時富金融
CFSG

CASH Financial Services Group Limited

(Stock Code: 510)

2011 Annual Report

Contents

Corporate Profile

CORPORATE PROFILE

CASH Financial Services Group Limited ("CFSG" or "Group", stock code: 510) is a leading financial services conglomerate in China. CFSG has been providing our broad-based clients with a comprehensive range of financial products and quality services that cater for their versatile investment and wealth management needs.

Since our establishment in 1972, CFSG builds lasting businesses in the investment and financial services sectors. Our comprehensive range of financial products and services includes (i) international trading services for securities (HK, US and China B-shares), commodities, futures and options, (ii) investment services such as investment banking, institutional sales, mutual funds, bonds, equity linked instruments (ELI), insurance, market research and analysis, (iii) wealth management and asset management, and (iv) other investment advisory services.

As a leading technology-focused financial services provider, coupled with our professional human talents, CFSG is committed to operating a 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. We have also developed the edge-cutting CASH SNS, which is the most comprehensive financial social networking portal that contains financial market information, financial education, entertainment games, interactive sharing, etc. More recently, we have developed HK's first one-stop app, i.e. CASH RTQ, which provides securities trading and real-time quotes for smart devices.

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, and an investment group in Austria, Europe. These alliances have broadened CFSG's shareholder base from Asia to the Middle East and Europe, 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, Chongqing, Nanjing, Shenzhen, Qingdao, Xiamen, and Xian.

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.

CORPORATE PROFILE

Pricerite is the largest home furnishing specialist in Hong Kong. We are expanding our business in China and targeting at the up-and-coming middle-class families. Through our comprehensive network of outlets, we are committed to offering stylish, quality, affordable and practical products and services 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

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

Telephone	:	(852) 2287 8788
Facsimile	:	(852) 2287 8700

Chairman's Letter

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

In 2011, both domestic demand and stock market turnover were impacted by unabated concerns over the world economy and global financial issues, with particular setbacks in the second half of the year. Despite such a climate, the disciplined execution of our business strategy enabled the Group to maintain stable growth during the year.

Given the economic uncertainties globally, the pace of Hong Kong's growth was also affected. Coupled with drastic regulatory changes, the Hong Kong economy has been undergoing structural transformation. Though these occurrences have decreased the visibility of market prospects, we believe that the Group is on the right track for creating value for our stakeholders as we uphold our vision to develop the China market through our specialized focus on financial services and retail management.

Our financial services business developed steadily during the year, with momentum for growth underpinned by continuous development to ensure the speediest and most reliable borderless platform for our clients anywhere, anytime.

The successful listing of the first RMB-denominated REIT on the Hong Kong Stock Exchange (HKEx) marked an important milestone for the local securities industry. As an underwriter, the Group proved the compatibility, efficiency, and reliability of our cutting-edge platform in handling RMB-related trading. In anticipation of Hong Kong's growing importance and influence in the international financial arena, the Group has kept our advanced information technology system robust and ahead of the market.

As China's designated offshore RMB centre, Hong Kong has developed into an international gateway for overseas companies wanting to participate in the booming mainland China economy while at the same time facilitating Chinese enterprises to "Go Abroad". Taking full advantage of our experience, strengths, and capabilities developed over the years in mainland China, we will continue to focus on quality expansion in China in the years to come.

In a noteworthy development, the contribution made by our personal wealth management business increased over the year. Thanks to our early move in developing the market, the business started to gain momentum last year. We will devote additional resources in order to provide more comprehensive financial products and to train our wealth management professionals for world-class client services.

Despite the poor market sentiment in the second half of 2011, we managed to sponsor a high-profile initial public offering (IPO) in the fourth quarter, with extraordinary results. Amid the sluggish market, the IPO was six times oversubscribed and became one of the ten most-surged stocks of the year. We will continue with our strategy to develop a balanced focus on IPOs and other financial advisory transactions, with our prime target being small to medium-sized enterprises seeking access to international funds.

For our retail management business, we maintained our leading market position in Hong Kong while making an encouraging start in mainland China. During the year, we opened three stores in urban areas of Guangzhou to serve the up-and-coming young, middle-income families who are highly conscious of the growing demands of family life.

We are dedicated to growing further and beyond Guangzhou. Our research shows that consumer behaviour, spending patterns, household habits and shopping preferences of families in Guangdong Province resemble those in Hong Kong. This means our supply chain and retail operations expertise can be fully optimised and our Hong Kong chain model replicated on a greater scale in the Guangdong area. We will push forward with developing the Guangdong market in the coming year, with the growth momentum for our retail business expected to be underpinned by the seamless execution of our business expansion plan in China in the years ahead.

Looking ahead, unresolved Euro-zone debt crises and the indeterminate economic outlook for the US and Japan cloud the near future for Hong Kong's economic growth. Nonetheless, with strong growth maintained in mainland China, we believe that growth will continue in Hong Kong, albeit at a slower rate.

We are confident of the growth prospects for CASH Financial Services Group, as we have, over the years, built a solid foundation in both Hong Kong and mainland China, including a growing network of offices. Given the 12th Five-Year Plan's focus for national development on domestic consumption and personal wealth management and investment, the Group is well poised to thrive in China. With our sound balance sheet and low gearing, the Group has ample capacity to continue to build on our strengths in existing business areas.

On behalf of the Board of Directors, I would like to extend our heartfelt appreciation to staff members across Hong Kong and mainland China, for their unswerving pursuit of the best possible services, their firm stand amidst the challenges, and their commitment to supporting the Group's vision to develop the China market. Their diligence, dedication, and creativity are of vital importance for the continued success of the Group in weathering the uncertain business environment that lies ahead. As I always emphasise: "People make the difference."

Yours sincerely,

Bankee Kwan

Bankee P. Kwan
Chairman
CASH Financial Services Group Limited

Financial Review

FINANCIAL REVIEW

The Group recorded revenue of HK$1,334.4 million for the year ended 31 December 2011 as compared to HK$1,294.2 million for the previous year. Despite the challenging external environment, the Group managed to weather through the difficulties and maintained the same revenue level of the previous year. Overall, the Group recorded a net loss of HK$32.0 million for the year ended 31 December 2011 as compared to a net profit of HK$64.9 million last year.

FINANCIAL SERVICES BUSINESS – FSG

The year 2011 represented a period of extreme volatility and instability in the global financial market. In China, the end of 2011 marked the 10th anniversary of China's entrance into the WTO and resembled a decade of rapid economic growth in China. However, the Central Government has imposed a series of harsh austerity measures such as tightening credit, increasing interest rate and raising deposit-reserve ratio aiming at cooling down the overheated property market and suppressing inflation. As a result, the pace of economic recovery was battered. Meanwhile, the lingering European sovereign debt crisis continued to beset the global stock markets and somewhat suspended the US and Europe's economic growth. The European countries have seen fiscal deficits ballooning to record high percentage of GDP which have casted considerable uncertainty to the global economic recovery and seriously dampened the investment sentiment to the financial markets.

The Hong Kong financial market was inevitably beleaguered by these global crises and the local economic growth has trended downward since the second half of 2011. In view of the highly volatile financial market and gloomy economic outlook, investors became growingly skeptical. The average daily turnover for the year under review was still on the low side at about HK$69.7 billion as compared with HK$69.1 billion last year. The slight increase in average daily turnover was mainly due to the increase in turnover of derivative warrants and CBBCs in the extreme market volatility despite the poor market sentiment. However, market competition during the year under review remained intense and our commission earnings were inevitably affected. As a result, FSG recorded revenue of HK$261.7 million for the year ended 31 December 2011, representing a 7.5% decrease as compared to HK$283.0 million last year. Moreover, during the year under review, our operating overheads had been sharply increased which was due to the increase in rental cost upon the renewal of tenancy agreement in late 2010 and the increase in salary costs for the Group's strategy to accelerate growth in the personal wealth management business in China. The Group's personal wealth management business in China had already started to make a significant contribution to the Group in late 2011. Overall, FSG recorded a net loss of HK$5.8 million for the year ended 31 December 2011 as compared to a net profit of HK$32.6 million last year.

RETAIL MANAGEMENT BUSINESS – CRMG

The Consumer Price Index (CPI) of Hong Kong rose by 5.7% in December 2011 over the same month a year earlier. The sharp increase in rental cost, newly enacted statutory minimum wage and inflationary pressure of all other aspects have increased our operating overheads and further eroded our profit margin. Furthermore, in order to cool down the overheated property market, the Hong Kong Government has proactively introduced measures aiming at reducing speculative activities, including high stamp duty on short-term sales and tightening rules on mortgage lendings on luxury properties. The Hong Kong property market has been slowing down from November 2010 onwards with a remarkable drop in the number of property transactions. As a result, our retail management business was hard hit. Nevertheless, CRMG managed to achieve steady growth and recorded revenue of HK$1,072.8 million for the year ended 31 December 2011, representing a 6.1% increase as compared to HK$1,011.2 million last year. The increase in revenue was mainly attributable to CRMG's proactive approach in developing attractive joint-promotions and cross-selling programmes with various business partners, which successfully boosted our store traffic, transactions number and ticket size.

In the mainland market, China's 12th Five-Year Plan drove the growth of GDP in China and contributed to an upward momentum in consumer spending. To capture the release of urban and rural consumption potential, CRMG has opened three stores in Guangzhou during the year. The retailing business in the mainland market is still in its early investment phase. CRMG will continue to expand its retail network on the mainland, optimise its product mix and enhance its operational efficiency. It is expected that the mainland operations will gradually make profit contribution in the coming years.

FINANCIAL REVIEW

During the year under review, CRMG recorded a gain on disposal of a property amounting to HK$32.4 million. Overall, CRMG recorded a net profit of HK$16.9 million for the year ended 31 December 2011 as compared to a net profit of HK$47.7 million last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$961.1 million as at 31 December 2011 as compared to HK$944.7 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, distribution of 2010 final dividend, share repurchased and cancelled and increase in capital base because of the exercise of share options.

As at 31 December 2011, the Group had total bank borrowings of approximately HK$307.6 million, comprising bank loans of HK$307.5 million and overdrafts of HK$0.1 million.

Among the above bank borrowings, HK$114.0 million were collateralised by its margin clients' securities pledged to the Group. Other bank loans totally of HK$107.1 million were secured by the investment properties and pledged deposits respectively. The remaining bank borrowings were unsecured.

As at 31 December 2011, our cash and bank balances including the trust and segregated accounts totalled HK$1,188.6 million as compared to HK$1,102.2 million at the end of the previous year.

Total deposits of HK$62.9 million were pledged as securities for a letter of credit 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, a bank deposit of approximately HK$17.1 million was held for this purpose.

The liquidity ratio as at 31 December 2011 remained healthy at 1.2 times, being at the same level as at 31 December 2010. The gearing ratio as at 31 December 2011, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 32.1% from 46.3% as at 31 December 2010. The decrease was due to reducing needs of bank borrowings of financial services business for the decrease in margin loan refinancing demand at current report date. 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 25 July 2011, the Group announced a discloseable transaction in relation to the disposal of the property located at Pricerite Group Building, No. 6 Hong Ting Road, Sai Kung, New Territories by the Group to an independent third party at the consideration of HK$123.5 million in cash. Completion of the disposal took place on 25 October 2011. Details of the transactions are disclosed in the announcement of the Company dated 25 July 2011.

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

Capital Commitment

As at 31 December 2011, the Group did not have any material outstanding capital commitment.

Material Investments

As at 31 December 2011, the Group was holding a portfolio of listed investments with market values of approximately HK$27.0 million. The net gain derived from listed investments and the securities dealing business totally of HK$171.3 million was recorded for the year.

We do 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

Financial Services Business — FSG

Industry Review

The 2011 global economy started with a good recovery momentum. However, the pace of recovery was interrupted by a stream of unexpected political upheavals and natural disasters, including the European sovereign debt crisis, volatile and high commodity prices, tight monetary policy in China and the traumatic earthquake in Japan.

In China, despite the RMB4 trillion stimulus projects, slowdown of economic recovery did occur under the impact of globalisation. The interest rate upcycle balked in face of the decelerating economic growth. The Shanghai Composite Index ended the year at 2,199.42, a decline of 21.6% since the beginning of the year.

Hang Seng Index dropped 20% to conclude the year at 18,434.39. In terms of market capitalisation, the index dropped 16.7% to 17,537 billion. Average daily turnover for the year was up a slight 1% at HK$69,732 million.

Despite the slump in index level and trading volume, 2011 was a bumper year for the IPO market in Hong Kong, with big-name IPOs from Italian luxury fashion house Prada, luggage maker Samsonite, Swiss commodities giant Glencore and the world's largest jewellery chain, Chow Tai Fook Jewellery Co. Hong Kong was able to maintain its global bourse status in 2011 to have attracted the most fresh capital, amid the exacerbated euro-zone debt crisis. There were 101 IPO deals during the year. However, a number of IPOs stopped halfway in the wake of recent gloomy investment sentiments. Therefore, despite the seemingly deluge of stock debuts, the funds raised this year fell nearly 42% to only HK$258.9 billion.

Business Review

Platform Development

The successful listing of the first RMB-denominated REIT on the Hong Kong Stock Exchange (HKEx) in April 2011 marked an important milestone for the local securities industry. We, as a member of the underwriting syndicate, have proved the compatibility, efficiency and reliability of our platform in handling RMB-related trading. Designed for multiple products with multi-currency functions, our state-of-the-art trading platform has consistently been upgraded to ensure its safety, stability and speed. During the year, we pioneered to have passed the HKEx's test for AMS/3.8 and MDS/3.8 system upgrade. Firmly committed to enhancing the trading experience of our clients so as to help them grasp investment opportunities, we continued to invest in our IT infrastructure and introduce a comprehensive range of products to our clients. We will continue to join the tests and market rehearsals organised by the HKEx in order to stay in the forefront of the market development, which is characterised by stringent requirements in platform capability.

As a leading technology-focused financial services house, we are dedicated to devising various analysis and trading models in order to better advise our clients for their maximum risk-adjusted returns. During the year, we employed a number of renowned professors and scholars who are experts in areas such as mathematical science, computer science, statistics and finance. We aim at providing our premium clients across Hong Kong and Mainland China with the best investment and wealth management advice.

Further to the overwhelming response for our iPhone app, CASH RTQ, launched in the previous year, we further developed the iPad and Android versions which enabled our clients to stay ahead of the investment market anytime, anywhere. Our CASH SNS financial social networking portal continued to record growth in the number of participants during the year. The website was most welcome by university students who were eager to test and verify their investment knowledge and insights.

Securities Broking

Impacted by the significant drop in index level and trading volume, together with the severe competition in the commission rate, our commission earning in securities broking was ineluctably affected. Despite the pessimistic outlook toward the listing of new shares in the second half of the year, there noted steam in the margin financing business amid the volatile market. Till the end of the year, the gross interest income from margin financing reached HK$35.5 million, an increase of 5.6% over the previous year.

In addition, in anticipation of a loose monetary policy in the US and European economies, the commodities market fluctuated, providing a lot of trading opportunities to investors. This directly drove the double digit growth in our international commodities business during the year.

Looking forward, as the global economic conditions in the west and the east will continue to stagger in the environment of stagflation and the changing leadership of the government, our commodities brokerage and margin financing business are still in an advantageous position to grow and we will devote more resources to developing the businesses.

Wealth Management

While global investment environment remained volatile during the year under review, the business unit managed to achieve a 58% growth in business turnover as compared to the previous year. By leveraging our solid research capability, we received positive feedback on the model portfolios that suit our clients with different risk appetites.

During the year under review, the unit has streamlined the departmental structure and moved into a new office to enhance our operational efficiency and create a cohesive working environment with different business units.

In 2012, we will continue to devote resources to developing the PRC business with a view to significantly increase client base, new business volume and asset under management. In so doing, the unit will leverage on the existing platform and expand its presence in other major cities in the PRC.

Asset Management

With tightening liquidity in China, performance of stock markets in both China and Hong Kong lagged behind that of the global peers. The HSI and the H-share index fell 19.87% and 21.71% respectively in 2011. The Hong Kong stock market is trading at around 10 times prospective 2012 P/E and around 3% dividend yield. The current valuation is attractive and undemanding. We anticipate that many negative factors such as the slowdown of the economic growth in China and the uncertainty of the European debt issue have been reflected in the share prices. In 2011, the total amount of Asset Under Management (AUM) fell around 20%, which was in line with the performance of benchmark index in 2011.

China's inflation rate peaked in the fourth quarter of 2011. Looking forward, we expect the PRC government to relieve monetary tightening policy in the second quarter of 2012. With the help of improved liquidity and attractive valuation of the market, the performance of the Hong Kong stock market is expected to improve. We will continue to focus on the increase in our base income and earning incentive fees.

Investment Banking

Negative market sentiment impacted adversely on the IPO market. Though Hong Kong managed to maintain its No. 1 status in terms of IPO fund raising, the total fund raised through IPOs in Hong Kong dropped by more than 42% in 2011. Against this backdrop, we maintained our strategy to have a balanced focus on IPOs and other financial advisory and corporate transactions. During the year under review, we participated in a number of transactions, including IPOs, in the capacity of sponsor, placing agent, underwriter and financial adviser. We acted as the sponsor in the initial public offering of Grand Concord International Holdings Limited which was successfully listed on the Main Board of Hong Kong Stock Exchange in the fourth quarter of 2011. Despite the poor market sentiment, Grand Concord was well received with six times oversubscription and topped the ten most-surged stocks in 2011. The effective implementation of the strategy not only helped us in expanding our income and client base, but also in diversifying our business and income streams.

MANAGEMENT DISCUSSION AND ANALYSIS

In light of the continuous instability of the global market and the anticipated slowdown in the growth of China's economy, 2012 is expected to be a year full of challenges for the capital market participants. We have secured a number of mandates for IPO sponsorship and financial advisory services in 2012. It will continue to seek more opportunities relating to IPOs, fund raising, and financial advisory services for mergers and acquisition activities and corporate transactions.

China Development

China achieved a new milestone in 2011 by taking over Japan as the world's second largest economy. Industrialisation and urbanisation continued to accelerate at an unprecedented rate. The economic scale China reached has made the country the biggest market in many industries and the list continues to expand across emerging fronts including financial services where we will focus on in our future expansion.

In preparing for the eventual opening up of the PRC financial markets, we adopted a three-pronged development strategy: (1) build brand awareness, (2) gather database, and (3) establish network. During the year under review, we have been working intensively with our business partners in these areas. In recent years, we have built a strong research team to follow the macro trends and H-shares. Our research commentaries have been quoted frequently in well-known local financial press and radio broadcasts. These efforts have formed an integral part of our branding strategy.

During 2011, we set up new offices in Nanjing, Chengdu, and Qingdao. Together with the existing offices in Beijing, Chongqing, Shenzhen, Xi'an, Xiamen and the head office in Shanghai, we now have nine offices across the country. We will continue to expand our network by opening offices in strategic locations. Our goal is to continue to build our brand, database and network in preparation for the eventual opening up of the Mainland financial markets.

Outlook and Corporate Strategy

Looking forward, global risks are still increasing. The economic outlook for Hong Kong will continue to be affected by the global financial market turmoil and the persistent deterioration in external demand. Headline risks such as the European debt predicament, deficit reduction in the US and the resulting financial market volatility could further dampen the growth potential of the territories.

The unresolved European debt crisis and impact of the US credit rating downgrade continue to affect the international stock market and the global economy. Uncertainty in these markets is expected to intensify in 2012. Despite the gloomy economic forecast, we remain cautiously optimistic about the economic outlook in medium term. We see potential opportunities available to financial institutions in Hong Kong. While celebrating the 10th anniversary for China's entering WTO, Hong Kong's role as the designated offshore RMB settlement centre for China has been more important than ever along with the increase in RMB deposit in Hong Kong. We endeavour to provide comprehensive financial solutions from a global prospective to our clients. We will continue to establish strategic alliances with business partners in the PRC and adopt an active approach in order to explore more opportunities in the Mainland market.

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, Hong Kong needs to adapt to market changes.

The Hong Kong Stock Exchange has been taking a proactive role in platform development in order to commensurate with the increasing demand for more efficient and speedy executions. As a leading financial services provider in Hong Kong, CFSG is known for its initiative and prominence in information technology development. Looking ahead, we are committed to enhancing our IT infrastructure and trading platform 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.

The year 2011 has been a fruitful year for our investment banking business. Approaching the eventual opening up of the Mainland market, we expect to see a wave of small and medium enterprises seeking access to international markets. Going forward, we aim to position our investment banking business with specific focus 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 opportunity present in the market.

Retail Management Business — CRMG

In-store Communication Enhancement

During the year under review, we focused more on product communications and put extra effort in enhancing different in-store communication tools and display layout. For instance, we worked with local celebrities to develop a series of new wall graphics to highlight Pricerite's one-stop shopping experience and comprehensive product assortment. For the household shelf tops, we selected and displayed our featured products to demonstrate their unique blend in designs and functions, making our shopping environment more informative and customer friendly.

In order to enhance the space productivity and instigate the mix-and-match concepts for our customers, we have further improved our cross-selling display by placing more household products in the furniture room-setting. Our new improvement in in-store communications, together with our great value products, provided additional product knowledge and smart living tips to customers, as well as stimulated home improvement and decorative demand.

E-commerce and Multi-Media

In early 2011, we launched Pricerite official Facebook page. This online platform established another interactive channel for us to communicate with our customers more efficiently and in a timely manner. To further develop the e-business, the Pricerite e-shop was also revamped with newly added Macau delivery service. Subsequent to the introduction of iPad version electronic catalogue in revamped stores, we also applied QR code technology to provide further product information to customers during the year. We will continue this strategy to deploy advanced technology to improve customer service and shopping experience.

Product Development

In 2011, we fine-tuned our product range to better serve the changing needs of our customers. We expanded our sourcing network overseas to include Taiwan, Singapore, Japan and Thailand, etc. This strengthened our product width and depth and added more value-for-money home furnishing merchandises to customers. To enhance one-stop shopping for home furnishing items, some selected lighting series were introduced in the second half of 2011 and a more homely environment was created in our room-setting displays.

In terms of furniture, the Tailor Made Furniture (TMF) service was welcomed by most families as it facilitates different requirements from our wide range of customers. We hence expanded the TMF service by establishing TMF service counters in selected stores. A team of professional TMF specialists were formed, so as to optimise limited home spacing and provide one-to-one personalised services, including product design, material selection, on-site measurement, product management and subsequent follow-up services. TMF is proven to be a solution to help customers in home space maximisation.

MANAGEMENT DISCUSSION AND ANALYSIS

Commitment to quality

Among dozens of merchants in the category of Department Stores, Home Decorations Products & Personal Care Products, we received the Silver Award at the "2011 Outstanding Quality Tourism Services Merchant" from the Hong Kong Tourism Board (HKTB). Our continuous quality service and excellent management were being recognised once again in 2011 by a number of organisations and government segment. Pricerite received "Distinguished Salesperson Awards" (organised by HKMA) for the eighth straight times and attained remarkable results in "Service and Courtesy Awards" (organised by HKRMA). Other awards received this year included the 5-year Plus Caring Company logo, Bronze Award of Hong Kong Award of Environmental Excellence as well as "Distinguished Family Friendly Employers" from Family Council.

New Business in China

One of the our key strategies in 2011 was to establish another retail brand 生活經艷 and to secure our market presence in China. During the year, we opened three stores in Tianhe District and Yuexiu District of Guangzhou, strategically initiating our footing for business development in China. 生活經艷 is a modern home furnishing chain in China that offers a coordinated range of in-house design home furnishing products to serve the up-and-coming young, middle income families in urban cities. Our product design theme focuses on SQAP, which stands for "Style, Quality, Affordability and Practicality" and aims to enable our customers to better enjoy their home-life, by enhancing their living quality through the use of our SQAP products.

Prospects

Looking ahead, we will put extra effort in innovating our value chain to customers, including optimising our product mix, bringing new product enhancement as well as enhancing our shopping environment and services. In China, we will continue to expand our retail network in and beyond Guangzhou into other cities in the Guangdong province. With our strategic plan and professional management, we are prudently optimistic about the prospects in 2012.

Employee Information

EMPLOYEE INFORMATION

As at 31 December 2011, the Group had 1,168 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 year under review was approximately HK$328.6 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 52, 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. He graduated from The Murdoch University of Perth, Australia with a Master Degree in Business Administration, and from The Chinese University of Hong Kong with a Bachelor Degree in Business Administration. Mr Kwan is a fellow of the Institute of Financial Accountants of the United Kingdom and a member of the Hong Kong Securities Institute. Mr Kwan is also a Certified Professional Marketer (Hong Kong) of Hong Kong Institute of Marketing and a member of 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 Graduate School of Business, The Hong Kong Polytechnic University; 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 to requite the community. He is a member of the Chinese People's Political Consultative Conference, Shanghai Committee, and an advisor of the Executive Committee of Virtual Community Management of Shanghai Municipal of Bureau of Public Security. Mr Kwan is a member of the Election Committee for the Fourth Term of the Chief Executive Election of the HKSAR. Mr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR. After being the chairman of the Hong Kong Retail Management Association ("Association") for two consecutive terms, Mr Kwan continues to serve the Association as their honorary advisor. Currently, he is also a member of The Employees Retraining Board, Retail Industry Consultative Networks; and an honorary advisor of the CEPA Business Opportunities Development Alliance. Mr Kwan is a member of the Corporate Advisory Council of Hong Kong Securities Institute, the SME Development Fund Vetting Committee of the Trade and Industry Department, the Consumer Council and the Consultation Panel of the West Kowloon Cultural District Authority. In December 2009, Mr Kwan was named "Entrepreneur of the Year 2009" in the Asia Pacific Entrepreneurship Awards 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 Net2Gather. He is a member of the Remuneration Committee, as well as a member of the remuneration committee of Net2Gather.

Benson Chi-ming CHAN

CEO, MBA, BA, FCCA, CPA, MHKSI, aged 45, 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 53, 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 Net2Gather.

Ben Man-pan CHENG

ED, BA, FCCA, CPA, aged 42, joined the Board on 7 June 2004. He is the managing director of China business development, and is responsible for the overall business development of the Group in China. 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 39, 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 56, 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 and a member of Young Industrialists Council Ltd. 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 53, 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 62, 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Derek Hin-sing NG

Chief Executive Officer, Pricerite, aged 43, 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 49, 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.

Daphne Wai-suen NG

Managing Director and Head of Investment Banking Group, aged 41, 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, Wealth Management, aged 44, 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.

Wing-kai WONG

Managing Director, Alternative Investment, aged 44, 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), CASH Dynamic Opportunities Investment Limited, aged 45, 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 as an Adjunct Professor in the Department of Information Systems, Business Statistics and Operations Management at The Hong Kong University of Science and Technology. He is responsible for the research and investment activities of the Group.

Bob Yau-ching CHAN

Chief Economist, aged 49, 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 extensive experience in corporate development, financial management, strategic analysis and portfolio management. He is responsible for providing global macroeconomic viewpoints to clients of the Group.

Patrick Ho-yin YIU

Managing Director, Asset Management, aged 38, 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.

Horace Pak-leung KWAN

Director, Premium Brokerage, aged 48, 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 is in charge of managing the Group's brokerage business with premium services to clients and account executives. 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).

Dennis Yat-keung CHAN

Director, Mobile Trading, aged 41, 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 Operations, aged 39, 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 overall functions of dealing, settlement and customer services of the Group and operation support to the brokerage services. She is the spouse of Mr Kwan Pak Leung Horace (a senior management of the Group).

Connie Wai-yin SHUM

Head of Compliance and Control, aged 37, 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 risk management, credit control and operations. She is in charge of both the compliance and risk management and credit control functions of the Group.

Hon-wo SHUM

Legal Counsel, aged 39, 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 48, 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

Qualified Accountant, aged 45, 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 43, 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 Net2Gather.

Corporate Governance Report

This CG Report presents the corporate governance matters during the year ended 31 December 2011 required to be disclosed under the Listing Rules.

ADOPTION OF THE PRINCIPLES IN THE CG CODE

The Board has adopted the Principles which align with the requirements set out in the CG Code. During the year under review, the Company had duly complied with the Principles and the CG Code and the Board is not aware of any deviations from the Principles.

Directors' Securities Transactions

The Company has also adopted the Model Code. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code during the year under review.

BOARD OF DIRECTORS

The Board, led by the Chairman, is responsible for formulating the strategies and policies of the business development of the Group, while the management is delegated with the powers and authorities for overseeing the day-to-day operations of the Group under the leadership of the Board.

The roles of the Chairman and CEO are segregated and are not exercised by the same individual. The major role of the Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group, while the CEO is responsible for managing the business of the Group and attending to the formulation and successful implementation of the Group's policies.

During the year under review, the Board had held the following number of physical meetings of the Directors:

- 6 meetings of the full Board
- 12 meetings of the EDs

Out of the 6 full Board meetings, 3 of them were held to discuss and approve the annual/interim financial performance/results and/or review the quarterly business operation of the Group, while 3 meetings to consider and resolve the corporate transactions and issues of the Company which arose during the year under review. The ED meetings were held to report, discuss and/or resolve for the ordinary business and operation matters.

During the year under review, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

Director	Board capacity	Appointment and resignation during the year under review	Attendance: Full Board meetings	Attendance: ED meetings
Mr Kwan Pak Hoo Bankee	ED & Chairman		5/6	12/12
Mr Chan Chi Ming Benson	ED & CEO		6/6	12/12
Mr Law Ping Wah Bernard	ED & CFO		6/6	11/12
Mr Cheng Man Pan Ben	ED		5/6	12/12
Ms Cheng Pui Lai Majone	ED & COO	was appointed as ED on 1 June 2011	4/4	8/8
Mr Yuen Pak Lau Raymond	ED & Deputy CFO	resigned as ED on 1 June 2011	2/2	4/4
Mr Cheng Shu Shing Raymond	INED		5/6	N/A
Mr Lo Kwok Hung John	INED		5/6	N/A
Mr Lo Ming Chi Charles	INED		6/6	N/A

During the year under review, none of the Directors above had or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

The terms of the appointments of the EDs and the INEDs were governed by the respective employment or service contracts while the appointments of the directorship were subject to, as to EDs, retirement, rotation and re-election at least once every 3 financial years and, as to INEDs, retirement and re-election every year, all at annual general meetings of the Company.

REMUNERATION COMMITTEE

Throughout the year under review, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

- recommendation to the Board on the remuneration policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- determination of the specific remuneration packages of all EDs and senior management based on delegated responsibility, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and recommendations to the Board of the remuneration of NEDs;

- review and approve of performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

- review and approve of the compensation payable to EDs and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

- review and approve of compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

- ensure that no Director or any of his associates is involved in deciding his own remuneration.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and each version was endorsed and adopted by the Remuneration Committee, and has been posted onto the corporate website of the Company.

During the year under review, the Remuneration Committee had held 1 physical meeting for the purpose of considering the remuneration of the Directors.

The composition of the Remuneration Committee, and the respective attendances of the committee members are presented as follows:

Member	Board capacity	Attendance
Mr Cheng Shu Shing Raymond	INED	1/1
Mr Lo Ming Chi Charles	INED	1/1
Mr Kwan Pak Hoo Bankee	Chairman of the Board	1/1

The chairman of the Remuneration Committee since its establishment has been Mr Cheng Shu Shing Raymond.

The summary of the work performed by the Remuneration Committee for the year under review included:

- endorsement to the remuneration policy and structure for the Directors and senior management;

- review and approval of the specific remuneration package of each Director and senior management including benefits in kind, pension rights and compensation payments.

REMUNERATION POLICY FOR 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.

Directors' Remuneration

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.

NOMINATION OF DIRECTORS

The Board shall be composed of members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence.

The Company had adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors.

Under the nomination policy, the board of EDs has been delegated the full power to the administration of the nomination policy and the appointment and the termination of Directors, where the full Board remains to have the full and overriding power and absolute right thereover.

During the year under review, 1 meeting was held by the EDs in resolving for the appointment and resignation of Directors. The attendances of the EDs were as follows:

Director	Attendance
Mr Kwan Pak Hoo Bankee	1/1
Mr Chan Chi Ming Benson	1/1
Mr Law Ping Wah Bernard	1/1
Mr Cheng Man Pan Ben	1/1
Ms Cheng Pui Lai Majone (was appointed on 1 June 2011)	0/0
Mr Yuen Pak Lau Raymond (resigned on 1 June 2011)	0/0

AUDIT COMMITTEE

Throughout the year under review, the Company had maintained an Audit Committee. The major role and function of the Audit Committee includes:

- monitoring the integrity of the financial statements, annual report and half-yearly report of the Group;
- providing independent review and supervision of the effectiveness of the financial controls, internal control and risk management systems of the Group;
- reviewing the adequacy of the external audits;
- reviewing the compliance issues with the Listing Rules and other compliance requirements in relation to financial reporting;
- providing independent views on connected transactions and transactions involving materially conflicted interest; and
- considering and reviewing the appointment, reappointment and removal of the auditor, the audit fee and terms of engagement of the auditor.

Terms of reference of the Audit Committee had been compiled since the establishment of the Audit Committee and each version was endorsed and adopted by the Audit Committee, and has been posted onto the corporate website of the Company.

During the year under review, the Audit Committee had held 3 physical meetings for discussing and/or approving the periodic financial results and/or reviewing the quarterly business operation of the Group.

The composition of the Audit Committee, and the respective attendances of the committee members are presented as follows:

Member	Board capacity	Attendance
Mr Cheng Shu Shing Raymond	INED	2/3
Mr Lo Kwok Hung John	INED	2/3
Mr Lo Ming Chi Charles	INED	3/3

The chairman of the Audit Committee had been Mr Cheng Shu Shing Raymond during the year under review.

The report of the work performed by the Audit Committee for the year under review is set out in the section headed "Audit Committee Report" of this annual report.

Corporate Governance Report

AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the year under review is presented as follows:

	Fee amount
	HK$
Audit service (for 2011 annual accounts of the Group)	1,880,000
Non-audit services	478,000
Total	2,358,000

The audit services include the audit for the annual accounts of the Group for the year ended 31 December 2011, reviewing the continuing connected transactions of the Group required under the Listing Rules and the audit for the real time quotation usage of the Stock Exchange. The non-audit services include the reporting accountant and internal control services required under the Main Board Listing Rules for the corporate transactions of the Group which took place during the year under review.

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the accounts of the Group. In preparing the accounts for the year under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable.

REVIEW OF INTERNAL CONTROL

During the year under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management, and also over the adequacy of resources, qualifications and experience of employees who are responsible for the accounting and financial reporting functions of the Group, and their training programmes and budget. These reviews showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also initiated necessary improvement and reinforcement to the internal control system during the year under review.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 16 March 2012

Audit Committee Report

The Audit Committee was established on 30 October 2000. Its composition shall be a minimum of 3 members of NEDs with a majority being INEDs. For the year under review, the Audit Committee comprised all the INEDs of the Company at all times.

For the year under review, the Audit Committee had performed the following duties:

- reviewed and commented on the financial reports for the six months ended 30 June 2011 and for the year ended 31 December 2011, and reviewed and commented on the business operation and development of the Group for the quarters ended 31 March 2011 and 30 September 2011;
- endorsed the policy on the engagement of external auditor for non-audit services;
- met with the auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the auditor;
- considered and approved the remuneration and the terms of engagement of the auditor for both audit service and non-audit services for the year under review;
- reviewed the Company's financial controls, internal control and risk management systems;
- reviewed the Company's statement on internal control systems including adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and
- reviewed the "Continuing Connected Transactions" set forth on pages 33 to 35 of this annual report.

Audit Committee Members:
CHENG Shu Shing Raymond *(committee chairman)*
LO Kwok Hung John
LO Ming Chi Charles

Hong Kong, 16 March 2012

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 2011.

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, options, futures, and leveraged foreign exchange contracts 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 2011 are set out in the consolidated statement of comprehensive income on page 47 of this annual report.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2011 (2010: HK 0.4 cent per share based on 3,538,250,535 shares).

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 2011 is set out on page 118 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 45 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 2011, the reserves of the Company available for distribution to shareholders were approximately HK$67,420,000, comprising contributed surplus of HK$59,080,000 and retained earnings of HK$8,340,000. And the Company's share premium available for distribution in the form of fully paid bonus shares was HK$461,665,000.

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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(1) Connected transactions — acting as placing agent for Net2Gather

(a) As disclosed in the Company's announcement dated 1 April 2011, Celestial Securities (a wholly-owned subsidiary of the Company) entered into a placing and top-up agreement with Net2Gather (a substantial Shareholder and hence a connected person of the Company) on 1 April 2011. Pursuant to the placing and top-up agreement, Celestial Securities was appointed as the placing agent, on a best-effort basis, to procure the placing of 100,000,000 existing shares held by Cash Guardian in Net2Gather to placees at the placing price of HK$0.50 per share where Celestial Securities will receive placing commission of approximately HK$1,500,000, being 3% on the aggregate placing amount to be received for the placing shares. The top-up placing was subsequently completed in April 2011.

(b) As disclosed in the Company's announcement dated 7 June 2011, Celestial Securities (a wholly-owned subsidiary of the Company) entered into a placing and top-up agreement with Net2Gather (a substantial Shareholder and hence a connected person of the Company) on 3 June 2011. Pursuant to the placing and top-up agreement, Celestial Securities was appointed as the placing agent, on a best-effort basis, to procure the placing of a total of 208,000,000 existing shares held by Cash Guardian and Mr Law Ping Wah Bernard (an Director and hence a connected person of the Company) in Net2Gather to placees at the placing price of HK$0.51 per share where Celestial Securities will receive placing commission of approximately HK$3,182,400, being 3% on the aggregate placing amount to be received for the placing shares. The top-up placing was subsequently completed in June 2011.

(2) Continuing connected transactions

(a) Margin Financing Arrangement

As disclosed in the Company's announcement dated 25 November 2009, the Company proposed the Margin Financing Arrangement with each of the Connected Clients. Under the 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 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 Connected Clients.

The 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 Margin Financing Arrangement constituted continuing connected transactions relating to financial assistance for the Company under the Listing Rules. The Margin Financing Arrangement was approved by the independent Shareholders at a special general meeting held on 31 December 2009. Details of the Margin Financing Arrangement were disclosed in the Company's circular dated 15 December 2009.

Details of the maximum amounts of the margin financing facilities granted to the 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 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 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 Margin Financing Arrangement and the report of the auditor and confirmed that the 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 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 2011 as set out in the circular of the Company dated 15 December 2009.

(b) Transactions between Net2Gather Group and the CRMG Group

Pursuant to the resolutions passed by the independent Shareholders at a special general meeting held on 11 June 2009, the following three agreements all dated 19 December 2008 entered into among the Company, Net2Gather and CRM(HK) relating to certain intra-group activities among the Group, Net2Gather Group and CRM (HK) were approved, namely (i) provision of financial guarantee (as might be necessary as per request of various banks) by each of the Company and/or Net2Gather at an annual cap of not exceeding HK$200 million, for assisting the CRMG Group to obtain banking facilities from various banks for each of the three financial years ending 31 December 2011; (ii) sub-leasing arrangement by which Net2Gather will 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 at an annual cap of rental (including rent and management fees) of not exceeding HK$5 million in total, for each of the three financial years ending 31 December 2011; and (iii) provision of services, including sales and marketing, advertising, promotional, etc, by the CRMG Group at an annual cap of services fees of not exceeding HK$2 million in total, to each of the Group and Net2Gather Group (not including the Group) for each of the three financial years ending 31 December 2011. Details of the intra-group transactions were disclosed in the Company's announcements dated 19 December 2008 and 21 May 2009, and the circular dated 26 May 2009.

On 12 October 2009, the Company completed the acquisition of the remaining 40% of equity interest in the CRMG Group. Since then, the CRMG Group became a wholly-owned subsidiary of the Company and ceased to be a connected person of the Company under the Listing Rules. Accordingly, the provision of financial guarantee by the Company to the CRMG Group under (i) above and the provision of services by the CRMG Group to the Group under (iii) above after 12 October 2009 would not constitute continuing connected transactions of the Company under the Listing Rules.

However, the transactions contemplated under the aforesaid agreements (i) to (iii) above between Net2Gather Group (the substantial Shareholder) and the CRMG Group remain continuing connected transactions of the Company under the Listing Rules. During the financial year ended 31 December 2011, (a) the amount of financial guarantee provided by Net2Gather to the CRMG Group under (i) above did not exceed the annual cap of HK$200 million, and the balance of the financial guarantee as at the year-end was nil; (b) the actual amount involved in the sub-leasing arrangement under (ii) above did not exceed the annual cap of HK$5 million, and is set out in note 42 to the consolidated financial statements; (c) there was no provision of service by the CRMG Group to Net2Gather Group under (iii) above.

The agreements relating to the above continuing connected transactions (i) to (iii) above have all be expired on 31 December 2011. On 14 December 2011, Net2Gather and CRM(HK) entered into a renewal agreement to renew the sub-leasing arrangement contemplated under (ii) above. Pursuant to the renewal agreement, Net2Gather 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 same 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.

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 transactions between Net2Gather Group and the CRMG Group under (i) to (iii) above 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 transactions between Net2Gather Group and the CRMG Group under (i) to (iii) above and the report of the auditor and confirmed that the such transactions have 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 have also confirmed that the transactions between Net2Gather Group and the CRMG Group under (i) to (iii) above (a) have received the approval of the Board; (b) have been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties; (c) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and (d) have not exceeded the relevant cap amount for the financial year ended 31 December 2011 as set out in the circular of the Company dated 26 May 2009.

RELATED PARTIES TRANSACTIONS

Save as the connected transaction and 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' Report

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 (was appointed on 1 June 2011)
Yuen Pak Lau Raymond (resigned on 1 June 2011)

Independent Non-executive Directors:

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

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company:

(i) Mr Kwan Pak Hoo Bankee and Mr Cheng Man Pan Ben, being EDs, shall retire at least once in every 3 years at the annual general meeting of the Company in accordance with the Company's bye-laws and corporate governance code;

(ii) Ms Cheng Pui Lai Majone, being newly appointed ED, shall retire at the annual general meeting of the Company in accordance with the bye-laws of the Company; and

(iii) Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the annual general meeting of the Company in each year in accordance with the Company's corporate governance code and their terms of office of directorship.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting 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 Margin Financing Arrangement as disclosed under the heading of "Connected transactions and 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' Report

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2011, 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*	44.02
Chan Chi Ming Benson	Beneficial owner	55,000,000	—	1.40
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	46.92

* The Shares were held as to 1,657,801,069 Shares by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by Net2Gather), 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 Net2Gather, 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 its interests in Net2Gather 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 under two share charges dated 14 July 2011 in favour of Wah Sun Finance Limited (which was owned (1) as to 50% by Hyper Chain Limited (which was 100% controlled by Estate of Kung, Nina (see below definition)); and (2) as to 50% by Joseph Lo Kin Ching and Lai Kar Yan also known as Derek Lai Kar Yan solely as Joint and Several Administrators pendente lite of the Estate of Kung, Nina ("Estate of Kung, Nina")). According to the SFO, the Estate of Kung, Nina was deemed to be interested in such 1,707,220,589 Shares, representing 43.56% of issued Shares.

(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$) (Note (7))	Number of options: outstanding as at 1 January 2011	exercised during the year (Note (4))	granted during the year (Notes (5) & (6))	adjusted on 17 May 2011 (Note (7))	reallocated upon change of directorate (Note (8))	lapsed during the year (Note (9))	outstanding as at 31 December 2011	Percentage to issued Shares as at 31 December 2011 (%)
Kwan Pak Hoo Bankee	15/6/2009	15/6/2009 – 30/6/2013	(1)&(2)(A)(i)	0.1468	25,000,000	(25,000,000)	—	—	—	—	—	—
	15/10/2010	15/10/2010 – 31/10/2012	(1),(2)(B)(ii)&(3)(i)	0.2764	20,000,000	—	—	2,000,000	—	—	22,000,000	0.56
	23/3/2011	23/3/2011 – 22/3/2013	(1)&(3)(ii)	0.4173	—	—	70,000,000	7,000,000	—	(77,000,000)	—	—
Chan Chi Ming Benson	15/6/2009	15/6/2009 – 30/6/2013	(2)(A)(i)	0.1335	15,000,000	—	—	1,500,000	—	—	16,500,000	0.42
	15/10/2010	15/10/2010 – 31/10/2012	(2)(B)(ii)&(3)(i)	0.2764	30,000,000	—	—	3,000,000	—	—	33,000,000	0.84
Law Ping Wah Bernard	15/6/2009	15/6/2009 – 30/6/2013	(2)(A)(i)	0.1468	25,000,000	(25,000,000)	—	—	—	—	—	—
	15/10/2010	15/10/2010 – 31/10/2012	(2)(B)(ii)&(3)(i)	0.2764	30,000,000	—	—	3,000,000	—	—	33,000,000	0.84
Cheng Man Pan Ben	15/6/2009	15/6/2009 – 30/6/2013	(2)(A)(i)	0.1335	15,000,000	—	—	1,500,000	—	—	16,500,000	0.42
	15/10/2010	15/10/2010 – 31/10/2012	(2)(B)(ii)&(3)(i)	0.2764	10,000,000	—	—	1,000,000	—	—	11,000,000	0.28
	15/3/2011	15/3/2011 – 31/12/2013	(3)(ii)	0.4427	—	—	10,000,000	1,000,000	—	(11,000,000)	—	—
Cheng Pui Lai Majone	15/10/2010	15/10/2010 – 31/10/2013	(2)(B)(iii)	0.2764	N/A	N/A	N/A	N/A	5,500,000	—	5,500,000	0.14
	15/3/2011	15/3/2011 – 31/12/2013	(3)(ii)	0.4427	N/A	N/A	N/A	N/A	16,500,000	(16,500,000)	—	—
Yuen Pak Lau Raymond	15/6/2009	15/6/2009 – 30/6/2013	(2)(A)(i)	0.1335	15,000,000	—	—	1,500,000	(16,500,000)	N/A	N/A	N/A
	15/10/2010	15/10/2010 – 31/10/2012	(2)(B)(ii)	0.2764	10,000,000	—	—	1,000,000	(11,000,000)	N/A	N/A	N/A
Cheng Shu Shing Raymond	15/10/2010	15/10/2010 – 31/10/2012	(2)(B)(i)	0.2764	2,500,000	—	—	250,000	—	—	2,750,000	0.07
Lo Kwok Hung John	15/10/2010	15/10/2010 – 31/10/2012	(2)(B)(i)	0.2764	2,500,000	—	—	250,000	—	—	2,750,000	0.07
Lo Ming Chi Charles	15/10/2010	15/10/2010 – 31/10/2012	(2)(B)(i)	0.2764	5,000,000	—	—	500,000	—	—	5,500,000	0.14
					205,000,000	(50,000,000)	80,000,000	23,500,000	(5,500,000)	(104,500,000)	148,500,000	3.78

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) individual performance and/or corporate performance to be achieved on or before 31 August 2011.

(4) The options were exercised at the exercise price of HK$0.1468 each by the Directors on 15 March 2011. The weighted average closing price of the share immediately before the date of exercise was HK$0.5000 per share.

(5) The closing prices of the Share immediately before the date of grant of options on 15 March 2011 and 23 March 2011 were HK$0.5000 and HK$0.4500 respectively.

(6) The value of the options granted during the year ended 31 December 2011 was zero as the performance targets set for the options had not been achieved by the end of the year under review.

(7) The number and the exercise price of share options which remained outstanding on 17 May 2011 have been adjusted due to the bonus issue of the Company on the basis of 1 Share for every 10 Shares held on the record date with effect from 17 May 2011. The exercise prices of share options were adjusted as follows:

Date of grant	**Exercise price (before adjustment)** HK$	**Exercise price (after adjustment)** HK$
15 June 2009	0.1468	0.1335
15 October 2010	0.3040	0.2764
15 March 2011	0.4870	0.4427
23 March 2011	0.4590	0.4173

(8) Ms Cheng Pui Lai Majone was appointed as an executive director of the Company and Mr Yuen Pak Lau Raymond resigned as an executive director of the Company both on 1 June 2011.

(9) The lapsed options were due to unaccomplishment of performance targets set for the options.

(10) 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 2011** (%)
Kwan Pak Hoo Bankee	1,725,160,589	22,000,000	1,747,160,589	44.58
Chan Chi Ming Benson	55,000,000	49,500,000	104,500,000	2.66
Law Ping Wah Bernard	27,506,160	33,000,000	60,506,160	1.54
Cheng Man Pan Ben	29,337,000	27,500,000	56,837,000	1.45
Cheng Pui Lai Majone	—	5,500,000	5,500,000	0.14
Cheng Shu Shing Raymond	—	2,750,000	2,750,000	0.07
Lo Kwok Hung John	2,095,500	2,750,000	4,845,500	0.12
Lo Ming Chi Charles	—	5,500,000	5,500,000	0.14
	1,839,099,249	148,500,000	1,987,599,249	50.70

Save as disclosed above, as at 31 December 2011, 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 special general meeting 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 2011.

					Number of options						
Name of scheme	**Date of grant**	**Option period**	**Exercise price per share** (Note (7)) HK$	**Notes**	**outstanding as at 1 January 2011**	**exercised during the year** (Note (4))	**granted during the year** (Notes (5) & (6))	**adjusted on 17 May 2011** (Note (7))	**reallocated upon change of directorate** (Note (8))	**lapsed during the year** (Note (9))	**outstanding as at 31 December 2011**
Directors											
Share Option Scheme	15/6/2009	15/6/2009 – 30/6/2013	0.1335	(1)&(2)(A)(i)	95,000,000	(50,000,000)	—	4,500,000	(16,500,000)	—	33,000,000
	15/10/2010	15/10/2010 – 31/10/2012	0.2764	(1),(2)(C)(ii)&(3)(ii)	100,000,000	—	—	10,000,000	(11,000,000)	—	99,000,000
		15/10/2010 – 31/10/2012	0.2764	(1)&(2)(C)(i)	10,000,000	—	—	1,000,000	—	—	11,000,000
		15/10/2010 – 31/10/2013	0.2764	(1)&(2)(C)(iii)	—	—	—	—	5,500,000	—	5,500,000
	15/3/2011	15/3/2011 – 31/12/2013	0.4427	(1)&(3)(iv)	—	—	10,000,000	1,000,000	16,500,000	(27,500,000)	—
	23/3/2011	23/3/2011 – 22/03/2013	0.4173	(1)&(3)(iv)	—	—	70,000,000	7,000,000	—	(77,000,000)	—
					205,000,000	(50,000,000)	80,000,000	23,500,000	(5,500,000)	(104,500,000)	148,500,000
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)	39,000,000	—	—	3,900,000	—	—	42,900,000
	22/6/2009	22/6/2009 – 30/6/2013	0.1309	(3)(i)	75,000,000	—	—	7,500,000	—	—	82,500,000
	3/6/2010	3/6/2010 – 31/5/2012	0.1145	(2)(B)(i)	62,500,000	—	—	6,250,000	—	—	68,750,000
	15/10/2010	15/10/2010 – 31/10/2012	0.2764	(2)(C)(ii)&(3)(ii)	25,000,000	—	—	2,500,000	11,000,000	—	38,500,000
		15/10/2010 – 31/10/2012	0.2764	(3)(i)&(iii)	90,000,000	—	—	9,000,000	—	—	99,000,000
		15/10/2010 – 31/10/2013	0.2764	(2)(C)(iii)	12,500,000	—	—	1,250,000	(5,500,000)	—	8,250,000
		15/10/2010 – 31/10/2013	0.2764	(2)(C)(iv)&(3)(ii)	5,000,000	—	—	500,000	—	—	5,500,000
	22/11/2010	22/11/2010 – 31/10/2012	0.4636	(3)(i)&(iii)	60,000,000	—	—	6,000,000	—	—	66,000,000
	1/2/2011	1/2/2011 – 31/12/2013	0.4318	(3)(i)&(iii)	—	—	100,000,000	10,000,000	—	(33,000,000)	77,000,000
		1/2/2011 – 31/12/2013	0.4318	(3)(iv)	—	—	30,000,000	3,000,000	—	(33,000,000)	—
		1/2/2011 – 31/12/2014	0.4318	(2)(D)(i)&(3)(iv)	—	—	48,000,000	4,800,000	—	(52,800,000)	—
	15/3/2011	15/3/2011 – 31/12/2013	0.4427	(3)(iv)	—	—	15,000,000	1,500,000	(16,500,000)	—	—
					369,000,000	—	193,000,000	56,200,000	5,500,000	(118,800,000)	504,900,000
					574,000,000	(50,000,000)	273,000,000	79,700,000	—	(223,300,000)	653,400,000

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.

(D) Options granted on 1 February 2011

(i) 4 tranches as to (a) 25% exercisable from 1 February 2011 up to 31 December 2014; (b) 25% exercisable from 1 February 2012 up to 31 December 2014; (c) 25% exercisable from 1 February 2013 up to 31 December 2014; and (d) 25% exercisable from 1 February 2014 up to 31 December 2014.

(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) individual performance and/or corporate performance to be achieved on or before 31 August 2011.

(4) The options were exercised at an exercise price of HK$0.1468 each by the Directors on 15 March 2011. The weighted average closing price of the shares immediately before the date of exercise was HK$0.5000 per share.

(5) The closing price of the Share immediately before the date of grant of options are:

Date of grant	**Closing price of the Share immediately before the date of grant** HK$
1 February 2011	0.4400
15 March 2011	0.5000
23 March 2011	0.4500

(6) The value of the options granted during the year ended 31 December 2011 was zero as the performance targets set for the options had not been achieved by the end of the year under review.

(7) The number and the exercise price of share options which remained outstanding on 17 May 2011 have been adjusted due to the bonus issue of the Company on the basis of 1 share for every 10 shares held on the record date with effect from 17 May 2011. The exercise prices of share options were adjusted as follows:

Date of grant	Exercise price (before adjustment) HK$	Exercise price (after adjustment) HK$
15 June 2009	0.1468	0.1335
22 June 2009	0.1440	0.1309
3 June 2010	0.1260	0.1145
15 October 2010	0.3040	0.2764
22 November 2010	0.5100	0.4636
1 February 2011	0.4750	0.4318
15 March 2011	0.4870	0.4427
23 March 2011	0.4590	0.4173

(8) Ms Cheng Pui Lai Majone was appointed as an executive director of the Company and Mr Yuen Pak Lau Raymond resigned as an executive director of the Company both on 1 June 2011.

(9) The lapsed options were due to unaccomplishment of performance targets set for the options.

(10) No option was cancelled during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, 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))	Interest in a controlled corporation	1,725,160,589	44.02
Cash Guardian (Notes (1) & (2))	Interest in a controlled corporation	1,725,160,589	44.02
Net2Gather (Notes (1) & (2))	Interest in a controlled corporation	1,657,801,069	42.30
Praise Joy Limited (Notes (1) & (2))	Interest in a controlled corporation	1,657,801,069	42.30
CIGL (Notes (1) & (2))	Beneficial owner	1,657,801,069	42.30
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (3))	Interest in a controlled corporation	315,131,640	8.04
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (3))	Beneficial owner	315,131,640	8.04

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 Net2Gather) and as to 67,359,520 Shares by Cash Guardian. Net2Gather was owned as to a total of approximately 32.00% by Mr Kwan, 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 Net2Gather 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) Out of the 1,725,160,589 Shares in aggregate, a total of 1,707,220,589 Shares were under two share charges dated 14 July 2011 in favour of Wah Sun Finance Limited (which was owned (1) as to 50% by Hyper Chain Limited (which was 100% controlled by Estate of Kung, Nina (see below definition)); and (2) as to 50% by Joseph Lo Kin Ching and Lai Kar Yan also known as Derek Lai Kar Yan solely as Joint and Several Administrators pendente lite of the Estate of Kung, Nina ("Estate of Kung, Nina")). According to the SFO, the Estate of Kung, Nina was deemed to be interested in such 1,707,220,589 Shares, representing 43.56% of issued Shares.

(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 2011, 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2011, the Company purchased a total of 28,014,000 Shares of HK$0.02 each in its own issued share capital on the Stock Exchange and such Shares were then subsequently cancelled. The Directors believe that such purchases would help enhancing the assets and earnings 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$
July 2011	13,086,000	0.194	0.173	2,362,000
September 2011	14,928,000	0.120	0.105	1,699,000
Total	28,014,000			4,061,000

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

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.

Directors' Report

DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$250,000.

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 2 November 2009, the auditor of the Company was changed from Messrs. Deloitte Touche Tohmatsu to Grant Thornton. 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 annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 16 March 2012

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 ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 116, which comprise the consolidated statement of financial position as at 31 December 2011, 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 2011 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
16 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Revenue	5	**1,334,440**	1,294,203
Other income	7	**5,833**	16,675
Other gains and losses	8	**178,281**	74,373
Cost of sales for retailing business	9	**(638,297)**	(591,049)
Salaries, commission and related benefits	10	**(393,554)**	(297,976)
Depreciation		**(53,152)**	(47,678)
Finance costs	11	**(12,248)**	(16,747)
Other operating and administrative expenses		**(447,062)**	(363,095)
Change in fair value of investment properties	20	**(7,395)**	—
Share of profits of associates	26	**8,884**	4,414
(Loss) profit before taxation		**(24,270)**	73,120
Income tax expense	15	**(7,694)**	(8,185)
(Loss) profit for the year	17	**(31,964)**	64,935
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**7,822**	3,094
Gain on revaluation of leasehold land and building		**22,582**	3,815
Income tax relating to the gain on revaluation of leasehold land and building		**(3,631)**	(630)
Other comprehensive income for the year (net of tax)		**26,773**	6,279
Total comprehensive (expense) income for the year		**(5,191)**	71,214
(Loss) profit for the year attributable to:			
Owners of the Company		**(41,090)**	63,390
Non-controlling interests		**9,126**	1,545
		(31,964)	64,935
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(16,241)**	68,653
Non-controlling interests		**11,050**	2,561
		(5,191)	71,214
(Loss) earnings per share for (loss) profit attributable to the owners of the Company during the year	18		
— Basic (HK cents)		**(1.05)**	1.82
— Diluted (HK cents)		**(1.05)**	1.80

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property and equipment	19	**114,306**	188,909
Investment properties	20	**85,952**	89,967
Goodwill	21	**2,661**	2,661
Intangible assets	22	**321,059**	321,059
Other assets	24	**7,477**	14,851
Rental and utility deposits		**33,964**	24,959
Interests in associates	26	**138,894**	124,512
Loan to an associate	26	**10,296**	10,296
Deferred tax assets	16	**4,700**	4,100
		719,309	781,314
Current assets			
Inventories	27	**59,423**	48,948
Accounts receivable	29	**814,286**	707,076
Loans receivable	25	**44,492**	13,017
Prepayments, deposits and other receivables	35	**33,692**	43,651
Amounts due from related companies	28	**—**	334
Tax recoverable		**2,894**	—
Investments held for trading	30	**26,961**	42,435
Bank deposits subject to conditions	31	**80,040**	68,252
Bank balances — trust and segregated accounts	28	**694,525**	697,060
Bank balances (general accounts) and cash	28	**414,079**	336,844
		2,170,392	1,957,617
Current liabilities			
Accounts payable	32	**1,386,140**	1,172,594
Accrued liabilities and other payables	39	**145,490**	83,448
Taxation payable		**5,852**	9,378
Obligations under finance leases — amount due within one year	33	**289**	382
Bank borrowings — amount due within one year	34	**274,757**	402,491
Loan from a non-controlling shareholder	28	**27,437**	27,437
		1,839,965	1,695,730
Net current assets		**330,427**	261,887
Total assets less current liabilities		**1,049,736**	1,043,201

Consolidated Statement of Financial Position (continued)

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Deferred tax liabilities	16	**55,539**	63,686
Obligations under finance leases — amount due after one year	33	**263**	552
Bank borrowings — amount due after one year	34	**32,840**	34,220
		88,642	98,458
Net assets		**961,094**	944,743
Capital and reserves			
Share capital	36	**78,382**	70,765
Reserves		**849,349**	853,665
Equity attributable to owners of the Company		**927,731**	924,430
Non-controlling interests		**33,363**	20,313
Total equity		**961,094**	944,743

The consolidated financial statements on pages 47 to 116 were approved and authorised for issue by the Board of Directors on 16 March 2012 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 2011

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Share-based payment reserve HK$'000	Revaluation reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	61,711	381,045	276,788	7,072	22,254	5,343	20,705	774,918	17,752	792,670
Profit for the year	—	—	—	—	—	—	63,390	63,390	1,545	64,935
Exchange differences arising on translation of foreign operations	—	—	—	—	—	2,078	—	2,078	1,016	3,094
Gain on revaluation of leasehold land and building	—	—	—	—	3,815	—	—	3,815	—	3,815
Income tax relating to the gain on revaluation of leasehold land and building	—	—	—	—	(630)	—	—	(630)	—	(630)
Other comprehensive income for the year (net of tax)	—	—	—	—	3,185	2,078	—	5,263	1,016	6,279
Total comprehensive income for the year	—	—	—	—	3,185	2,078	63,390	68,653	2,561	71,214
Amount transferred to set off accumulated losses in company level	—	—	(100,000)	—	—	—	100,000	—	—	—
Issue of new shares	9,054	80,179	—	—	—	—	—	89,233	—	89,233
Transaction costs attributable to issue of new shares	—	(2,666)	—	—	—	—	—	(2,666)	—	(2,666)
Share-based compensation	—	—	—	6,634	—	—	—	6,634	—	6,634
Amount transferred to retained earnings as a result of expiration of share option	—	—	—	(68)	—	—	68	—	—	—
Amount transferred to share premium as a result of exercise of share option	—	2,187	—	(2,187)	—	—	—	—	—	—
Dividends recognised as distribution (Note (14))	—	—	—	—	—	—	(12,342)	(12,342)	—	(12,342)
At 31 December 2010 and 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**

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 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Operating activities			
(Loss) profit before taxation		**(24,270)**	73,120
Adjustments for:			
Write-down on inventories	9	**2,840**	2,095
Depreciation of property and equipment	19	**53,152**	47,678
Interest expense	11	**12,248**	16,747
Change in fair value of investment properties	20	**7,395**	—
Loss on disposal of property and equipment	8	**14**	97
Gain on disposal of assets classified as held for sale	44	**(32,400)**	—
Allowance on bad and doubtful loans receivable	8	**28,700**	—
Bad debt on accounts receivable and other receivables written off directly	8	**86**	7
Share-based compensation	41	**21,996**	6,634
Share of profits of associates	26	**(8,884)**	(4,414)
Operating cash flows before movements in working capital		**60,877**	141,964
Increase in rental and utility deposits		**(9,005)**	(3,404)
Increase in inventories		**(13,315)**	(7,589)
Increase in accounts receivable		**(107,287)**	(201,771)
(Increase) decrease in loans receivable		**(60,175)**	7,596
Decrease (increase) in prepayments, deposits and other receivables		**9,950**	(10,070)
Decrease (increase) in amounts due from related companies		**334**	(334)
Decrease (increase) in investments held for trading		**15,474**	(5,221)
Decrease in bank balances — trust and segregated accounts		**2,535**	68,052
Increase in accounts payable		**213,546**	14,639
Increase in accrued liabilities and other payables		**62,042**	24,472
Decrease in amounts due to fellow subsidiaries		**—**	(800)
Cash generated from operations		**174,976**	27,534
Income taxes refunded		**—**	5,473
Income taxes paid		**(17,834)**	(4,407)
Net cash from operating activities		**157,142**	28,600
Investing activities			
(Increase) decrease in bank deposits subject to conditions		**(11,788)**	19,487
Decrease (increase) in statutory and other deposits		**7,374**	(3,811)
Purchases of property and equipment		**(46,476)**	(29,412)
Purchases of investment properties		**—**	(1,051)
Proceeds on disposal of assets classified as held for sale		**123,500**	—
Proceeds on disposal of property and equipment		**—**	208
Net cash from (used in) investing activities		**72,610**	(14,579)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Financing activities			
Capital contribution from a non-controlling shareholder		**2,000**	—
(Decrease) increase in bank borrowings		**(129,114)**	14,301
Proceeds on issue of shares		**7,340**	89,233
Share issue expenses		**—**	(2,666)
Payment on repurchase of shares		**(4,099)**	—
Dividends paid	14	**(14,353)**	(12,342)
Interest paid on bank borrowings	11	**(12,211)**	(16,689)
Interest paid on obligations under finance leases	11	**(37)**	(58)
Repayment of obligations under finance leases		**(382)**	(361)
Net cash (used in) from financing activities		**(150,856)**	71,418
Net increase in cash and cash equivalents		**78,896**	85,439
Cash and cash equivalents at beginning of year		**336,844**	253,243
Effect of change in foreign exchange rate		**(1,661)**	(1,838)
Cash and cash equivalents at end of year		**414,079**	336,844
Bank balances (general accounts) and cash		**414,079**	336,844

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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 Net2Gather (China) Holdings Limited ("Net2Gather") (formerly known as "Celestial Asia Securities 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 Net2Gather ceased to control the Company as both CIGL and Net2Gather no longer controlled more than 50% of the voting power at all the shareholders' meetings of the Company. As a result, the Company became an associate of CIGL and Net2Gather with effect from 11 October 2010.

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

- provision of online and traditional brokerage of securities, futures, options and leverage foreign exchange contracts 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 a number of new and revised Standards, Amendments and Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2011 financial year.

Except as described below, the application of the new and revised Standards, Amendments and Interpretation 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.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the removal of related parties that were identified as related parties under the previous Standard.

The related party disclosures set out in note 42 to the consolidated financial statements have been changed to reflect the application of the revised standard. Changes have been applied retrospectively.

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

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

Amendments to HKFRS 7	Disclosures — Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax — Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

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:

- HKFRS 9 requires 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.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. Based on the Group's financial assets and financial liabilities as at 31 December 2011, 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 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 annual periods beginning on or after 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.

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.

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 (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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. 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. 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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;
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 the Social Welfare Plan established by the Government of the People's Republic of China/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 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)

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 finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets 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 finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, 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.

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 38.

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, amounts due from related companies, 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 loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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; or

- the disappearance of an active market for that financial asset because of financial difficulties.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

Other financial liabilities

Other financial liabilities (including accounts payable, other payables, bank borrowings, obligations under finance leases 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, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

On derecognition of a financial asset in its entirety, 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 determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when share options granted vest immediately, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, aging 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 2011, the aggregate carrying amount of accounts and loans receivable and other receivables is HK$869,006,000 (2010: HK$739,885,000) (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$171,283,000 (2010: HK$136,020,000). 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 the value in use of the financial services CGUs. 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, a material impairment loss may arise. As at 31 December 2011, the carrying amounts of goodwill and trading rights allocating to financial services CGUs are approximately HK$2,661,000 (2010: HK$2,661,000) and HK$9,392,000 (2010: 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 the value in use of the retailing business CGU. 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, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trademark allocating to CGU of retailing business are approximately HK$311,007,000 (2010: HK$311,007,000). Details of the recoverable amount calculation are disclosed in note 23.

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 2011, assessed the provision for estimated compensation on potential uncollectable amount of an account balance held on behalf of its client of HK$102,173,000 maintained in MF Global Hong Kong Limited ("MFG HK") which is subject to provisional 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

	2011 **HK$'000**	2010 HK$'000
Fees and commission income	**226,235**	249,385
Interest income	**35,453**	33,577
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,072,752**	1,011,241
	1,334,440	1,294,203

6. SEGMENT INFORMATION

Reportable and operating segments

Information reported to the Chief Executive Officer ("CEO") of the Company, being the chief operating decision maker, 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.

6. SEGMENT INFORMATION (continued)

Reportable and operating segments (continued)

The following tables represent revenue and results information for the reportable and operating segments for the years ended 31 December 2011 and 2010.

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 and derivative financial instruments, net gains on investments held for trading, share-based compensation, share of profits of associates and unallocated expenses. This is the measure reported to the CEO for the purposes of resource allocation and assessment of performance.

For the year ended 31 December 2011

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

For the year ended 31 December 2010

	Financial services HK$'000	Retailing HK$'000	Total HK$'000
Revenue	282,962	1,011,241	1,294,203
RESULT			
Segment profit	32,575	47,696	80,271
Change in fair value of derivative financial instruments			(53)
Net gains on investments held for trading			71,389
Share-based compensation			(6,634)
Share of profits of associates			4,414
Unallocated expenses			(76,267)
Profit before taxation			73,120

6. SEGMENT INFORMATION (continued)

Reportable and operating segments (continued)

Segment assets and liabilities

All assets are allocated to operating segments other than interests in associates, investment properties, loan to an associate and other unallocated property and equipment. In current year, certain property and equipment has been excluded from segment assets which was previously included in the financial services segment, therefore segment assets at 31 December 2010 has been restated. This is the measure reported to the CEO 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 CEO for the purposes of resource allocation and performance assessment. No liabilities were used jointly by operating segments.

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
Interests in associates			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

6. SEGMENT INFORMATION (continued)

Reportable and operating segments (continued)

Segment assets and liabilities (continued)

As at 31 December 2010

	Financial services HK$'000 (restated)	Retailing HK$'000	Total HK$'000 (restated)
ASSETS			
Segment assets	1,758,535	715,288	2,473,823
Interests in associates			124,512
Investment properties			89,967
Loan to an associate			10,296
Other unallocated assets			40,333
Consolidated total assets			2,738,931
LIABILITIES			
Segment liabilities	1,376,412	348,718	1,725,130
Unallocated deferred tax liabilities			6,072
Loan from a non-controlling shareholder			27,437
Other unallocated liabilities			35,549
Consolidated total liabilities			1,794,188

6. SEGMENT INFORMATION (continued)

Reportable and operating segments (continued)

Other information

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**

For the year ended 31 December 2010

	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	33,577	—	33,577	—	33,577
Write-down on inventories	—	(2,095)	(2,095)	—	(2,095)
Depreciation	(9,160)	(17,274)	(26,434)	(21,244)	(47,678)
Finance costs	(10,702)	(4,375)	(15,077)	(1,670)	(16,747)
Gain (loss) on disposal of property and equipment	48	(85)	(37)	(60)	(97)
Bad debt on accounts receivable and other receivables written off directly	—	(7)	(7)	—	(7)
Bad debt on accounts receivable and loans receivable recovered	59	—	59	—	59
Additions to non-current assets	10,189	25,894	36,083	2,575	38,658

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**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (Place of domicile)	**1,330,629**	1,294,203	**520,021**	550,414
PRC	**3,811**	—	**184,292**	216,504
Total	**1,334,440**	1,294,203	**704,313**	766,918

There were no customers for the years ended 31 December 2011 and 2010, contributing over 10% of the Group's total revenue.

7. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Compensation of relocation of retail branch	**—**	10,592
Dividends from listed investments held for trading	**411**	715
Sundry income	**5,422**	5,368
	5,833	16,675

8. OTHER GAINS AND (LOSSES)

	2011	2010
	HK$'000	HK$'000
Net gains on investments held for trading	**171,262**	71,389
Change in fair value on derivative financial instruments	**—**	(53)
Loss on disposal of property and equipment	**(14)**	(97)
Gain on disposal of assets classified as held for sale	**32,400**	—
Net foreign exchange gain	**3,407**	3,082
Bad debt on accounts receivable recovered	**12**	59
Allowance on bad and doubtful loans receivable	**(28,700)**	—
Bad debt on accounts receivable and other receivables written off directly	**(86)**	(7)
	178,281	74,373

9. COST OF SALES FOR RETAILING BUSINESS

	2011 HK$'000	2010 HK$'000
Cost of inventories recognised on expenses	**635,457**	588,954
Write-down on inventories	**2,840**	2,095
	638,297	591,049

10. SALARIES, COMMISSION AND RELATED BENEFITS

	2011 HK$'000	2010 HK$'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	**361,568**	282,144
Share-based compensation	**21,996**	6,634
Contributions to retirement benefits schemes	**9,990**	9,198
	393,554	297,976

11. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank overdrafts and borrowings:		
— repayable within five years	**10,910**	15,339
— repayable more than five years	**1,301**	1,350
Finance leases	**37**	58
	12,248	16,747

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration 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	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

	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$'000	Cheng Shu Shing Raymond HK$'000	Lo Kwok Hung John HK$'000	Lo Ming Chi Charles HK$'000	2010 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	4,448	2,040	922	1,465	730	—	—	—	9,605
Share-based compensation	364	218	364	218	218	519	519	519	2,939
Contributions to retirement benefit scheme	74	112	49	73	37	—	—	—	345
Total remuneration	4,886	2,370	1,335	1,756	985	519	669	669	13,189

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 2011 and 2010, 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 2011 and 2010.

13. EMPLOYEES' REMUNERATION

Two (2010: Three) of the five individuals with the highest emoluments in the Group were directors of the Company for the years ended 31 December 2011 and 2010. Details of these directors' emolument are included in the disclosures in note 12 above. The emoluments of the remaining three (2010: two) individuals were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,895**	2,833
Contributions to retirement benefit scheme	**249**	143
Performance related incentive payments (note)	**64,317**	11,795
	69,461	14,771

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

The remuneration of the remaining three (2010: two) individuals (other than directors) were within the following bands:

	Number of employees	
	2011	2010
HK$1,000,000 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,500,001 to HK$3,000,000	**1**	—
HK$13,500,001 to HK$14,000,000	**—**	1
HK$64,500,001 to HK$65,000,000	**1**	—
	3	2

During the years ended 31 December 2011 and 2010, 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

	2011	2010
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2010 Final — HK 0.4 cent per share	**14,353**	—
2010 Interim — HK 2 cents per share	**—**	12,342

The interim dividend of HK 2 cents based on 617,108,107 shares, in respect of the year ended 31 December 2010.

No final dividend in respect of the year ended 31 December 2011 (2010: HK 0.4 cent per share based on 3,538,250,353 shares) was proposed by the directors. In addition, the directors distributed the share dividend offered to the shareholders on the basis of one bonus share for every ten existing shares in respect of the year ended 31 December 2010.

15. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current tax:		
— Hong Kong Profits Tax	11,224	13,434
Under (over) underprovision in prior years	190	(2,078)
Deferred tax	(3,720)	(3,171)
	7,694	8,185

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) profit before taxation per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
(Loss) profit before taxation	(24,270)	73,120
Taxation at income tax rate of 16.5%	(4,005)	12,065
Tax effect of share of profits of associates	(1,466)	(728)
Under (over) provision in respect of prior years	190	(2,708)
Tax effect of expenses not deductible for tax purpose	25	3,183
Tax effect of income not taxable for tax purpose	(508)	(1,977)
Tax effect of utilisation of estimated tax losses previously not recognised	(1,733)	(10,434)
Tax effect of estimated tax losses not recognised	7,552	5,621
Tax effect of deductible temporary difference not recognised	5,171	—
Others	2,468	3,163
Income tax expense	7,694	8,185

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 2010	2,000
Credit to profit or loss for the year	2,100
At 31 December 2010	4,100
Credit to profit or loss for the year	600
At 31 December 2011	4,700

Deferred tax liabilities

	Accelerated tax depreciation	**Revaluation of investment properties**	**Intangible asset**	**Revaluation of leasehold land and building**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	(2,342)	(6,072)	(51,316)	(4,397)	(64,127)
Charge to other comprehensive income for the year	—	—	—	(630)	(630)
Credit to profit or loss for the year	1,071	—	—	—	1,071
At 31 December 2010	(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)

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised estimated tax losses of HK$171,283,000 (2010: HK$136,020,000) to carry forward against future taxable income. The tax losses can be carried forward indefinitely. For certain subsidiaries operated in PRC, unrecognised estimated tax losses of HK$71,163,000 (2010: HK$40,871,000) are subject to expiry periods of five years from the year in which the tax losses arose under the current tax legislation. No deferred tax asset has been recognised due to the uncertainty of future profit steams against which the asset can be utilised.

17. (LOSS) PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,880**	1,880
Overprovision of auditor's remuneration in prior year	**—**	(839)
Depreciation of property and equipment		
Owned assets	**52,847**	47,497
Leased assets	**305**	181
Operating lease rentals	**206,534**	191,941
Handling expenses for securities dealing	**29,739**	10,928
Advertising and promotion expenses	**47,213**	37,291
Legal and professional fee for proposed fund raising project	**1,574**	—

18. (LOSS) EARNINGS PER SHARE

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

	2011 HK$'000	2010 HK$'000
(Loss) profit for the purposes of basic and diluted (loss) earnings per share	**(41,090)**	63,390

	2011	2010 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**3,927,037,616**	3,485,417,403
Effect of dilutive potential ordinary shares:		
Share options	**—**	29,474,211
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**3,927,037,616**	3,514,891,614

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share has been adjusted retrospectively for the bonus share issue on 25 May 2011.

For the year ended 31 December 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	Leasehold improvements	Furniture and fixtures	Computer and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST OR VALUATION						
At 1 January 2010	68,000	124,457	39,293	56,290	1,958	289,998
Exchange adjustments	—	551	101	—	7	659
Additions	—	21,197	4,066	4,149	980	30,392
Revaluation	2,000	—	—	—	—	2,000
Disposal/written off	—	(5,729)	(3,053)	—	(501)	(9,283)
At 31 December 2010	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
ACCUMULATED DEPRECIATION						
At 1 January 2010	—	47,555	11,299	27,515	1,354	87,723
Exchange adjustments	—	202	44	—	3	249
Provided for the year	1,815	28,024	7,718	9,862	259	47,678
Eliminated on revaluation	(1,815)	—	—	—	—	(1,815)
Eliminated on disposal/written off	—	(5,722)	(2,755)	—	(501)	(8,978)
At 31 December 2010	—	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
CARRYING VALUES						
At 31 December 2011	—	70,323	21,698	21,328	957	114,306
At 31 December 2010	70,000	70,417	24,101	23,062	1,329	188,909

The carrying value of motor vehicles included amounts of HK$891,000 (2010: HK$1,196,000) held under finance leases.

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

At 31 December 2010, the leasehold land and building of the Group were situated in Hong Kong and were under medium-term lease.

The fair value of the Group's leasehold land and building as at 31 December 2010 was arrived at on a valuation carried out by B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group. The valuation for 2010 was arrived at by reference to market evidence of transaction prices for similar properties.

Had the leasehold land and building been carried at historical cost less accumulated depreciation, their carrying values at 31 December 2010 would have been approximately HK$39,834,000.

At 31 December 2010, bank borrowings were secured on leasehold land and building with a carrying value of HK$70,000,000.

20. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2010	87,561
Additions	1,051
Exchange adjustments	1,355
CARRYING VALUE	
At 31 December 2010	89,967
Net decrease in fair value recognised in profit or loss	(7,395)
Exchange adjustments	3,380
At 31 December 2011	85,952

The fair value of the Group's investment properties at 31 December 2011 and 2010 was arrived at on a valuation carried out by B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. For the year ended 31 December 2010, there is no change in fair value of investment properties recognised in profit or loss. For the year ended 31 December 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.

20. INVESTMENT PROPERTIES (continued)

The investment properties of the Group are situated on:

	2011 HK$'000	2010 HK$'000
Land outside Hong Kong		
— held on leases from 10-50 years	**44,034**	45,161
— held on leases of over 50 years	**41,918**	44,806
	85,952	89,967

21. GOODWILL

	2011 & 2010 HK$'000
COST	
At 1 January 2010, 31 December 2010 and 31 December 2011	5,380
IMPAIRMENT	
At 1 January 2010, 31 December 2010 and 31 December 2011	2,719
CARRYING VALUE	
At 31 December 2010 and 31 December 2011	2,661

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

22. INTANGIBLE ASSETS

	Trading rights HK$'000 (Note (a))	Club memberships HK$'000 (Note (b))	Trademark HK$'000 (Note (c))	Total HK$'000
COST AND CARRYING VALUES				
At 1 January 2010, 31 December 2010 and 31 December 2011	9,392	660	311,007	321,059

Notes:

(a) At 31 December 2011, intangible assets amounting to HK$9,092,000 (2010: 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 (2010: 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 2011, intangible assets amounting to HK$660,000 (2010: 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 2011 and 2010, 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.

22. INTANGIBLE ASSETS (continued)

Notes: (continued)

(c) At 31 December 2011, trademark amounting to HK$311,007,000 (2010: 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 2011 and 2010	**Trading rights 2011 and 2010**	**Trademark 2011 and 2010**
	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 2011, 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% (2010: 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 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 average growth rate of 5% and discount rate of 19.6% (2010: five-year period, average growth rate of 19% and discount rate of 17%). The cash flow beyond the five-year period are extrapolated for five years using 3% growth rate. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry in Hong Kong. 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

	2011 **HK$'000**	2010 HK$'000
Statutory and other deposits with exchanges and clearing houses	**7,477**	14,851

The above deposits are non-interest bearing.

25. LOANS RECEIVABLE

	2011 **HK$'000**	2010 HK$'000
Loans receivable denominated in Hong Kong dollars	**76,789**	16,614
Less: Allowance for bad and doubtful debts	**(32,297)**	(3,597)
	44,492	13,017
Carrying amount analysed for reporting purposes:		
Current assets	**44,492**	13,017
Non-current assets	**—**	—
	44,492	13,017

The credit quality of loans receivable are summarised as follows:

	2011 **HK$'000**	2010 HK$'000
Neither past due nor impaired	**31,602**	9,649
Impaired	**45,187**	6,965
	76,789	16,614
Less: Allowance for impairment	**(32,297)**	(3,597)
	44,492	13,017

Except for the loans receivable with the carrying amount of HK$3,368,000 (2010: 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$244,000 (2010: HK$347,000) is 2.5% (2010: 2.5%) per annum as at 31 December 2011. 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 aging analysis of accounts and on management's judgment, including the current creditworthiness, collateral and the past collection history of each client.

25. LOANS RECEIVABLE (continued)

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

	2011 **HK$'000**	2010 HK$'000
Balance at the beginning of the year	**3,597**	3,597
Charge for the year	**28,700**	—
Balance at the end of the year	**32,297**	3,597

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. Accordingly, no impairment is considered as necessary.

The loans receivable with a carrying amount of HK$31,602,000 (2010: HK$9,649,000) 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$4,186,000 (2010: nil) are fully secured by a residential property at a fair value of approximately HK$33,400,000 (2010: nil) and the remaining amount of HK$27,416,000 (2010: HK$9,649,000) 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. Included in the above allowance for bad and doubtful debts for individually impaired short term loans receivable of HK$32,297,000 (2010: HK$3,597,000) with a gross carrying amount of HK$45,187,000 (2010: HK$6,965,000) and 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$41,584,000 (2010: HK$14,998,000) with specific allowance for bad and doubtful debts of HK$13,909,000 (2010: HK$3,597,000), the Group has no other significant concentration of credit risk.

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

	2011 **HK$'000**	2010 HK$'000
On demand or within one year	**44,248**	12,670

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

	2011 **HK$'000**	2010 HK$'000
On demand or within one year	**244**	347

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2011

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 2011 HK$'000	Balance at 31 December 2011 HK$'000	Maximum amount outstanding during the year HK$'000	Securities held HK$'000
Directors of the Company				
Mr Chan Chi Ming Benson	**974**	**—**	**974**	—
Mr Cheng Man Pan Ben	**974**	**900**	**993**	—
Mr Yuen Pak Lau Raymond (Note)	**974**	**900**	**974**	—
	2,922	**1,800**		

The loans granted to directors bear interest at the Hong Kong Prime Rate plus 3% per annum and are repayable by 31 March 2012.

Note: During the year ended 31 December 2011, Mr Yuen Pak Lau Raymond resigned as an executive director of the Company.

26. INTERESTS IN ASSOCIATES AND LOAN TO AN ASSOCIATE

	2011 HK$'000	2010 HK$'000
Cost of investments in associates		
Unlisted shares	**67,833**	67,833
Share of post-acquisition profits and other comprehensive income	**71,061**	56,679
	138,894	124,512
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 2011.

26. INTERESTS IN ASSOCIATES AND LOAN TO AN ASSOCIATE (continued)

As at 31 December 2011 and 2010, the Group had interests in the following associates:

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 invested in property investment in Shanghai

All associates have a reporting date of 31 December.

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

	2011	2010
	HK$'000	HK$'000
Total assets	**769,748**	733,483
Total liabilities	**(353,065)**	(359,948)
Net assets	**416,683**	373,535
Group's share of net assets of associates	**138,894**	124,512
Revenue	**49,786**	46,708
Profit for the year	**26,653**	13,242
Other comprehensive income for the year	**16,493**	9,501
The Group's share of profits and other comprehensive income of associates for the year	**14,382**	7,581

27. INVENTORIES

	2011	2010
	HK$'000	HK$'000
Finished goods held for sale	**59,423**	48,948

28. OTHER FINANCIAL ASSETS AND LIABILITIES

Amounts due from related companies

At 31 December 2010, the amounts were non-interest bearing, unsecured and were repayable on demand. Related companies represent the wholly-owned subsidiaries of Net2Gather.

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 is non-interest bearing, unsecured and is repayable on demand.

29. ACCOUNTS RECEIVABLE

	2011 **HK$'000**	2010 HK$'000
Accounts receivable arising from the business of dealing in securities and leveraged foreign exchange contracts:		
Clearing houses, brokers and dealers	**59,905**	49,989
Cash clients	**40,185**	66,698
Margin clients	**223,204**	369,598
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**148**	142
Clearing houses, brokers and dealers	**488,885**	218,630
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**859**	1,099
Accounts receivable arising from the business of provision of corporate finance services	**1,100**	920
	814,286	707,076

29. ACCOUNTS RECEIVABLE (continued)

The credit quality of accounts receivable are summarised as follows:

	2011 HK$'000	2010 HK$'000
Neither past due nor impaired:		
— Margin clients	**229,119**	375,922
— Other non-margin clients	**17,677**	47,000
— Clearing houses, brokers and dealers	**446,165**	268,619
Past due but not impaired	**127,070**	21,697
Impaired	**1,779**	1,362
	821,810	714,600
Less: Allowance for impairment	**(7,524)**	(7,524)
	814,286	707,076

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 and leveraged foreign exchange contracts are one day after trade date or at specific terms agreed with clearing houses, brokers and dealers.

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

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 aged analysis (from the completion date of the services) is as follows:

	2011 HK$'000	2010 HK$'000
0–30 days	**658**	833
31–60 days	**1,079**	165
61–90 days	**117**	84
Over 90 days	**105**	937
	1,959	2,019

In general, accounts receivable due from margin clients are included in "Neither past due nor impaired" category. As at 31 December 2011 and 2010, the carrying amount of each individual loan to margin client in this category is not higher than the fair value of each client's pledged securities. Accounts receivable due from margin clients of approximately HK$649,000 (2010: HK$240,000) which are fully impaired and not secured by any pledged listed securities, are included in "Impaired" category as at 31 December 2011 and 2010.

29. ACCOUNTS RECEIVABLE (continued)

The clients' pledged 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 pledged 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$127,070,000 (2010: HK$21,697,000) 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 aged analysis (from due date) is as follows:

	2011 **HK$'000**	2010 HK$'000
0–30 days	**18,232**	19,286
31–60 days	**108,616**	1,390
61–90 days	**117**	84
Over 90 days	**105**	937
	127,070	21,697

As at 31 December 2011, in connection with the business of dealing in futures and options, the Group has maintained its own account of HK$452,000 and account on behalf of its client of HK$102,173,000 with MFG HK which appointed provisional liquidators ("Provisional Liquidators") on 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. The directors of the Company have been in contact with the Provisional Liquidators for the return of the account balances to the Group and there was subsequent settlement of partial amount as disclosed in note 40. The Group expects to recover the remaining amount 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 (2010: HK$7,524,000) in which included individual allowance of HK$1,609,000 (2010: HK$1,200,000) and collective allowance of HK$5,915,000 (2010: HK$6,324,000) 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.

29. ACCOUNTS RECEIVABLE (continued)

Movement in the allowance for bad and doubtful debts:

	2011 & 2010
	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 and equity options with margin clients 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	Balance at 31 December	Maximum amount outstanding during the year	Market value of pledged securities at fair value at 31 December
	HK$'000	HK$'000	HK$'000	HK$'000
Directors of the Company				
Mr Law Ping Wah Bernard and associates (Note (1) and Note (3))				
2010	—	—	28,892	51,697
2011	—	—	12,336	—
Mr Chan Chi Ming Benson and associates				
2010	—	—	—	26,000
2011	—	—	—	—
Mr Cheng Man Pan Ben and associates				
2010	61	170	4,024	14,035
2011	170	171	2,170	754
Mr Yuen Pak Lau Raymond and associates (Note (4))				
2010	—	—	—	20,653
2011	—	—	—	—
Ms Cheng Pui Lai Majone and associates (Note (4))				
2010	—	—	—	—
2011	—	—	—	—
Substantial shareholders of the Company (Note (2))				
Cash Guardian Limited				
2010	—	—	24,799	40,979
2011	—	—	4,356	—
Mr Kwan Pak Hoo Bankee and associates (Note (3))				
2010	—	—	26,150	—
2011	—	—	3,202	—

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.

29. ACCOUNTS RECEIVABLE (continued)

Notes: (continued)

(3) Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard are also the executive directors of Net2Gather.

(4) 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.

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

	2011 **HK$'000**	2010 HK$'000
Equity securities listed in Hong Kong	**26,956**	42,431
Equity securities listed outside Hong Kong	**5**	4
	26,961	42,435

The fair values of the listed investments held for trading are determined based on the quoted market bid prices available on the relevant exchanges.

31. BANK DEPOSITS SUBJECT TO CONDITIONS

	2011 **HK$'000**	2010 HK$'000
Other bank deposits (Note (a))	**17,145**	17,144
Pledged bank deposits (Notes (b), (c) and (d))	**62,895**	51,108
	80,040	68,252

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 (2010: 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$62,895,000 (2010: HK$41,395,000) were pledged to secure the general banking facilities granted by a bank.

(c) At 31 December 2011, no bank deposit (2010: HK$601,000) was pledged to facilitate a bank guarantee in favour of a third party for the business of brokerage of mutual funds and insurance-linked investment products.

(d) At 31 December 2011, no bank deposit (2010: HK$9,112,000) was pledged to secure the standby letter of credit facility granted by a bank. The bank deposits were be released on clearance of the facility.

32. ACCOUNTS PAYABLE

	2011	2010
	HK$'000	HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	**824**	5,748
Cash clients	**485,497**	495,768
Margin clients	**112,617**	217,260
Accounts payable to clients arising from the business of dealing in futures and options	**621,968**	299,030
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	**—**	1,191
Trade creditors arising from retailing business	**165,234**	153,597
	1,386,140	1,172,594

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 aged analysis is disclosed as in the opinion of directors of the Company, the aged 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 and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. At 31 December 2011, the account payable to client of HK$110,820,000 was related to the amount of 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 and leveraged foreign contracts position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$694,525,000 (2010: HK$697,060,000) 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 aged analysis (from trade date) of trade creditors arising from retailing business at reporting date:

	2011	2010
	HK$'000	HK$'000
0–30 days	**46,909**	66,556
31–60 days	**51,802**	37,518
61–90 days	**27,156**	14,419
Over 90 days	**39,367**	35,104
	165,234	153,597

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	**307**	419	**289**	382
In more than one year but not more than five years	**270**	577	**263**	552
	577	996	**552**	934
Less: Future finance charges	**(25)**	(62)	**—**	—
Present value of lease obligations	**552**	934	**552**	934
Less: Amount due within one year shown under current liabilities			**(289)**	(382)
Amount due for settlement after one year shown under non-current liabilities			**263**	552

The Group has entered into finance leases for two motor vehicles with lease terms of three to four years for the years ended 31 December 2010 and 2011. Interest rate under the leases is fixed at the average rate of 5.4% per annum for the years ended 31 December 2010 and 2011. 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

	2011	2010
	HK$'000	HK$'000
Bank overdrafts, secured	**119**	94,114
Bank loans, secured	**196,703**	236,830
Trust receipt loans	**110,775**	105,767
	307,597	436,711

34. BANK BORROWINGS (continued)

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

	2011 HK$'000	2010 HK$'000
Carrying amount repayable*:		
Within one year	**125,498**	253,443
In the second year	**1,423**	1,380
In the third to fifth years	**4,647**	4,465
After the fifth year	**26,770**	28,375
	158,338	287,663
Carrying amount of bank loans contain a repayment on demand clause:		
— within one year	**144,317**	137,328
— in the second year	**3,002**	6,908
— in the third to fifth years	**1,940**	4,812
	307,597	436,711
Less: Amount due within one year shown under current liabilities	**(274,757)**	(402,491)
Amount due after one year shown under non-current liabilities	**32,840**	34,220

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

The Group's bank borrowings of HK$307,597,000 (2010: HK$436,711,000) 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$308,104,000 (2010: HK$470,600,000) (with client's consent);

(d) investment properties of the Group as disclosed in note 20 with carrying amount of approximately HK$85,952,000 (2010: HK$89,967,000);

(e) pledged deposit of HK$62,895,000 (2010: HK$41,395,000) for sourcing the general banking facilities granted by a bank as disclosed in note 31(b);

(f) at 31 December 2010, bank deposit of HK$9,112,000 was pledged to secure the standby letter of credit facility granted by a bank as disclosed in note 31(d);

(g) bank loan of HK$149,259,000 (2010: HK$119,048,000) is repayable on demand; and

(h) 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 (2010: 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$119,000 (2010: HK$94,114,000) carried interest at HIBOR plus a spread. Bank borrowings amounting to HK$196,703,000 (2010: HK$236,830,000) were at variable-rate borrowings which carry interest at HIBOR plus a spread or Hong Kong Prime Rate.

Trust receipts loans amounting to HK$110,775,000 (2010: HK$105,767,000) carry interest at Hong Kong Prime Rate plus a spread.

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

35. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011 **HK$'000**	2010 HK$'000
Prepayments	**1,843**	4,053
Deposits	**21,621**	19,806
Other receivables	**10,228**	19,792
	33,692	43,651

The above deposits and other receivables are non-interest bearing.

36. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.10 each at 1 January 2010		3,000,000	300,000
After share subdivision 5 for 1 subdivided:	(a)		
Ordinary shares of HK$0.02 each at 31 December 2010 and 31 December 2011		15,000,000	300,000
Issued and fully paid:			
Ordinary shares of HK$0.10 each at 1 January 2010		617,108	61,711
Exercise of share options	(b)	20,542	2,054
Issue of shares by Private Placement	(c)	70,000	7,000
Ordinary shares of HK$0.10 each at 23 December 2010		707,650	70,765
After share subdivision 5 for 1 subdivided:	(a)		
Ordinary shares of HK$0.02 each at 23 December 2010 and 1 January 2011		3,538,250	70,765
Exercise of share options	(d)	50,000	1,000
Issue of shares by Bonus Issue	(e)	358,825	7,177
Share repurchases	(f)	(28,014)	(560)
Ordinary shares of HK$0.02 each at 31 December 2011		3,919,061	78,382

Notes:

(a) Share Subdivision

On 23 December 2010, the Company arranged a subdivision of shares. The Company subdivided each existing issued and unissued share of HK$0.10 of the Company into five subdivided shares of HK$0.02 each. The authorised share capital of the Company was HK$300,000,000 divided into 15,000,000,000 subdivided shares, of which 3,538,250,535 subdivided shares were in issue and fully paid or credited as fully paid. All subdivided shares are rank pari passu with each other in all respects with the shares in issue prior to the Share Subdivision and the rights attached to the subdivided shares are not affected by the Share Subdivision.

36. SHARE CAPITAL (continued)

Notes: (continued)

(b) Exercise of share options

The particulars of options exercised during the year ended 31 December 2010 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 June 2009	7,200,000	0.734	5,284,800
1 June 2010	12,342,000	0.610	7,528,620
15 October 2010	1,000,000	1.520	1,520,000
	20,542,000		14,333,420

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

(c) Issue of shares by Private Placement

On 14 October 2010, arrangements were made for a private placement to the shareholder of the Company of 70,000,000 shares of HK$0.10 each in the Company held by CIGL, at a price of HK$1.07 per share representing a discount of approximately 9.32% to the closing market price of the Company's shares on 13 October 2010. Pursuant to a subscription agreement of the same date, CIGL subscribed for 70,000,000 new shares of HK$0.10 each in the Company at a price of HK$1.07 per share. The proceeds were used to reduce borrowings and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the Board of Directors meeting of the Company held on 7 June 2010 and rank pari passu with other shares in issue in all respects.

(d) 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.

(e) 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.

36. SHARE CAPITAL (continued)

Notes: (continued)

(f) 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 Highest	Lowest	Approximate aggregate consideration paid (before expenses)
	'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

37. 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.

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 (the "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.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Fair value through profit or loss — held-for-trading	**26,961**	42,435
Loans and receivables (including cash and cash equivalents)	**2,067,947**	1,852,670
Financial liabilities		
Amortised cost	**1,748,442**	1,655,944

Financial risk management objectives and policies

The Group's major financial instruments include equity investments, 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

Equity price risk

The Group is exposed to equity price risk as a result of changes in fair value of its investments in equity securities. The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments and imposing trading limits on individual trades.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2011, if the market bid prices of the Group's listed equity investments had been 15 percent (2010: 15 percent) higher/lower, the Group's loss would decrease/increase by HK$4,044,000 (2010: the Group's profit would increase/decrease by HK$6,365,000). This is attributable to the changes in fair values of the listed investments 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.

38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

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 obligations under finance leases. The Group currently does not have a fair value hedging policy.

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 (2010: 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 2011, if the interest rate of bank borrowings, loans receivable and loans to margin clients had been 50 (2010: 50) basis points higher/lower, the Group's loss would increase/decrease by HK$201,000 (2010: the Group's profit would decrease/increase by HK$270,000). Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation.

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 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.

38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk (continued)

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**44,542**	14,089	**457,930**	204,757
RMB	**2,152**	544	**104,151**	14,659

As at 31 December 2011, if RMB had strengthened/weakened by 5% (2010: 5%) against HK$ and all other variables were held constant, the Group's loss would decrease/increase by HK$5,100,000 (2010: the Group's profit would increase/decrease by HK$706,000). Under the pegged exchange rate system, the financial impact in exchange difference between HK$ 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 2011 and 31 December 2010, 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 trade debt 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.

In respect to the accounts receivable from MFG HK, the Group closely monitor the development and the directors closely contact with the Provisional 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.

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

38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

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 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**
Obligations under finance leases	**5.4**	**307**	**270**	**—**	**—**	**577**	**552**
		1,722,666	**2,903**	**7,900**	**36,324**	**1,769,793**	**1,748,442**

	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 2010							
Accounts payable	N/A	1,172,594	—	—	—	1,172,594	1,172,594
Other payables	N/A	18,268	—	—	—	18,268	18,268
Bank borrowings	Note	412,220	2,633	7,900	40,150	462,903	436,711
Loan from a non-controlling shareholder	N/A	27,437	—	—	—	27,437	27,437
Obligations under finance leases	5.4	419	307	270	—	996	934
		1,630,938	2,940	8,170	40,150	1,682,198	1,655,944

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.

38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

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 2011 and 31 December 2010, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$149,259,000 and HK$149,048,000 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 2011, the aggregate principal and interest cash outflow amounted to approximately HK$144,317,000 (2010: HK$137,328,000) and HK$5,073,000 (2010: HK$11,996,000) within 1 year 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 financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; 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.

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).

38. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2011 Total HK$'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**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2010 Total HK$'000
Financial assets at FVTPL				
Investments held for trading				
Equity securities listed in Hong Kong	42,431	—	—	42,431
Equity securities listed outside Hong Kong	4	—	—	4
	42,435	—	—	42,435

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

39. ACCRUED LIABILITIES AND OTHER PAYABLES

	2011 HK$'000	2010 HK$'000
Accrued liabilities		
— Salaries and commission payables	**61,920**	28,927
— Other accrued liabilities	**56,854**	36,253
Other payables	**26,716**	18,268
	145,490	83,448

40. EVENTS AFTER THE REPORTING PERIOD

At 31 December 2011, the Group has maintained cash balances of HK$102,173,000 on behalf of a client and of HK$452,000 for its own deposits with MFG HK as disclosed in note 29. On 24 February 2012, an amount of HK$41,936,000 had been received from the Provisional Liquidators of MFG HK out of the aforesaid sum. The Group shall continuously close monitor the development of this matter to protect the Group's and its client's interests in the remaining cash balances.

41. SHARE OPTION SCHEME

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 Net2Gather and its subsidiaries and associates, including the Group ("Net2Gather Group"); or

- attract potential candidates to serve the Net2Gather Group for the benefit of the development of the Net2Gather 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 Net2Gather 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 358,825,053 shares, representing 9.16% of the issued share capital of the Company as at 31 December 2011. 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.

(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.

41. SHARE OPTION SCHEME (continued)

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:

	2011		2010	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**574,000,000**	**0.249**	49,124,000	0.731
Granted (Note (a))	**273,000,000**	**0.472**	86,342,000	1.404
Exercised	**(50,000,000)**	**0.147**	(20,542,000)	0.698
Adjusted upon Bonus Issue	**79,700,000**	**0.331**	—	—
Lapsed (Note (a))	**(223,300,000)**	**0.428**	(124,000)	1.180
Adjusted upon Share Subdivision (defined in Note (36))	**—**	**—**	459,200,000	N/A
Outstanding at 31 December	**653,400,000**	**0.258**	574,000,000	0.249
Exercisable at 31 December	**510,400,000**	**0.205**	332,500,000	0.257

Note:

(a) 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.

The remaining options of 77,000,000 after 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 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 yet been performed and thus no share-based compensation expense attributable to the financial year ended 31 December 2011 was recognised.

41. SHARE OPTION SCHEME (continued)

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.485 (2010: HK$1.860 (unadjusted for Share Subdivision in 2010)).

		2011		2010	
		Number of outstanding share options as at 31 December	**Exercise price (adjusted for Bonus Issue) HK$**	Number of outstanding share options as of 31 December	Exercise price (prior to Bonus Issue) HK$
Grant date:	Exercisable period:				
15.06.2009	15 December 2009 to 30 June 2013	**24,750,000**	**0.134**	47,500,000	0.147
15.06.2009	15 June 2010 to 30 June 2013	**33,000,000**	**0.134**	55,000,000	0.147
15.06.2009	15 June 2011 to 30 June 2013	**14,850,000**	**0.134**	13,500,000	0.147
15.06.2009	15 June 2012 to 30 June 2013	**19,800,000**	**0.134**	18,000,000	0.147
22.06.2009	N/A (Note (a))	**82,500,000**	**0.131**	75,000,000	0.144
03.06.2010	1 January 2011 to 31 May 2012	**34,375,000**	**0.115**	31,250,000	0.126
03.06.2010	1 January 2012 to 31 May 2012	**34,375,000**	**0.115**	31,250,000	0.126
15.10.2010	15 October 2010 to 31 October 2012	**101,750,000**	**0.276**	92,500,000	0.304
15.10.2010	15 October 2010 to 31 October 2013	**2,750,000**	**0.276**	2,500,000	0.304
15.10.2010	1 January 2011 to 31 October 2012	**71,500,000**	**0.276**	65,000,000	0.304
15.10.2010	15 October 2011 to 31 October 2012	**8,250,000**	**0.276**	7,500,000	0.304
15.10.2010	15 October 2011 to 31 October 2013	**4,125,000**	**0.276**	3,750,000	0.304
15.10.2010	1 January 2012 to 31 October 2012	**68,750,000**	**0.276**	62,500,000	0.304
15.10.2010	1 January 2012 to 31 October 2013	**2,750,000**	**0.276**	2,500,000	0.304
15.10.2010	15 October 2012 to 31 October 2013	**6,875,000**	**0.276**	6,250,000	0.304
22.11.2010	N/A (Note (a))	**66,000,000**	**0.464**	60,000,000	0.510
01.02.2011	N/A (Note (a))	**77,000,000**	**0.432**	—	—
		653,400,000		574,000,000	

Note:

(a) The options were granted to the consultants of the Group on 22 November 2010 and 1 February 2011 for the provision of consultancy services to the Group up to the contract period until 2012 and 2013 respectively. 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 yet been performed and thus no share-based compensation expense attributable to the financial years ended 31 December 2010 and 2011 was recognised.

41. SHARE OPTION SCHEME (continued)

The weighted average remaining contractual life of share options outstanding as at 31 December 2011 is 0.95 years (2010: 2.06 years).

The fair values of share options granted during the years ended 31 December 2010 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**	**1 June 2010**
Share price on date of grant (prior to Share Subdivision and Bonus Issue)	HK$1.52	HK$0.63	HK$0.61
Exercise price (prior to Share Subdivision and Bonus Issue)	HK$1.52	HK$0.63	HK$0.61
Expected volatility (Note (a))	79.35%	53.60%	53.75%
Expected life of option (Note (b))	2–3 years	2 years	2 years
Risk-free rate (Note (c))	0.51%	0.70%	0.69%
Expected dividend yield	Nil	Nil	Nil

Notes:

(a) 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.

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

(c) 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 1 June 2010, 3 June 2010, and 15 October 2010 dates are approximately HK$2,266,000, HK$2,361,000 and HK$21,045,000 respectively.

In total, HK$21,996,000 (2010: HK$6,634,000) of share-based compensation expenses has been recognised in profit or loss for 2011. The corresponding amount of HK$21,996,000 (2010: HK$6,634,000) 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	**2011 HK$'000**	2010 HK$'000
Commission and interest income received from the following wholly-owned subsidiary of Net2Gather	(a)		
Libra Capital Management (HK) Limited		**426**	1,150
Commission and interest income received from the following substantial shareholders with significant influence over the Company			
Cash Guardian Limited	(e)	**274**	214
Mr Kwan Pak Hoo Bankee and associates		**104**	64
		378	278
Commission and interest income received from the following directors of the Company			
Mr Law Ping Wah Bernard and associates		**91**	174
Mr Chan Chi Ming Benson and associates		**2**	—
Mr Cheng Man Pan Ben and associates		**31**	37
Mr Yuen Pak Lau Raymond and associates	(b)	**27**	18
Ms Cheng Pui Lai Majone and associates	(b)	**8**	—
		159	229
Rental expense paid to an associate		**11,686**	12,343
Rental and building management expense paid to Net2Gather	(a)	**2,484**	3,732
Loan interest income received from directors of the Company			
Mr Law Ping Wah Bernard		**—**	70
Mr Chan Chi Ming Benson		**70**	74
Mr Cheng Man Pan Ben		**74**	74
Mr Yuen Pak Lau Raymond	(b)	**74**	74
	(c)	**218**	292
Placing commission income received from Net2Gather	(d)	**4,682**	—

42. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) Net2Gather was the Company's ultimate holding company up to 10 October 2010. Since 11 October 2010, Net2Gather ceased to control the Company and thus the Company became an associate of Net2Gather with effect from 11 October 2010. Net2Gather has significant influence over the Group.

(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) During the year ended 31 December 2011, the Group derived interest income from loans to certain directors of the Company of approximately HK$218,000 (2010:HK$292,000).

During the year ended 31 December 2011, no interest income was derived from loans to certain directors of Net2Gather (2010: HK$34,000).

(d) During the year ended 31 December 2011, the Group derived placing commission income from placement of shares of Net2Gather of approximately HK$4,682,000 (2010: nil).

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

In 2011, the Group had conducted certain transactions with the following parties no longer classified as related parties of the Group under HKAS 24 (as revised in 2009) whilst they were related parties of the Group previously: (1) the directors of Net2Gather from the date Net2Gather lost its control but only retained significant influence over the Company; and (2) a substantial shareholder of the Company who does not have control nor significant influence over the Company. Therefore, no further disclosure of such transactions are made in the consolidated financial statements.

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:

	2011 **HK$'000**	2010 HK$'000
Within one year	**168,622**	130,646
In the second to fifth year inclusive	**196,492**	139,437
	365,114	270,083

Operating lease payments represent rentals payable by the Group for its office premises, warehouse and retail shops. Leases 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 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:

	2011 **HK$'000**	2010 HK$'000
At 1 January	**—**	—
Reclassified as assets classified as held for sale from property and equipment (Note (19))	**91,100**	—
Disposal	**(91,100)**	—
At 31 December	**—**	—

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. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	**Place of incorporation**	**Paid up issued share capital**	**Proportion of nominal value of issued share capital held by the Company** **2011** **%**	 2010 %	**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

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company 2011 %	2010 %	Principal activities
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	British Virgin Islands	Ordinary HK$5,000,000	**50 (note)**	90	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.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, resulted in particulars of excessive length.

Note: During the year, 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.

46. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011	2010
	HK$'000	HK$'000
Assets		
Investments in subsidiaries	**748,177**	748,177
Amounts due from subsidiaries	**215,387**	209,563
Other receivables	**438**	—
Bank balances (general accounts)	**342**	184
	964,344	957,924
Liabilities		
Accrued liabilities and other payables	**455**	455
Amounts due to subsidiaries	**328,271**	323,273
	328,726	323,728
Net assets	**635,618**	634,196
Capital and reserves		
Share capital	**78,382**	70,765
Reserves	**557,236**	563,431
Total equity	**635,618**	634,196

Appendix I — Investment Properties

Held as at 31 December 2011

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 602 on Level 5, Maison des artiste, No.16 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	1,160	The property is vacant
Room 802 on Level 7, Maison des artiste, No.16 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	1,160	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				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	**1,334,440**	1,294,203	705,480	324,651	666,378
(Loss) profit before taxation	**(24,270)**	73,120	(6,784)	(81,924)	204,611
Taxation charge	**(7,694)**	(8,185)	(13,848)	(4,294)	(28,825)
(Loss) profit for the year from continuing operations	**(31,964)**	64,935	(20,632)	(86,218)	175,786
Discontinued operations					
(Loss) profit for the year from discontinued operations	**—**	—	—	—	30,904
	(31,964)	64,935	(20,632)	(86,218)	206,690
Attributable to:					
Owners of the Company	**(41,090)**	63,390	(22,075)	(99,595)	207,779
Non-controlling interests	**9,126**	1,545	1,443	13,377	(1,089)
	(31,964)	64,935	(20,632)	(86,218)	206,690

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**114,306**	188,909	202,275	108,164	24,787
Goodwill	**2,661**	2,661	2,661	4,933	4,933
Intangible assets	**321,059**	321,059	321,059	11,062	12,392
Other non-current assets	**281,283**	268,685	254,333	254,890	253,089
Current assets	**2,170,392**	1,957,617	1,750,699	1,348,209	2,331,716
Total assets	**2,889,701**	2,738,931	2,531,027	1,727,258	2,626,917
Current liabilities	**1,839,965**	1,695,730	1,638,501	981,713	1,727,551
Non-current liabilities	**88,642**	98,458	99,856	39,490	—
Total liabilities	**1,928,607**	1,794,188	1,738,357	1,021,203	1,727,551
Net assets	**961,094**	944,743	792,670	706,055	899,366
Non-controlling interests	**33,363**	20,313	17,752	16,762	1,001

Note: During the year ended 31 December 2007, the Group entered into a sale and purchase agreement with Net2Gather to dispose of Netfield Group, which carried out the Group's game service and operations. Accordingly, the disposed group is regarded as discontinued operations and its results in prior year are separately shown.

Definitions

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

"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 Asset Management"	CASH Asset Management Limited, a company incorporated with limited liability in Hong Kong 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 Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial shareholder of Net2Gather and an associate of Mr Kwan Pak Hoo Bankee
"CASH Wealth Management"	CASH Wealth Management Limited, a company incorporated with limited liability in Hong Kong 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 with limited liability in Hong Kong 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 with limited liability in Hong Kong 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 with limited liability in Hong Kong 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 Code on Corporate Governance Practices as contained in the Listing Rules
"CG Report"	the corporate governance report of the Company covering the year ended 31 December 2011 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 Net2Gather; 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
"Connected Clients"	Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard (executive directors of each of the Company and Net2Gather), Mr Chan Chi Ming Benson and Mr Cheng Man Pan Ben (executive Directors of the Company), Cash Guardian (a substantial shareholder of Net2Gather), and Libra Capital Management (HK) Limited and Cashflow Credit Limited (wholly-owned subsidiaries of Net2Gather and substantial Shareholders of the Company), 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
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"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 2012, details of which are disclosed in 2(a) under the sub-section headed "Continuing connected transactions" in the Directors' report
"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
"Net2Gather"	Net2Gather (China) Holdings Limited (formerly known as "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
"Net2Gather Group"	Net2Gather and its subsidiaries, not including the Group
"PRC"	the People's Republic of China
"Principles"	a set of corporate governance principles adopted by the Board
"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)
"Share(s)"	ordinary shares of HK$0.02 each in the share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the special general meeting of the Company held on 22 February 2008, which took effect on 3 March 2008
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

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