—	9,637
Share-based compensation	2,624	3,936	3,936	1,312	547	366	137	137	137	13,132
Contributions to retirement benefit scheme	72	115	45	72	16	20	—	—	—	340
Total remuneration	7,502	5,826	4,875	2,832	888	775	137	287	287	23,409

Mr Chan Chi Ming Benson is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

During the year ended 31 December 2011, Mr Yuen Pak Lau Raymond resigned as an executive director of the Company and Ms Cheng Pui Lai Majone was appointed as an executive director of the Company.

During the years ended 31 December 2012 and 2011, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the years ended 31 December 2012 and 2011.

13. EMPLOYEES' REMUNERATION

Three (2011: Two) of the five individuals with the highest emoluments in the Group were directors of the Company for the years ended 31 December 2012 and 2011. Details of these directors' emolument are included in the disclosures in note 12 above. The emoluments of the remaining two (2011: three) individuals were as follows:

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,777**	4,895
Contributions to retirement benefit scheme	**187**	249
Performance related incentive payments (note)	**24,265**	64,317
	28,229	69,461

Note: The incentive payments are based on the performance of individuals.

The remuneration of the remaining two (2011: three) individuals (other than directors) were within the following bands:

	Number of employees	
	2012	2011
HK$1,500,001 to HK$2,000,000	**—**	1
HK$2,500,001 to HK$3,000,000	**—**	1
HK$7,000,001 to HK$7,500,000	**1**	—
HK$21,000,001 to HK$21,500,000	**1**	—
HK$64,500,001 to HK$65,000,000	**—**	1
	2	3

During the years ended 31 December 2012 and 2011, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

	2012	2011
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2010 Final — HK0.4 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.

15. 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)
	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 (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Loss before taxation	**(23,398)**	(24,270)
Taxation at income tax rate of 16.5%	**(3,861)**	(4,005)
Tax effect of share of profit of associate	**(2,317)**	(1,466)
Underprovision in respect of prior years	**1,258**	190
Tax effect of expenses not deductible for tax purpose	**7,258**	25
Tax effect of income not taxable for tax purpose	**(3,114)**	(508)
Tax effect of utilisation of estimated tax losses previously not recognised	**(2,517)**	(1,733)
Tax effect of estimated tax losses not recognised	**9,441**	7,552
Tax effect of deductible temporary difference not recognised	**3,252**	5,171
Others	**726**	2,468
Income tax expense	**10,126**	7,694

16. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised and the movements thereon during the current and the prior reporting years:

Deferred tax assets

	Decelerated tax depreciation HK$'000
At 1 January 2011	4,100
Credit to profit or loss for the year	600
At 31 December 2011	4,700
Credit to profit or loss for the year	2,000
At 31 December 2012	6,700

Deferred tax liabilities

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Intangible asset HK$'000	Interest in an associate HK$'000	Revaluation of leasehold land and building HK$'000	Total HK$'000
At 1 January 2011	(1,271)	(6,072)	(51,316)	—	(5,027)	(63,686)
Charge to other comprehensive income for the year	—	—	—	—	(3,631)	(3,631)
Charge to equity for the year	—	—	—	—	8,658	8,658
Credit to profit or loss for the year	1,271	1,849	—	—	—	3,120
At 31 December 2011	—	(4,223)	(51,316)	—	—	(55,539)
Credit (charge) to profit or loss for the year	—	1,102	—	(1,404)	—	(302)
At 31 December 2012	—	(3,121)	(51,316)	(1,404)	—	(55,841)

At 31 December 2012, the Group has deductible temporary differences and estimated unused tax losses of approximately HK$51,051,000 and HK$213,246,000 respectively (31 December 2011: HK$31,339,000 and HK$171,283,000). No deferred tax asset has been recognised as at 31 December 2012 and 31 December 2011 in respect of these deductible temporary differences and estimated unused tax losses as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised, and it is also uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

These deductible temporary differences and estimated unused tax losses have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department. For certain subsidiaries operated in PRC, unrecognised estimated tax losses of HK$95,177,000 (2011: HK$71,163,000) are subject to expiry periods of five years from the year in which the tax losses arose under the current tax legislation.

17. LOSS FOR THE YEAR

	2012	2011
	HK$'000	HK$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**2,250**	1,880
Depreciation of property and equipment		
Owned assets	**56,324**	52,847
Leased assets	**305**	305
Operating lease rentals	**219,104**	206,534
Handling expenses for securities dealing	**24,388**	29,739
Advertising and promotion expenses	**30,625**	47,213
Legal and professional fee for proposed fund raising project	**—**	1,574
Other selling and distribution expenses	**37,211**	37,714

18. 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	2011
	HK$'000	HK$'000
Loss for the purposes of basic and diluted loss per share	**(38,699)**	(41,090)

	2012	2011
Number of shares		
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.

19. PROPERTY AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION						
At 1 January 2011	70,000	140,476	40,407	60,439	2,444	313,766
Exchange adjustments	—	939	234	3	9	1,185
Additions	—	32,209	5,363	8,904	—	46,476
Revaluation	21,100	—	—	—	—	21,100
Disposal/written off	—	(35,519)	(8,157)	(11,552)	—	(55,228)
Reclassified as assets classified as held for sale (note 44)	(91,100)	—	—	—	—	(91,100)
At 31 December 2011	—	138,105	37,847	57,794	2,453	236,199
Exchange adjustments	—	117	42	—	9	168
Additions	—	18,553	1,718	8,545	—	28,816
Disposal/written off	—	(11,122)	(7,334)	(4,035)	—	(22,491)
At 31 December 2012	—	145,653	32,273	62,304	2,462	242,692
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2011	—	70,059	16,306	37,377	1,115	124,857
Exchange adjustments	—	471	104	—	6	581
Provided for the year	1,483	32,771	7,882	10,641	375	53,152
Eliminated on revaluation	(1,483)	—	—	—	—	(1,483)
Eliminated on disposal/written off	—	(35,519)	(8,143)	(11,552)	—	(55,214)
At 31 December 2011	—	67,782	16,149	36,466	1,496	121,893
Exchange adjustments	—	19	34	—	8	61
Provided for the year	—	37,517	8,016	10,743	353	56,629
Eliminated on disposal/written off	—	(11,122)	(6,765)	(3,983)	—	(21,870)
Impairment loss recognised in profit or loss	—	4,343	321	—	—	4,664
At 31 December 2012	—	98,539	17,755	43,226	1,857	161,377
CARRYING VALUES						
At 31 December 2012	—	47,114	14,518	19,078	605	81,315
At 31 December 2011	—	70,323	21,698	21,328	957	114,306

The carrying value of motor vehicles included amounts of HK$523,000 (2011: HK$891,000) held under finance leases.

During the year ended 31 December 2012, the Group wrote off the leasehold improvements and furniture and fixtures with carrying amount of HK$4,664,000 (2011: Nil) related to the closure of a retail shop in PRC.

19. PROPERTY AND EQUIPMENT (continued)

The above property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the term of the lease
Building	Over the shorter of the lease terms and 20 years
Leasehold improvements	Over the shorter of the lease terms and 5 years
Furniture and fixtures	5 years
Computer and equipment	5 years
Motor vehicles	3 years

20. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2011	89,952
Net decrease in fair value recognised in profit or loss	(7,395)
Exchange adjustments	3,380
CARRYING VALUE	
At 31 December 2011	85,952
Net decrease in fair value recognised in profit or loss	(3,068)
Disposals	(14,607)
Exchange adjustments	555
At 31 December 2012	68,832

The fair value of the Group's investment properties at 31 December 2012 and 2011 was arrived at on a valuation carried out by Peak Vision Appraisals Limited (2011: B.I. Appraisals Limited), independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. For the years ended 31 December 2012 and 2011, changes in fair value of investment properties were recognised in profit or loss.

The Group's property interests held under operating leases to earn rental income or for capital appreciation purpose are measured using the fair value model and is classified and accounted for as investment properties.

The investment properties of the Group are situated on:

	2012 **HK$'000**	2011 HK$'000
Land outside Hong Kong		
— held on leases from 10–50 years	**41,354**	44,034
— held on leases over 50 years	**27,478**	41,918
	68,832	85,952

21. GOODWILL

	2012 & 2011
	HK$'000
COST	
At 1 January 2011, 31 December 2011 and 31 December 2012	5,380
IMPAIRMENT	
At 1 January 2011, 31 December 2011 and 31 December 2012	2,719
CARRYING VALUE	
At 31 December 2011 and 31 December 2012	2,661

Particulars regarding impairment testing on goodwill are disclosed in note 23.

22. INTANGIBLE ASSETS

	Trading rights	Club memberships	Trademark	Total
	HK$'000	HK$'000	HK$'000	HK$'000
	(Note a)	(Note b)	(Note c)	
COST AND CARRYING VALUES				
At 1 January 2011, 31 December 2011 and 31 December 2012	9,392	660	311,007	321,059

Notes:

(a) At 31 December 2012, intangible assets amounting to HK$9,092,000 (2011: HK$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. Intangible assets amounting to HK$300,000 (2011: HK$300,000) represent trading right that confer the eligibility of the Group to trade on the Hong Kong Mercantile Exchange Limited. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trading right will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 23.

(b) At 31 December 2012, intangible assets amounting to HK$660,000 (2011: HK$660,000) represent club memberships. For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less cost of disposal. During the years ended 31 December 2012 and 2011, management of the Group determines that there was no impairment of the club memberships since the recoverable amount of the club memberships exceeds its carrying amount.

(c) At 31 December 2012, trademark amounting to HK$311,007,000 (2011: HK$311,007,000) represents the perpetual right for the use of the brand name 'Pricerite' which takes the form of a sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the products are expected to generate net cash flows for the Group. As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 23.

23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill, trading rights and trademark set out in notes 21 and 22 have been allocated to the following cash generating units ("CGUs") respectively. The carrying amounts of goodwill, trading rights and trademark at the reporting dates allocated to these units are as follows:

	Goodwill 2012 and 2011	**Trading rights 2012 and 2011**	**Trademark 2012 and 2011**
	HK$'000	HK$'000	HK$'000
Financial service — Broking of securities	—	9,392	—
Financial service — Corporate finance	2,661	—	—
Retailing business	—	—	311,007
	2,661	9,392	311,007

During the year ended 31 December 2012, management of the Group determines that there is no impairment of any of its CGUs containing goodwill, trading rights or trademark.

The recoverable amounts of the CGUs of broking of securities and corporate finance have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period, and discount rate of 10% (2011: one-year period, and discount rate of 10%). The cash flows beyond the one-year period are extrapolated for two years using a zero growth rate. The zero growth rate is determined based on management's expectations for the market development and is not expected to exceed the average long-term growth rate for the relevant industry. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

The recoverable amount of the CGU of retailing business in Hong Kong has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period having an annual growth rate of 3%, discount rate of 19.6% (2011: five-year period, annual growth rate of 5% and discount rate of 19.6%) and projection of terminal value using the perpetuity method at a growth rate of 3% (2011: 5%). A key assumption for the value in use calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development in Hong Kong. No impairment on trademarks was noted for both years. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

24. OTHER ASSETS

	2012	2011
	HK$'000	HK$'000
Statutory and other deposits with exchanges and clearing houses	**14,006**	7,477
Deposits paid for the purchase of property for self-occupation (note 40)	**23,014**	—
	37,020	7,477

The above deposits are non-interest bearing.

25. LOANS RECEIVABLE

	2012 HK$'000	2011 HK$'000
Loans receivable denominated in Hong Kong dollars	**103,493**	76,789
Less: Allowance for bad and doubtful debts	**(41,997)**	(32,297)
	61,496	44,492
Carrying amount analysed for reporting purposes:		
Current assets	**61,496**	44,492
Non-current assets	**—**	—
	61,496	44,492

The credit quality of loans receivable are summarised as follows:

	2012 HK$'000	2011 HK$'000
Neither past due nor impaired	**51,999**	31,602
Impaired	**51,494**	45,187
	103,493	76,789
Less: Allowance for impairment	**(41,997)**	(32,297)
	61,496	44,492

Except for the loans receivable with the carrying amount of HK$9,497,000 (2011: HK$3,368,000) which was non-interest bearing, interest rates underlying the variable-rate loans receivable are Hong Kong Prime Rate plus a spread for both years.

Interest rates underlying the fixed-rate loans receivable with the carrying amount of HK$13,223,000 (2011: HK$244,000) range from 2.5% to 4.25% (2011: 2.5%) per annum as at 31 December 2012. The effective interest rates are equal to contractual interest rate.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness, collateral and the past collection history of each client.

Movement in the allowance for bad and doubtful debts is as follows:

	2012 HK$'000	2011 HK$'000
Balance at the beginning of the year	**32,297**	3,597
Charge for the year	**9,700**	28,700
Balance at the end of the year	**41,997**	32,297

25. LOANS RECEIVABLE (continued)

In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable from the date credit was initially granted up to the reporting date.

The loans receivable with a carrying amount of HK$51,999,000 (2011: HK$31,602,000) which are neither past due nor impaired, at the reporting date for which the Group believes that the amounts are considered recoverable since an amount of HK$13,093,000 (2011: HK$4,186,000) are fully secured by a residential property at a fair value of approximately HK$41,300,000 (2011: HK$33,400,000) and the remaining amount of HK$38,906,000 (2011: HK$27,416,000) are due from borrowers for whom there was no recent history of default.

At the end of each reporting date, the Group's loans receivable were individually assessed for impairment. The Group encountered difficulties in collection of certain loans receivable and appropriate allowance for bad and doubtful debts has been made against these loans receivable. The individually impaired loans receivable are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific allowance for bad and doubtful debts was recognised. The above allowance for bad and doubtful debts of HK$41,997,000 (2011: HK$32,297,000) on the gross carrying amount of loans receivable amounting to HK$51,494,000 (2011: HK$45,187,000) were individually impaired up to the fair value of each client's pledged securities. The individually impaired short term loans receivable relate to customers that were in default or delinquency in repayments.

Apart from the exposures to the concentration of credit risk from the five highest borrowers of HK$63,173,000 (2011: HK$41,584,000) with specific allowance for bad and doubtful debts of HK$17,393,000 (2011: HK$13,909,000), the Group has no other significant concentration of credit risk.

The carrying amount of variable-rate loans receivable have remaining contractual maturity dates as follows:

	2012 **HK$'000**	2011 HK$'000
On demand or within one year	**48,273**	44,248

The carrying amount of fixed-rate loans receivable have remaining contractual maturity dates as follows:

	2012 **HK$'000**	2011 HK$'000
On demand or within one year	**13,223**	244

25. LOANS RECEIVABLE (continued)

Included in loans receivable are loans to directors. Loans to directors, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	Balance at 1 January 2012 HK$'000	Balance at 31 December 2012 HK$'000	Maximum amount outstanding during the year HK$'000	Securities held HK$'000
Director of the Company				
Mr Cheng Man Pan Ben	**900**	**974**	**974**	**—**
	900	**974**		

The loans granted to directors bear interest at the Hong Kong Prime Rate plus 3% per annum and are repayable by 31 March 2013.

26. INTEREST IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE

	2012 HK$'000	2011 HK$'000
Cost of investment in an associate		
Unlisted shares	**67,833**	67,833
Share of post-acquisition profits and other comprehensive income	**85,106**	71,061
	152,939	138,894
Loan to an associate (Note)	**10,296**	10,296

Note: Pursuant to the shareholder agreement entered into between a subsidiary of the Company, Marvel Champ Investments Limited, and other shareholders of the associate on 27 June 2007, the loan to an associate is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors, the loan will not be repaid within the next twelve months from 31 December 2012.

As at 31 December 2012 and 2011, the Group had interest in the following associate:

Name of entity	Form of business structure	Country of incorporation/ date of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group %	Proportion of voting power held %	Principal activities
China Able Limited	Incorporated	British Virgin Islands ("BVI") 23 May 2007	PRC	Ordinary	33.33	33.33	Investment holding with its subsidiaries involved in property investment in Shanghai

26. INTEREST IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE (continued)

The associate has a reporting date of 31 December.

The summarised financial information in respect of the Group's associate is set out below:

	2012 HK$'000	2011 HK$'000
Total assets	**811,530**	769,748
Total liabilities	**(352,715)**	(353,065)
Net assets	**458,815**	416,683
Group's share of net asset of associate	**152,939**	138,894
Revenue	**51,429**	49,786
Profit for the year	**42,133**	26,653
Other comprehensive income for the year	**—**	16,493
Group's share of profits and other comprehensive income of associate for the year	**14,045**	14,382

27. INVENTORIES

	2012 HK$'000	2011 HK$'000
Finished goods held for sale	**56,785**	59,423

28. OTHER FINANCIAL ASSETS AND LIABILITIES

Bank balances — trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions (note 32). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Loan from a non-controlling shareholder

The amount represents a loan of USD3,517,500 (equivalent to approximately HK$27,437,000) from a non-controlling shareholder. The amount is non-interest bearing, unsecured and is repayable on demand.

29. 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 credit quality of accounts receivable are summarised as follows:

	2012 HK$'000	2011 HK$'000
Neither past due nor impaired:		
— Margin clients	**270,160**	229,119
— Other non-margin clients	**299,461**	17,677
— Clearing houses, brokers and dealers	**304,109**	446,165
Past due but not impaired	**51,510**	127,070
Impaired	**2,316**	1,779
	927,556	821,810
Less: Allowance for impairment	**(7,524)**	(7,524)
	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.

29. ACCOUNTS RECEIVABLE (continued)

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment products as well as accounts receivable arising from the business of corporate finance services, the Group allows a credit period of 30 days. The ageing analysis (from the completion date of the services) is as follows:

	2012	2011
	HK$'000	HK$'000
0–30 days	**977**	658
31–60 days	**533**	1,079
61–90 days	**—**	117
Over 90 days	**147**	105
	1,657	1,959

In general, accounts receivable due from margin clients are included in "Neither past due nor impaired" category. As at 31 December 2012 and 2011, the fair value of each client's listed securities is higher than the carrying amount of each individual loan to margin client in this category. Accounts receivable due from margin clients of approximately HK$661,000 (2011: HK$649,000) which are fully impaired and not secured by any clients' listed securities, are included in "Impaired" category as at 31 December 2012 and 2011.

The clients' listed securities can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowing (with client's consent). The loans are repayable on demand and bear interest at commercial rates.

Included in the Group's accounts receivable are debtors (excluding margin clients), with a carrying amount of HK$51,510,000 (2011: HK$127,070,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality. The Group believes that the amounts are still considered recoverable given the substantial settlement after the reporting date.

In respect of accounts receivable which are past due but not impaired at the respective reporting date, the ageing analysis (from due date) is as follows:

	2012	2011
	HK$'000	HK$'000
0–30 days	**15,713**	18,232
31–60 days	**4,757**	108,616
61–90 days	**—**	117
Over 90 days	**31,040**	105
	51,510	127,070

29. ACCOUNTS RECEIVABLE (continued)

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 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.

Accounts receivable are netted off by allowance for bad and doubtful debts of HK$7,524,000 (2011: HK$7,524,000) in which included individual allowance of HK$2,316,000 (2011: HK$1,609,000) and collective allowance of HK$5,208,000 (2011: HK$5,915,000) respectively.

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and age analysis of accounts and on management's judgement including the current creditworthiness, collaterals and the past collection history of each client.

Movement in the allowance for bad and doubtful debts:

	2012 & 2011 HK$'000
Balance at the beginning of the year	7,524
Amounts written off during the year	—
Charge for the year	—
Amounts recovered during the year	—
Balance at the end of the year	7,524

In addition to the individually assessed allowance for bad and doubtful debt, the Group has also provided, on a collective basis, loan impairment allowance for accounts receivable arising from the business of dealing in securities, futures and options that are individually insignificant or accounts receivable where no impairment has been identified individually. Objective evidence of collective impairment could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

In determining the recoverability of the accounts receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further impairment required in excess of the allowance for bad and doubtful debts.

29. ACCOUNTS RECEIVABLE (continued)

Included in accounts receivable from margin clients arising from the business of dealing in securities are amounts due from certain related parties, the details of which are as follows:

Name	Balance at 1 January HK$'000	Balance at 31 December HK$'000	Maximum amount outstanding during the year HK$'000	Market value of pledged securities at fair value at 31 December HK$'000
Directors of the Company				
Mr Law Ping Wah Bernard and associates (Note 1 and Note 3)				
2011	—	—	12,336	—
2012	—	—	246	—
Mr Cheng Man Pan Ben and associates				
2011	170	171	2,170	754
2012	171	234	1,125	868
Ms Cheng Pui Lai Majone and associates (Note 4)				
2011	—	—	—	—
2012	—	—	1,090	361
Director of CASH				
Mr Ng Kung Chit Raymond				
2011	—	—	1,373	—
2012	—	—	982	—
A shareholder with significant influence over CASH (Note 2)				
Cash Guardian Limited				
2011	—	—	4,356	—
2012	—	—	—	—
Mr Kwan Pak Hoo Bankee and associates (Note 3)				
2011	—	—	3,202	—
2012	—	—	474	493

Notes:

(1) Associates are defined in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

(2) Cash Guardian Limited is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is the director of the Company and CASH.

(3) Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard are also the executive directors of CASH.

(4) During the year ended 31 December 2011, Ms Cheng Pui Lai Majone was appointed as an executive director of the Company.

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

30. INVESTMENTS HELD FOR TRADING

	2012 HK$'000	2011 HK$'000
Equity securities listed in Hong Kong (Note (a))	**72,380**	26,956
Equity securities listed outside Hong Kong (Note (a))	**4**	5
Debt securities listed in Hong Kong (Note (b))	**26,749**	—
Debt securities listed outside Hong Kong (Note (c))	**13,988**	—
Unlisted investment fund (Note (d))	**10,085**	—
	123,206	26,961

Notes:

(a) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges. As at 31 December 2012, the listed equity securities of HK$8,830,000 (2011: Nil) were placed in a bank as collateral to secure the bank loan as for margin financing disclosed in note 34.

(b) Debt securities listed in Hong Kong represent corporate bonds, carrying interest at fixed rates from 4.5% to 4.8% per annum with maturity dates ranging from 15 June 2015 to 7 July 2015. As at 31 December 2012, the listed debt securities of HK$26,749,000 (2011: Nil) were placed in a bank as collateral to secure the bank loan for margin financing as disclosed in note 34. The fair value of the listed debt securities are determined based on brokers' quotes because they are traded either over-the-counter or through the Stock Exchange with limited trading volume since the initial public offerings in June and July 2012.

(c) Debt securities listed outside Hong Kong represent a corporate bond, carrying interest at fixed rate of 5.75% per annum with maturity date of 11 July 2017. The fair value of the listed debt securities is based on the quoted market bid price available on the relevant exchange.

(d) The fair value of the unlisted investment fund is determined based on brokers' quotes, which reflect the Group's share of the fair value of the net asset value of the fund. It is the price that the counterparty financial institution is willing to pay to redeem the fund at 31 December 2012.

(e) The above investments are considered as a portfolio of financial assets that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking.

31. BANK DEPOSITS SUBJECT TO CONDITIONS

	2012 HK$'000	2011 HK$'000
Other bank deposits (Note (a))	**17,155**	17,145
Pledged bank deposits (Notes (b))	**73,400**	62,895
	90,555	80,040

The bank deposits subject to conditions carry floating interest rate at prevailing market rate per annum. The effective interest rates on the Group's bank deposits subject to conditions are also equal to contracted interest rates. All the deposits have been pledged to secure short-term loan or short-term undrawn facilities, and are therefore classified as current assets.

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15,000,000 (2011: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is expired.

(b) The Group's bank deposits of HK$73,400,000 (2011: HK$62,895,000) were pledged to secure the short-term bank borrowings.

32. 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 29. 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

33. OBLIGATIONS UNDER FINANCE LEASES

The analysis of the obligations under finance leases is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	**270**	307	**263**	289
In more than one year but not more than five years	**—**	270	**—**	263
	270	577	**263**	552
Less: Future finance charges	**(7)**	(25)	**—**	—
Present value of lease obligations	**263**	552	**263**	552
Less: Amount due within one year shown under current liabilities			**(263)**	(289)
Amount due for settlement after one year shown under non-current liabilities			**—**	263

The Group has entered into finance leases for one (2011: two) motor vehicles with lease terms of three to four year for the years ended 31 December 2012. Interest rate under the leases is fixed at the average rate of 4.7% (2011: 5.4%) per annum for the year ended 31 December 2012. These leases do not have options to renew or any contingent rental provisions.

Obligations under finance lease are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

34. BANK BORROWINGS

	2012	2011
	HK$'000	HK$'000
Bank overdrafts, secured	**14,007**	119
Bank loans, secured	**257,967**	196,703
Trust receipt loans	**111,271**	110,775
	383,245	307,597

34. BANK BORROWINGS (continued)

The Group's bank loans and overdrafts were repayable as follows:

	2012 HK$'000	2011 HK$'000
Carrying amount repayable:*		
Within one year	**192,278**	125,498
In the second year	**1,233**	1,423
In the third to fifth years	**3,981**	4,647
After the fifth year	**21,117**	26,770
	218,609	158,338
Carrying amount of bank loans contain a repayment on demand clause:		
— within one year	**150,669**	144,317
— in the second year	**8,382**	3,002
— in the third to fifth years	**5,585**	1,940
	383,245	307,597
Less: Amount due within one year shown under current liabilities	**(356,914)**	(274,757)
Amount due after one year shown under non-current liabilities	**26,331**	32,840

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's bank borrowings of HK$383,245,000 (2011: HK$307,597,000) as at 31 December 2012 were secured by:

(a) corporate guarantees from the Company for both years;

(b) corporate guarantees from certain subsidiaries of the Company for both years;

(c) marketable securities of the Group's clients of carrying value of HK$291,263,000 (2011: HK$308,104,000) (with client's consent);

(d) listed equity securities and listed debt securities of the Group for margin financing provided by the bank as disclosed in note 30 with carrying values of HK$8,830,000 and HK$26,749,000 at 31 December 2012 respectively;

(e) investment properties of the Group as disclosed in note 20 with carrying amount of approximately HK$68,832,000 (2011: HK$85,952,000);

(f) pledged deposit of HK$73,400,000 (2011: HK$62,895,000) for sourcing the short-term bank borrowings as disclosed in note 31(b); and

(g) guarantees from the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme.

34. BANK BORROWINGS (continued)

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15,000,000 (2011: HK$15,000,000) with a bank as a pre-condition for an overdraft facility granted by the bank (see note 31(a)).

Bank overdrafts amounting to HK$14,007,000 (2011: HK$119,000) carried interest at Hong Kong Prime Rate. Bank borrowings amounting to HK$257,967,000 (2011: HK$196,703,000) were variable-rate borrowings which carry interest with reference to HIBOR or Hong Kong Prime Rate.

Trust receipts loans amounting to HK$111,271,000 (2011: HK$110,775,000) carry interest with reference to Hong Kong Prime Rate.

The effective interest rates on the Group's borrowings are also equal to contracted interest rates.

35. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012	2011
	HK$'000	HK$'000
Prepayments	**1,724**	1,843
Deposits	**20,079**	21,621
Other receivables	**16,548**	10,228
	38,351	33,692

The above deposits and other receivables are non-interest bearing. At 31 December 2012, an amount of HK$6,458,000 representing the unsettled consideration on disposals of investment properties in 2012 (see note 20) was included in "Other receivables".

36. SHARE CAPITAL

	Notes	**Number of shares** '000	**Amount** HK$'000
Authorised:			
Ordinary shares of HK$0.02 each at 1 January 2011, 31 December 2011 and 31 December 2012		15,000,000	300,000
Issued and fully paid:			
Ordinary shares of HK$0.02 each at 1 January 2011		3,538,250	70,765
Exercise of share options	(a)	50,000	1,000
Issue of shares by Bonus Issue	(b)	358,825	7,177
Share repurchases	(c)	(28,014)	(560)
At 31 December 2011 and 1 January 2012		3,919,061	78,382
Share repurchases	(d)	(41,202)	(824)
At 31 December 2012		3,877,859	77,558

36. SHARE CAPITAL (continued)

Notes:

(a) Exercise of share options

The particulars of options exercised during the year ended 31 December 2011 are set out below:

Date of issue of shares	Number of options exercised and resulting number of shares in issue	Exercise price per share	Total consideration (before expenses)
		HK$	HK$
15 March 2011	50,000,000	0.1468	7,340,000

All the above shares rank pari passu in all respects with the other shares in issue.

(b) Issue of shares by Bonus Issue

On 11 March 2011, the Board proposed a bonus issue ("Bonus Issue") to shareholders whose names appear on the register of members of the Company on 16 May 2011 ("Record Date") on the basis of one (1) bonus share for every ten (10) existing shares held on the Record Date by way of capitalisation of amounts in the share premium account of the Company. The Bonus Issue was approved by shareholders at the annual general meeting of the Company held on 18 May 2011. A total of 358,825,053 shares of HK$0.02 each were issued by way of Bonus Issue on 25 May 2011. All the bonus shares rank pari passu in all respects with the other shares in issue.

(c) Repurchase of shares

During the year ended 31 December 2011, the Company repurchased a total of 28,014,000 shares of HK$0.02 each in its own issued share capital on the Stock Exchange for an aggregate consideration of HK$4,061,000 (before expenses). Accordingly, such shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchase of shares are summarised as follows:

Month/year	Number of shares repurchased	Repurchase price per share		Approximate aggregate consideration paid (before expenses)
		Highest	Lowest	
	'000	HK$	HK$	HK$'000
July 2011	13,086	0.194	0.173	2,362
September 2011	14,928	0.120	0.105	1,699
Total	28,014			4,061

36. SHARE CAPITAL (continued)

Notes: (continued)

(d) Repurchase of shares

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 for an aggregate consideration of HK$2,506,000 (before expenses). Accordingly, such shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchase of shares are summarised as follows:

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

37. ACCRUED LIABILITIES AND OTHER PAYABLES

	2012	2011
	HK$'000	HK$'000
Accrued liabilities		
— Accrual for salaries and commission	**35,388**	61,920
— Other accrued liabilities	**33,557**	56,854
Other payables	**20,482**	26,716
	89,427	145,490

38. 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 disclosed in note 34 and loan from a non-controlling shareholder disclosed in note 28, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 36, retained earnings and other reserves as disclosed in consolidated statement of changes in equity. 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.

38. CAPITAL RISK MANAGEMENT (continued)

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.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012	2011
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss — held-for-trading	**123,206**	26,961
Loans and receivables (including cash and cash equivalents)	**2,172,470**	2,067,947
Financial liabilities		
Amortised cost	**2,021,924**	1,747,890

Financial risk management objectives and policies

The Group's major financial instruments include equity and debt securities, investment fund, loans receivable, other receivables, other payables, bank balances and deposits, bank borrowings, accounts receivable, loan to an associate, loan from a non-controlling shareholder and accounts payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Price risk

The Group has a portfolio of held-for-trading investments in equity and debt securities and investment fund, which are carried at fair value and is exposed the Group to price risk. The Group's exposures to price risk for debt securities include changes in the credit spreads and market interest rates. The directors of the Company manage the exposure by closely monitoring the portfolio of equity and debt and investment fund, and imposing trading limits on individual trades. No sensitivity analysis on price risk arising from investments in debt securities relating to credit spreads of debt securities has been presented as the directors of the Company did not expect the significant fluctuation as at 31 December 2012.

Moreover, the Group is exposed to equity price risk as a result of changes in fair value of its investments in derivatives. The directors of the Company manage the exposure by closing all the open position of derivatives and imposing trading limits on daily basis. No sensitivity analysis on equity price risk arising from investments in derivatives has been presented as the Group did not hold any derivatives as at 31 December 2011 and 31 December 2012.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the equity investments and unlisted investment fund outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2012, if the market bid prices of the Group's listed equity investments and unlisted investment fund had been 15 percent (2011: 15 percent) higher/lower, the Group's loss before taxation would decrease/increase by HK$12,370,000 (2011: HK$4,044,000). This is attributable to the changes in fair values of the listed equity investments and unlisted investment fund held for trading.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, fixed rate loans receivable and fixed rate debt securities. The price of the investments in debt securities which are classified as financial assets held for trading is affected by the change in market interest rate. The Group currently does not have a fair value hedging policy.

The sensitivity analysis below has been determined based on the exposure to interest rate from the investments in debt securities at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. At reporting date, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before taxation would increase/decrease by approximately HK$562,000 (2011: Nil).

Cash flow interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 50 (2011: 50) basis points change representing management's assessment of the reasonably possible change in interest rates is used.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR arising from the Group's variable interest rate instruments.

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 December 2012, if the interest rate of bank borrowings, loans receivable and loans to margin clients had been 50 (2011: 50) basis points higher/lower, the Group's loss before taxation would increase/decrease by HK$324,000 (2011: HK$201,000). Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk

The group entities have financial assets and liabilities denominated in currencies other than their respective functional currencies. Consequently, the Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Group's assets denominated in foreign currencies.

The exposure primarily arises from the receivables from foreign brokers, foreign currency deposits with banks, loan to an associate, debt securities listed outside Hong Kong and accounts payable to clients denominated in United Stated dollars ("USD") and Renminbi ("RMB"). The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arises. The directors do not expect significant foreign exchange risk to the Group in view of the Hong Kong dollar pegged system to the USD.

The carrying amounts of the major foreign currency denominated monetary assets and monetary liabilities of the Group at the reporting date are as follows:

	Liabilities		**Assets**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**20,044**	44,542	**296,117**	457,930
RMB	**1,491**	2,152	**110,349**	104,151

As at 31 December 2012, if RMB had strengthened/weakened by 5% (2011: 5%) against HK$ and all other variables were held constant, the Group's loss before taxation would decrease/increase by HK$5,443,000 (2011: HK$5,100,000). Under the pegged exchange rate system, the financial impact in exchange difference between HK$ and USD is considered to be immaterial and therefore no sensitivity analysis has been prepared.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31 December 2012 and 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of loans receivable and accounts receivable as disclosed in notes 25 and 29 respectively on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

Credit risk arising on debt securities as disclosed in note 30 is mitigated by investing primarily in rated instruments or instruments issued by counterparties of credit ratings of at least BB+ or equivalent as determined by Standard & Poor's, Moody's or Fitch, any exception to which shall be approved by the management of the Group. As at 31 December 2012, over 72% of the debt securities invested by the Group are BB+ or above.

In respect to the accounts receivable from MFG HK as disclosed in note 29, the Group closely monitor the development and the directors closely contact with the liquidators for the recoverable amount to address the credit risk.

The Group does not have any significant concentration of credit risk as the exposure spread over a number of counterparties and customers, except for the loans receivable as disclosed in note 25.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk of such authorised institutions is low.

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and customers. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate %	Within 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total contracted undiscounted cash flows HK$'000	Carrying amount at reporting date HK$'000
At 31 December 2012							
Accounts payable	N/A	1,590,760	—	—	—	1,590,760	1,590,760
Other payables	N/A	20,482	—	—	—	20,482	20,482
Bank borrowings	Note	366,658	2,156	6,468	26,042	401,324	383,245
Loan from a non-controlling shareholder	N/A	27,437	—	—	—	27,437	27,437
		2,005,337	2,156	6,468	26,042	2,040,003	2,021,924

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average effective interest rate	Within 1 year or on demand	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total contracted undiscounted cash flows	Carrying amount at reporting date
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2011							
Accounts payable	N/A	1,386,140	—	—	—	1,386,140	1,386,140
Other payables	N/A	26,716	—	—	—	26,716	26,716
Bank borrowings	Note	282,066	2,633	7,900	36,324	328,923	307,597
Loan from a non-controlling shareholder	N/A	27,437	—	—	—	27,437	27,437
		1,722,359	2,633	7,900	36,324	1,769,216	1,747,890

Note: Variable-rate borrowings carry interest at HIBOR plus a spread or Hong Kong Prime Rate. The prevailing market rate at the reporting date is used in the maturity analysis.

Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2012 and 31 December 2011, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$164,636,000 and HK$149,259,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. As at 31 December 2012, the aggregate principal and interest cash outflow amounted to approximately HK$152,712,000 (2011: HK$146,224,000), HK$8,728,000 (2011: HK$3,123,000) and HK$6,137,000 (2011: HK$2,127,000) within 1 year, between 1-2 years and between 2-5 years respectively.

The amounts included above for variable interest rate instruments is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of listed equity and debt securities listed outside Hong Kong with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices

- the fair value of debt securities listed in Hong Kong and unlisted investment fund are determined based on brokers' quotes due to absence of an active market; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

39. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

Fair values measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				2012
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Investments held for trading				
Equity securities listed in Hong Kong	**72,380**	**—**	**—**	**72,380**
Equity securities listed outside Hong Kong	**4**	**—**	**—**	**4**
Debt securities listed in Hong Kong	**—**	**26,749**	**—**	**26,749**
Debt securities listed outside Hong Kong	**13,988**	**—**	**—**	**13,988**
Unlisted investment fund	**—**	**10,085**	**—**	**10,085**
	86,372	**36,834**	**—**	**123,206**

				2011
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Investments held for trading				
Equity securities listed in Hong Kong	26,956	—	—	26,956
Equity securities listed outside Hong Kong	5	—	—	5
	26,961	—	—	26,961

There were no transfers between Levels 1 and 2 in the current and prior years.

40. CAPITAL COMMITMENTS

	2012 HK$'000	2011 HK$'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 equity interests in an entity (Note b)	20,639	—
	227,767	—

Notes:

(a) The Group has entered into provisional 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 approximately USD2,670,000 (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.

41. SHARE OPTION SCHEMES

The Company's existing share option scheme ("Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 22 February 2008, which took effect on 3 March 2008.

The major terms of the Share Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to CASH and its subsidiaries and associates, including the Group ("CASH Group"); or

- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

(ii) The participants included any employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 391,906,158 shares, representing around 10% of the issued share capital of the Company as at 31 December 2012. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Share Option Scheme or any other share option scheme within any 12-months period, must not exceed 1% of the shares in issue from time to time.

41. SHARE OPTION SCHEMES (continued)

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of directors of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;
- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the share.

(ix) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 21 February 2018.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Share options granted to the employees, directors and the consultants of the Group and weighted average exercise price are as follows for the reporting periods presented:

		2012			2011	
	Notes	**Number of share options**	**Weighted average exercise price HK$**	Notes	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January		**653,400,000**	**0.258**		574,000,000	0.249
Granted	(a)	**314,000,000**	**0.093**	(b) & (d)	273,000,000	0.472
Exercised		**—**	**N/A**		(50,000,000)	0.147
Adjusted upon Bonus Issue		**—**	**N/A**	(e)	79,700,000	0.331
Lapsed	(f) & (g)	**(382,250,000)**	**0.280**	(b)	(223,300,000)	0.428
Outstanding at 31 December		**585,150,000**	**0.155**		653,400,000	0.258
Exercisable at 31 December		**194,150,000**	**0.147**		467,900,000	0.220

41. SHARE OPTION SCHEMES (continued)

No share option was exercised during the year. In respect of the share options exercised during 2011, the weighted average share price at the dates of exercise is HK$0.485.

		Notes	**2012** **Number of outstanding share options as at 31 December**	**Exercise price**	2011 Number of outstanding share options as of 31 December	Exercise price
Grant date:	Exercisable period:					
15.06.2009	15 December 2009 to 30 June 2013		**24,750,000**	**0.134**	24,750,000	0.134
15.06.2009	15 June 2010 to 30 June 2013		**33,000,000**	**0.134**	33,000,000	0.134
15.06.2009	15 June 2011 to 30 June 2013		**14,850,000**	**0.134**	14,850,000	0.134
15.06.2009	15 June 2012 to 30 June 2013		**19,800,000**	**0.134**	19,800,000	0.134
22.06.2009	N/A	(c)	**82,500,000**	**0.131**	82,500,000	0.131
03.06.2010	1 January 2011 to 31 May 2012	(f)	—	—	34,375,000	0.115
03.06.2010	1 January 2012 to 31 May 2012	(f)	—	—	34,375,000	0.115
15.10.2010	15 October 2010 to 31 October 2012	(f)	—	—	101,750,000	0.276
15.10.2010	15 October 2010 to 31 October 2013		**2,750,000**	**0.276**	2,750,000	0.276
15.10.2010	1 January 2011 to 31 October 2012	(f)	—	—	68,750,000	0.276
15.10.2010	1 January 2011 to 31 October 2013		**2,750,000**	**0.276**	2,750,000	0.276
15.10.2010	15 October 2011 to 31 October 2012	(f)	—	—	8,250,000	0.276
15.10.2010	15 October 2011 to 31 October 2013		**4,125,000**	**0.276**	4,125,000	0.276
15.10.2010	1 January 2012 to 31 October 2012	(f)	—	—	68,750,000	0.276
15.10.2010	1 January 2012 to 31 October 2013		**2,750,000**	**0.276**	2,750,000	0.276
15.10.2010	15 October 2012 to 31 October 2013		**6,875,000**	**0.276**	6,875,000	0.276
22.11.2010	N/A	(g)	—	—	66,000,000	0.464
01.02.2011	N/A	(d)	**77,000,000**	**0.432**	77,000,000	0.432
11.10.2012	N/A	(a)	**314,000,000**	**0.093**	—	—
			585,150,000		653,400,000	

Notes:

(a) During the year ended 31 December 2012, the options of 314,000,000 were granted to directors and employees of the Group on 11 October 2012 for the provision of services to the Group. The options will be vested upon achievement of performance target (based on non-market condition) for the period up to 31 October 2014. The options must be exercised within one month from the date the Board approves the vesting of the options. As at 31 December 2012, the directors of the Company considered that the performance target is not probable to be achieved by the grantees and thus no share-based compensation expense was recognised in the financial year ended 31 December 2012.

(b) During the year ended 31 December 2011, the options of 223,300,000 (after adjusted for bonus issue) were granted to the employees and directors of the Group in 2011 for the provision of service to the Group but were lapsed subsequently in 2011 due to unaccomplishment of performance target (based on non-market condition) on 31 August 2011.

(c) The options of 82,500,000 (after adjusted for bonus issue) were granted to the consultants of the Group on 22 June 2009 for the provision of consultancy services to the Group up to the contract period until 30 June 2013. The options will be vested upon the provision of satisfactory services determined at the sole discretion of the Board of Directors. As at 31 December 2011, the related services have not been satisfactorily performed and the related project was suspended in 2012. Thus no share-based compensation expense was recognised in the financial years ended 31 December 2012 and 2011.

(d) The option of 77,000,000 (after adjusted for bonus issue) were granted to the consultants of the Group on 1 February 2011 for the provision of consultancy services to the Group up to the contract period until 31 December 2013. The options will be vested upon the provision of satisfactory services determined at the sole discretion of the Board of Directors. As at 31 December 2011, the related services have not been satisfactorily performed and the related project was suspended in 2012. Thus no share-based compensation expense was recognised in the financial years ended 31 December 2012 and 2011.

41. SHARE OPTION SCHEMES (continued)

Notes: (continued)

(e) The number and the exercise price of share options have been adjusted due to the bonus issue of the Company on the basis of 1 bonus share for every 10 existing shares held on 17 May 2011.

(f) During the year ended 31 December 2012, the options of 316,250,000 granted to the employees and directors of the Group on 3 June 2010 and 15 October 2010 were lapsed during the year ended 31 December 2012 upon expiration of the options.

(g) The options of 66,000,000 were granted to the consultants of the Group on 22 November 2010 for the provision of consultancy services to the Group up to the contract period until 30 November 2012. The options were lapsed upon expiration of the options during the year ended 31 December 2012 and the related services had not been provided by the consultants due to suspension of the related project.

The weighted average remaining contractual life of share options outstanding as at 31 December 2012 is 1.29 years (2011: 0.95 year).

The fair values of share options granted during the years ended 31 December 2011 were determined using the Black-Scholes pricing model ("B-Model").

The following table lists the inputs to the B-Model used for calculating the fair value of the options granted during the year ended 31 December 2010:

Date of grant	**15 October 2010**	**3 June 2010**
Share price on date of grant (prior to Share Subdivision and Bonus Issue) (Note a)	HK$1.52	HK$0.63
Exercise price (prior to Share Subdivision and Bonus Issue)	HK$1.52	HK$0.63
Expected volatility (Note b)	79.35%	53.60%
Expected life of option (Note c)	2-3 years	2 years
Risk-free rate (Note d)	0.51%	0.70%
Expected dividend yield	Nil	Nil

Notes:

(a) There was a share subdivision of the Company for every 1 existing Share into 5 Shares on 23 December 2010 and there was a bonus issue of the Company on the basis of 1 Share for every 10 Shares on 17 May 2011.

(b) Expected volatility: being the approximate historical volatility of closing prices of the shares of the Company in the past 1 year immediately before the date of grant.

(c) Expected life of option: being the effective life of options estimated from the expected exercising time frame.

(d) Risk-free rate: being the approximate yields to maturity of Hong Kong Exchange Fund Note.

During the year ended 31 December 2010, the estimated fair values of share options granted on 3 June 2010, and 15 October 2010 dates are approximately HK$2,361,000 and HK$21,045,000 respectively.

In total, HK$562,000 (2011: HK$21,996,000) of share-based compensation expenses has been recognised in profit or loss for the year ended 31 December 2012. The corresponding amount of HK$562,000 (2011: HK$21,996,000) has been credited to share-based payment reserve. No liabilities were recognised due to share-based payment transactions.

The B-Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

42. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

	Notes	**2012 HK$'000**	2011 HK$'000
Commission and interest income received from the following wholly-owned subsidiary of CASH			
Libra Capital Management (HK) Limited	(a)	**—**	426
Commission and interest income received from the following shareholder with significant influence over CASH			
Cash Guardian Limited	(e)	**—**	274
Mr Kwan Pak Hoo Bankee and associates	(e)	**—**	104
		—	378
Commission and interest income received from the following directors of the Company			
Mr Law Ping Wah Bernard and associates		**10**	91
Mr Chan Chi Ming Benson and associates		**—**	2
Mr Cheng Man Pan Ben and associates		**45**	31
Mr Yuen Pak Lau Raymond and associates	(b)	**—**	27
Ms Cheng Pui Lai Majone and associates	(b)	**7**	8
		62	159
Commission and interest income received from the following directors of CASH			
Mr Chan Yau Ching Bob and associates		**13**	21
Mr Ng Kung Chit Raymond and associates		**7**	10
		20	31
Rental expense paid to an associate		**7,167**	11,686
Rental and building management expense paid to CASH	(a)	**4,140**	2,484
Loan interest income received from directors of the Company			
Mr Law Ping Wah Bernard		**—**	—
Mr Chan Chi Ming Benson		**—**	70
Mr Cheng Man Pan Ben		**74**	74
Mr Yuen Pak Lau Raymond	(b)	**—**	74
	(c)	**74**	218
Placing commission income received from CASH	(a) & (d)	**—**	4,682

42. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) The Company has been regarded as a subsidiary of CASH under the new definition of control and the related guidance set out in HKFRS 10 Consolidated financial statements.

(b) During the year ended 31 December 2011, Mr Yuen Pak Lau Raymond resigned as an executive director of the Company and Ms Cheng Pui Lai Majone was appointed as an executive director of the Company.

(c) The Group derived interest income from loans to a director (2011: certain directors) of the Company of approximately HK$74,000 (2011:HK$218,000).

(d) During the year ended 31 December 2011, the Group derived placing commission income from placement of shares of CASH of approximately HK$4,682,000.

(e) Cash Guardian Limited is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is the director of the Company and CASH.

Remuneration of key management personnel represents amounts paid to the Company's directors as disclosed in note 12.

The remuneration of directors is determined by the performance of individuals and market trends.

43. OPERATING LEASE COMMITMENTS

At the reporting dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**163,381**	168,622
In the second to fifth year inclusive	**176,644**	196,492
	340,025	365,114

Operating lease payments represent rentals payable by the Group for its office premises, warehouse and retail shops. Lease are mainly negotiated for lease term of one to five years. In addition to the fixed rentals pursuant to the terms of certain rental agreements, the Group has to pay a rental of approximately HK$2,762,000 (2011: HK$5,773,000), based on certain percentage of the gross sales of the relevant shop when the sales meets certain specified level.

44. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a board resolution passed on 20 June 2011, the directors determined to dispose the leasehold land and building in Hong Kong ("Property") and considered that the disposal of the Property is highly probable, thus the Property is reclassified to assets classified as held for sale in accordance with HKFRS 5. The fair value of the Property at the date of reclassification amounting to HK$91,100,000 is determined based on an offer price by an independent third party and valuation report carried out by Knight Frank Petty Limited.

Movement on assets classified as held for sale are as follows:

	HK$'000
At 1 January 2011	—
Reclassified as assets classified as held for sale from property and equipment (note 19)	91,100
Disposal	(91,100)
At 31 December 2011 and 2012	—

In October 2011, the Property has been disposed of to another independent third party with a consideration of HK$123,500,000, resulting in a gain of approximately HK$32,400,000 (note 8).

Upon completion of the disposal, the Group and the third party entered into leaseback arrangement at a monthly rent approximate to the market rent for 2 years. This sale and leaseback transaction results in an operating lease and the lease commitment is included in note 43.

45. EVENTS AFTER THE REPORTING PERIOD

On 3 December 2012, the Group, together with an independent third party, has entered into agreement with Infinity to subscribe for 20% of the enlarged issued share capital of Infinity for a consideration of approximately USD2,670,000 (equivalent to approximately HK$20,639,000). The transaction was completed on 3 January 2013 upon fulfilment of precedent conditions set out in the agreement (see note 40). The Group is able to exercise 20% of voting rights on the shareholders' meeting pursuant to the shareholders agreement. The Group is in the process of ascertaining the financial impact to the Group.

46. SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are set out below:

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company 2012 %	2011 %	Principal activities
CASH Asset Management Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Provision of asset management services
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	**100**	100	Provision of management services for group companies
CASH Wealth Management Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Financial advisory consultancy
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	**100**	100	Provision of payment gateway services
Celestial Asset Management Limited	Hong Kong	Ordinary HK$4,000,100	**100**	100	Provision of treasury management functions
Celestial Capital Limited	Hong Kong	Ordinary HK$30,000,000	**100**	100	Provision of corporate finance, investment and financial advisory services
Celestial Commodities Limited	Hong Kong	Ordinary HK$12,000,000	**100**	100	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK$140,000,000	**100**	100	Securities, equity options broking and trading, leveraged foreign exchange contracts
Pricerite Stores Limited	Hong Kong	Ordinary HK$200,000,000	**100**	100	Retailing of furniture and household goods
icoupon Limited	British Virgin Islands	Ordinary US$1	**100**	100	Investment holding and trading
Think Right Investments Limited	British Virgin Islands	Ordinary US$1	**100**	100	Properties holding
CASH Dynamic Opportunities Investment Limited (note)	British Virgin Islands	Ordinary HK$5,000,000	**50**	50	Investment trading
CASH Retail Management (HK) Limited	British Virgin Islands	Ordinary US$100	**100**	100	Investment holding
Celestial Financial Services Limited	British Virgin Islands	Ordinary US$10,000	**100**	100	Investment holding

CASH E-Trade Limited, Celestial Financial Services Limited and CASH Retail Management (HK) Limited are directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.

Note: During the year ended 31 December 2011, the Group disposed 40% of the issued shares of CASH Dynamic Opportunities Investment Limited ("DOI") through the subsidiary at HK$2,000,000 to the key management personnel of DOI. The directors of the Company considered the consideration of HK$2,000,000 for the 40% equity interest of DOI approximates the fair value. The Group remains control over the DOI because according to the agreement, the Group can appoint up to 3 directors out of the total 4 directors and the Group control the financial and operating policy of DOI. Accordingly, DOI remained as a subsidiary of the Company after the disposal.

47. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012	2011
	HK$'000	HK$'000
Assets		
Unlisted investments in subsidiaries	**748,177**	748,177
Amounts due from subsidiaries	**236,047**	215,387
Other receivables	**150**	438
Bank balances (general accounts)	**342**	342
	984,716	964,344
Liabilities		
Accrued liabilities and other payables	**854**	455
Amounts due to subsidiaries	**323,273**	328,271
	324,127	328,726
Net assets	**660,589**	635,618
Capital and reserves		
Share capital	**77,557**	78,382
Reserves (Note)	**583,032**	557,236
Total equity	**660,589**	635,618

47. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

	Share premium	Contributed surplus	Share-based payment reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	460,745	59,080	11,451	32,155	563,431
Loss and total comprehensive expense for the year	—	—	—	(9,462)	(9,462)
Issue of new shares	6,340	—	—	—	6,340
Issue of bonus shares	(7,177)	—	—	—	(7,177)
Share-based compensation	—	—	21,996	—	21,996
Amount transferred to share premium as a result of exercise of share option	5,296	—	(5,296)	—	—
Dividends recognised as distribution (note 14)	—	—	—	(14,353)	(14,353)
Share repurchased and cancelled	(3,539)	—	—	—	(3,539)
At 31 December 2011	461,665	59,080	28,151	8,340	557,236
Profit and total comprehensive income for the year	—	—	—	26,959	26,959
Share-based compensation	—	—	562	—	562
Amount transferred to retained earnings as a result of expiration of share option	—	—	(20,899)	20,899	—
Share repurchased and cancelled	(1,725)	—	—	—	(1,725)
At 31 December 2012	459,940	59,080	7,814	56,198	583,032

48. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. Effective from June 2012, the cap of contribution amount has been changed from HK$1,000 to HK$1,250 per employee per month.

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 12%, 22%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

Appendix I — Investment Properties

Location	Approximate gross floor area (sq. ft.)	Land use
Room 1606 (also known as 19G), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	891	The property is vacant
Room 1607 (also known as 19A), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	1,593	The property is vacant
Room 1806 (also known as 21G), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	891	The property is vacant
Room 902 on Level 8, Maison des artiste, No. 17 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	1,160	The property is vacant
Room 2002 on Level 17, Maison des artiste, No. 17 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	2,469	The property is vacant

Appendix II — Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,281,129**	1,334,440	1,294,203	705,480	324,651
(Loss) profit before taxation	**(23,398)**	(24,270)	73,120	(6,784)	(81,924)
Taxation charge	**(10,126)**	(7,694)	(8,185)	(13,848)	(4,294)
(Loss) profit for the year	**(33,524)**	(31,964)	64,935	(20,632)	(86,218)
Attributable to:					
Owners of the Company	**(38,699)**	(41,090)	63,390	(22,075)	(99,595)
Non-controlling interests	**5,175**	9,126	1,545	1,443	13,377
	(33,524)	(31,964)	64,935	(20,632)	(86,218)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**81,315**	114,306	188,909	202,275	108,164
Goodwill	**2,661**	2,661	2,661	2,661	4,933
Intangible assets	**321,059**	321,059	321,059	321,059	11,062
Other non-current assets	**309,878**	281,283	268,685	254,333	254,890
Current assets	**2,367,504**	2,170,392	1,957,617	1,750,699	1,348,209
Total assets	**3,082,417**	2,889,701	2,738,931	2,531,027	1,727,258
Current liabilities	**2,078,832**	1,839,965	1,695,730	1,638,501	981,713
Non-current liabilities	**82,172**	88,642	98,458	99,856	39,490
Total liabilities	**2,161,004**	1,928,607	1,794,188	1,738,357	1,021,203
Net assets	**921,413**	961,094	944,743	792,670	706,055
Non-controlling interests	**34,288**	33,363	20,313	17,752	16,762

Definitions

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

"AGM(s)"	the annual general meeting(s) of the Company
"ARTAR"	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial Shareholder
"Audit Committee"	the audit committee of the Company established pursuant to the CG Code of the Listing Rules
"Board"	the board of Directors
"CASH"	Celestial Asia Securities Holdings Limited (stock code: 1049), the indirect substantial Shareholder, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board
"CASH Asset Management"	CASH Asset Management Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 9 (asset management) regulated activity
"CASH Group"	CASH and its subsidiaries, including the Group
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial shareholder of CASH and an associate of Mr Kwan Pak Hoo Bankee
"CASH Wealth Management"	CASH Wealth Management Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities
"Celestial Capital"	Celestial Capital Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities
"Celestial Commodities"	Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity
"Celestial Securities"	Celestial Securities Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 1 (dealing in securities) regulated activity
"CEO"	the chief executive officer of the Company
"CFO"	the chief financial officer of the Company
"CG Code"	the Corporate Governance Code as contained in the Listing Rules, including the revised code provisions which became effective from 1 April 2012
"CG Report"	the corporate governance report of the Company covering the year ended 31 December 2012 as required to be included in this annual report under the Listing Rules
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of CASH; is a substantial Shareholder
"Company" or "CFSG"	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board
"Company Secretary"	the company secretary of the Company
"Connected Clients"	Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard (executive directors of each of the Company and CASH), Mr Chan Chi Ming Benson, Mr Cheng Man Pan Ben and Ms Cheng Pui Lai Majone (executive Directors of the Company), Mr Chan Yau Ching Bob and Mr Ng Kung Chit Raymond (directors of subsidiaries of the Group and executive directors of CASH), Cash Guardian (a controlled corporation and an associate of Mr Kwan Pak Hoo Bankee), and Libra Capital Management (HK) Limited and Cashflow Credit Limited (wholly-owned subsidiaries of CASH (the substantial Shareholder)), all of which are connected persons of the Company (as defined under the Listing Rules)
"COO"	the chief operating officer of the Company

Definitions

"CRM(HK)"	CASH Retail Management (HK) Limited, a company incorporated in the British Virgin Islands with limited liability, and is currently a wholly-owned subsidiary of the Company and the holding company of the CRMG Group
"CRMG Group"	CRM(HK) and its subsidiaries which mainly engage in the retail business in Hong Kong and China
"Director(s)"	the directors of the Company
"ED(s)"	the executive Director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s) of the Company
"Infinity"	Infinity Equity Management Company Limited, a company incorporated in Hong Kong with limited liability, which is engaged in business of venture capital and private equity management in the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Management"	the management team of the Company
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"NED(s)"	the non-executive Director(s) of the Company
"New Margin Financing Arrangement"	the grant of margin financing facilities by the Company to the Connected Clients for each of the three financial years ending on 31 December 2015, details of which are disclosed in (a)(ii) under the section headed "Continuing connected transactions" in the Directors' report
"PRC"	the People's Republic of China
"Previous Connected Clients"	Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard (executive directors of each of the Company and CASH), Mr Chan Chi Ming Benson and Mr Cheng Man Pan Ben (executive Directors of the Company), Cash Guardian (a controlled corporation and an associate of Mr Kwan Pak Hoo Bankee), and Libra Capital Management (HK) Limited and Cashflow Credit Limited (wholly-owned subsidiaries of CASH (the substantial Shareholder)), all of which are connected persons of the Company (as defined under the Listing Rules)
"Precious Margin Financing Arrangement"	the grant of margin financing facilities by the Company to the Previous Connected Clients for each of the three financial years ended on 31 December 2012, details of which are disclosed in (a)(i) under the section headed "Continuing connected transactions" in the Directors' report
"Remuneration Committee"	the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM(s)"	the special general meeting(s) of the Company
"Share(s)"	ordinary shares of HK$0.02 each in the share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the SGM of the Company held on 22 February 2008, which took effect on 3 March 2008
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$" or "USD"	United States dollar(s), the lawful currency of the United States

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