中金投集团

China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Stock code: 605)

Annual Report 2012

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Tao Ye
Mr. Liu Hui
Madam Lo Wan

Independent Non-Executive Directors

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

COMPANY SECRETARY

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

AUDITORS

CCIF CPA Limited

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS

Bank of Communications
Huaxia Bank

SHARE REGISTRARS

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

PUBLIC RELATIONS

Porda Havas International Finance Communications Group
Unit 2009-2018, 20/F,
Shui On Centre, 6-8 Harbour Road,
Wanchai, Hong Kong

REGISTERED OFFICE

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

STOCK CODE: 605

WEBSITE

www.cfsh.com.hk

Cheung Siu Lam
Chairman

On behalf of the board of directors (the "Board" or the "Directors") of China Financial Services Holdings Limited ("CFS" or the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present to the shareholders the annual results of CFS for the twelve months ended 31 December 2012 (the "Year").

In 2012, the Group once again delivered impressive performance with its results achieving a remarkable increase as compared with those of last year. During the Year, the Group recorded a turnover of HK$300.601 million, representing a significant increase of 155.4% as compared with HK$117.677 million of last year. Profit attributable to owners of the Company recorded a significant growth of 343.3% to HK$254.0 million as compared to HK$57.3 million of last year. Such a remarkable performance achieved by the Group was mainly attributable to the revenue growth generated from the various short-term financing businesses provided by the Group, and the contribution gain of disposing the convenience stores business during the Year.

Since acquiring the financial service business in 2011, by leveraging on its professional and experienced operation management and risk control teams, the Group closely grasped the increasing demand of small and medium-sized enterprises for non-bank financial services in the market, successfully facilitated a rapid growth in its business, further expanded its market share, and thereby consolidated its foundation of business development. To complement with its future development and resources deployment optimization, the Group disposed of the 72% equity interests of its chain convenience stores business by the end of 2012, and the corresponding proceeds from such disposal was applied to support the continuous growth of its short-term financing business. As such, the Group has become a comprehensive financial services provider focusing on financing small and medium-sized enterprises, and is committed to providing short-term financing, loan guarantee and relevant financing consulting services for small and medium-sized enterprises.

Chairman's Statement

Currently, the Group has obtained various licences, including pawn loan licence, small credit licence and loan guarantee licence, and intends to apply for other licences in financial services to further expand its scope of financial services and enrich its products portfolio to meet the different financing needs of domestic small and medium-sized enterprises. With the wide recognition from domestic financial institutions, the Group successfully issued a Trust Development Fund for Small and Medium-sized Enterprises in the size of RMB500 million jointly with 華澳信託, so as to develop together the loan business for small and medium-sized enterprises. The first phase of such development fund totaling RMB100 million will be formally established in March 2013, thereby opening up a new channel for the Group in capital co-operation.

In 2012, despite a slowdown in China economic growth, the financing demand of small and medium-sized enterprises had maintained a robust trend. According to the forecast of a market research, the total financing demand of small and medium-sized enterprises in the Beijing region was up to more than RMB300 billion, but the proportion of financing obtained by small and medium-sized enterprises from the traditional banking system was less than 30%. On such basis, only in Beijing region, the demand gap in financial services for small and medium-sized enterprises was up to RMB210 billion. The Group has the biggest non-banking loan team in the Beijing region, and it will closely grasp the opportunities in this market segment, focusing on the management of resources and capital to continue expanding its business.

In 2013, we will continue to maintain a sound operation principle, actively expand the scale of capital management, improve the operational efficiency and profitability, and promote the continuous growth of our business and profit. At the same time, we will further perfect our property assets management and disposition team, enhance the asset assessment and risk management capability. We will control asset quality from direct assessment, collateral valuation, loan approval and post-credit management perspectives to minimize our risks and ensure the security of our capital. Furthermore, the Group will intensify the development of professional market, and enhance the communication and co-operation with banks to secure more development opportunities in the financing service business. By leveraging on our extensive industry experience, we are confident to provide more solutions to our clients, and strengthen and extend the existing businesses to escalate the overall profitability level, and thereby achieving the long-term development targets of the Group.

On behalf of the Board, I would like to thank our shareholders for their continued confidence and support, and would like to take this opportunity to sincerely thank our board of directors, management team and every member of the dedicated staff for their hard work and significant contribution in the previous year. In the coming year, we will continue to work diligently, and endeavour to achieve outstanding performance to bring more fruitful returns to our shareholders.

Cheung Siu Lam
Chairman

Hong Kong, 27 March 2013

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the year ended 31 December 2012.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board currently comprises eight members, consisting of two executive directors, three non-executive directors and three independent non-executive directors.

The Board comprises the following directors:

Executive Directors:

Cheung Siu Lam *(Chairman)* *
Chan Yuk Ming *(Vice-chairman)*

Non-executive Directors:

Tao Ye
Lo Wan +
Liu Hui

Independent Non-executive Directors:

Wang Jian Sheng ★+•
Chan Chun Keung ★+•
Tsang Kwok Wai ♦#•

♦ *Audit Committee Chairman*
★ *Audit Committee Members*
Remuneration Committee Chairman
+ *Remuneration Committee Members*
* *Nomination Committee Chairman*
• *Nomination Committee Members*

The biographical information of the directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 20 of the annual report for the year ended 31 December 2012.

The relationships between the members of the Board are disclosed under Biographical Details of Directors and Senior Management" on pages 17 and 18.

Chairman and Chief Executive Officer

The Chairman of the Board is Cheung Siu Lam, and the Chief Executive Officer is Luo Rui. With the support of the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

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

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

Independent Non-executive Directors

During the year ended 31 December 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the non-executive directors of the Company is engaged on a service contract for a term of one year. The appointment may be terminated by not less than two months' written notice.

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

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

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2012, a summary of training received by directors according to the records provided by the directors is as follows:

Director	Training on Corporate Governance, Regulatory Development and Other Relevant Topics
Executive Directors	
Cheung Siu Lam	✓
Chan Yuk Ming	✓
Non-executive Directors	
Tao Ye	✓
Lo Wan	✓
Liu Hui	✓
Independent Non-executive Directors	
Wang Jian Sheng	✓
Chan Chun Keung	✓
Tsang Kwok Wai	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2012 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and senior management and other related matters.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive directors, and to consider the qualifications of the retiring directors standing for election at the annual general meeting.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary. The Board met three times during the year ended 31 December 2012 for approving the final results for the year ended 31 December 2011 and interim results for the period ended 30 June 2012 and transacting other business.

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2012 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**
Cheung Siu Lam	2/3	1/1	–	–	1/1
Chan Yuk Ming	1/3	–	–	–	0/1
Tao Ye*	1/3	–	–	–	0/1
Lo Wan	3/3	–	1/1	–	1/1
Liu Hui	1/3△	–	–	–	0/1+
Wang Jian Sheng	2/3△	1/1	1/1	1/2	0/1+
Chan Chun Keung	2/3△	1/1	1/1	1/2	1/1
Tsang Kwok Wai	3/3	1/1	1/1	2/2	1/1

* *Re-designated from executive director to non-executive director on 11 December 2012.*

△ *Mr Liu, the non-executive director of the Company, Mr Wang and Mr Chan, the independent non-executive directors of the Company, did not attend all regular board meetings of the Company because of their job arrangement.*

\+ *Mr Liu and Mr Wang, the non-executive director and the independent non-executive director of the Company, did not attend the annual general meeting of the Company because of their job arrangement.*

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 30 and 31.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the auditors of the Company, is set out below:

Service Category	Fees Paid/ Payable HK$
Audit Services	1,092,524
Non-audit Services	
– Services rendered in relation to a major disposal on 26 November 2012	135,721
	1,228,245

INTERNAL CONTROLS

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Board on requisition of shareholders holding not less than one-twentieth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) (the "Companies Ordinance"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionists and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in section 113 of the Companies Ordinance for convening an extraordinary general meeting.

Putting Forward Proposals at General Meetings

Pursuant to Section 115A of the Companies Ordinance, shareholders representing not less than one-fortieth of the total voting rights of all shareholders; or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000, may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in Section 115A of the Companies Ordinance for putting forward a proposal at a general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Suite 5606, 56/F, Central Plaza,18 Harbour Road, Wan Chai, Hong Kong (For the attention of the Company Secretary)
Fax:	(852) 2598 8305
Email:	info@cfsh.com.hk

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees and the Board, will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year under review, the Company has amended its Articles of Association. Details of the amendments are set out in the circular dated 25 April 2012 to the shareholders. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

On behalf of the Board
Cheung Siu Lam
Chairman

BUSINESS REVIEW

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

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

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

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

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

Disposal of Convenience Store Business

On 26 November 2012, the Company's indirect wholly-owned subsidiary, K.P.B. Marketing Limited entered into the Sale and Purchase Agreement with MSPEA CVS Holding B.V. to sell the entire share capital of Idea Thrive Limited for a consideration of RMB58,098,218. Together with a receivable of approximately RMB49,900,000 to be received before 30 June of 2013, the total consideration for the disposal of convenience store business was about RMB107,998,000. Idea Thrive Limited and its subsidiaries carried on convenience store business under the brand name "Hi-24" or "好鄰居連鎖便利" in the PRC.

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

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



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

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

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

Prospects

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

FINANCIAL REVIEW

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

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

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

Finance Costs

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

Financial Resources and Capital Structure

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

Liquidity and Gearing Ratio

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

Fair Value Estimation

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

Employee and Remuneration Policies

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

MR CHEUNG SIU LAM, aged 54, is a co-founder and Chairman of the Group. Before establishing the Group, Mr Cheung worked for Beijing Machinery Import & Export Company for many years. Mr Cheung has extensive experience in trading and retailing business in the People's Republic of China ("PRC"). Mr Cheung is responsible for the overall strategic planning and corporate development of the Group. Mr Cheung is the Chairman of the Nomination Committee of the Company.

Mr Cheung is the spouse of Madam Lo Wan, the non-executive director of the Company. Save as disclosed above, Mr Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

MR CHAN YUK MING, aged 54, is the Vice-Chairman of the Group. Mr Chan graduated from the Hangzhou Institute of Business, following which he worked in the accounting department of the Ministry of Commerce. He joined the Group in 1985 and is responsible for business development of the Group.

Mr Chan does not have any relationship with any other directors, senior management or substantial, or controlling shareholders of the Company.

NON-EXECUTIVE DIRECTORS

MR TAO YE, aged 40, joined the Group in January 2004. He was appointed as an executive director on 15 July 2011 and re-designated from executive director to non-executive director on 11 December 2012. Mr Tao graduated in Peking University in 1995 and obtained a Bachelor Degree in Science and a certificate in Law. Mr Tao further obtained a Master Degree in Science from Peking University in 1998 and a Master Degree in Business Administration from the Guanghua School of Management of Peking University in 2001. He has extensive experience in strategic planning, business administration and corporate management and possesses unparalleled strength in the areas of overall corporate structuring as well as risk management over various business and operations.

Mr Tao does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

MR LIU HUI, aged 56, is graduated from Beijing University of International Business and Economics and Westminster University of UK. Mr Liu has over 30 years of experience in advising and investing in the PRC, especially in the retail and consumer sectors. Mr Liu co-founded the US$165 million China Retail Fund, LDC with American International Group, Inc in 1996. He is currently an independent non-executive director of China-Hong Kong Photo Products Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and Gold One International Limited (a company listed on the Australian Securities Exchange and the Johannesburg Stock Exchange). Mr Liu was a non-executive director of ARC Capital Holdings Limited (a closed-end fund listed on the AIM market of the London Stock Exchange) until 31 January 2012. Mr Liu joined the Group in October 2007.

Mr Liu does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

MADAM LO WAN, aged 51, joined the Group in 1989 and re-designated from executive director to non-executive director on 15 July 2011. Prior to joining the Group, she worked for a PRC trading company. Madam Lo is also a member of the Remuneration Committee of the Company.

Madam Lo is the spouse of Mr Cheung Siu Lam, the Chairman of the Group. Save as disclosed above, Madam Lo does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR WANG JIAN SHENG, aged 60, graduated from Luoyang Industrial Institution (currently known as Henan Technology University) with a degree in engineering. He has been involved in industrial businesses for more than 27 years and has worked in the Project Department of China Everbright Industrial Company for four years. Mr Wang is the chairman of Strong Petrochemical Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited). Mr Wang joined the Group in 1996. Mr Wang is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr Wang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

MR CHAN CHUN KEUNG, aged 62, joined the Group in November, 2000. Mr Chan has extensive experience in trading and investment in the PRC and is currently the vice-chairman of the Fukien Chamber of Commerce in Hong Kong and a committee member of the Foreign Investment Enterprises Association in the PRC. Mr Chan is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr Chan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

MR TSANG KWOK WAI, aged 43, joined the Group in May 2007. He is a fellow member of the Hong Kong Institute of Certified Public Accountants; The Association of Chartered Certified Accountants; and The Taxation Institute of Hong Kong. Mr Tsang is also an independent non-executive director of Century Ginwa Retail Holdings Limited and ABC Communications (Holdings) Limited (from 18 September 2008 to 28 January 2011) (both companies listed on The Stock Exchange of Hong Kong Limited). At present, Mr Tsang runs his own firm and practices public accounting. He is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Mr Tsang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

SENIOR MANAGEMENT

MR LUO RUI, aged 45, is the chief executive officer of the Group and is responsible for the overall business development and daily operation of the Group. Mr Luo graduated with a Bachelor and Master's degree in Building Construction of Xi'an University of Architecture and Technology（西安建築科技大學）. Mr Luo has over 16 years of experience and a proven track record in commercial real estate investment and financing, assets acquisition, project development, market development and corporate management. Mr Luo has been the chief architect and deputy general manager of a property developer in Hainan and the deputy general manager of a property management company in Beijing. Mr Luo has extensive networks with senior management of property developers, major commercial banks and local authorities in Beijing. He is currently a councilor of the Beijing Guarantee Association（北京市擔保協會）, the Beijing Association of Small and Medium Enterprises（北京市中小企業協會）, the Beijing Association of Pawn Business（北京市典當協會）and the Beijing Microcredit Association（北京市小額貸款協會）. He joined the Group in June 2011.

MS GUAN XUE LING, aged 39, is the executive Vice President of the Group. Ms Guan has over 11 years of strategic decision making and practical experiences in listed companies auditing, corporate merger and acquisition, equity acquisition, transfer as well as project investment and financing.

Ms Guan joined the Group in June 2011, mainly responsible for risk management, accounting affairs and treasury management of the Group.

Ms Guan successively held the posts of quality control manager, auditing manager, assessment manager, chief auditor and head of the auditing department in domestic accounting firms, large state-owned enterprises, large private companies and foreign-invested companies. She is familiar with accounting and valuation standards. During her years with accounting firms, she had participated in the auditing work of a number of large state-owned enterprises, foreign-invested enterprises and private enterprises, such as China Resources Land, Sinobo Group and Suning Corporation. She also participated in various IPOs audit and internal audit, such as BBMG Corporation, Enlight Media and Ningxia Yellow River Rural Commercial Bank. She had led and participated in various auditing projects spanning across the real estate, manufacturing, media, retail, logistic and finance sectors and has extensive experiences in financial auditing and internal auditing.

Ms Guan graduated from Capital University of Economics and Business with a Postgraduate Degree in Business Administration. She is also a certified public accountant, a qualified asset appraiser in the PRC and a party member of China Democratic National Construction Association.

MR SUN YU, aged 44, is the executive Vice President of the Group. Mr Sun has more than 11 years of experiences in special project investment and over 6 years of experiences in bank credit guarantee and pawn business operation.

Mr Sun joined the Group in 2009, mainly responsible for daily management of the sales team. Mr Sun was the general manager of the business division of 北京寶瑞通典當行. He has extensive practical experiences in the extension of loans of non-bank financial institutions, especially in relation to loan using real estate as collateral. He had led his team successfully accomplished 70 loan transactions with aggregate size exceeding RMB1.5 billion. Before that, Mr Sun had participated in and led a number of investment projects in different industries, including investment and merger and acquisition in new energy, medical, pharmaceutical, catering, home appliance, electronic and environmental industries. In addition, Mr Sun also served as the sales manager of the Beijing branch of Shanghai Dalu Futures Company Limited, mainly to deal with futures and securities investment.

Mr Sun graduated from Tsinghua University in 1991.

MR LU WEI JUN, aged 39, is the general manager of financial guarantee business of the Group. Mr Lu has approximately 20 years of working experience in banks and non-bank financial insitutions and has 10 years of practical experience in loan guarantee industry. Mr Lu is responsible for the Group's loan guarantee business. Mr Lu graduated with a Bachelor degree in Law of Minzu University of China. Mr Lu joined the Group in 2012.

MR CHUNG CHIN KEUNG, aged 45, is the company secretary and financial controller of the Group. He joined the Group in October, 2004. Mr Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. He has more than 20 years of experience in finance, accounting and management. Before joining the Group, Mr Chung worked for various listed companies in Hong Kong and overseas and was a company secretary for a listed company in Hong Kong. Mr Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales and a member of The Taxation Institute of Hong Kong.

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries, are set out in note 15 to the financial statements respectively.

SEGMENT INFORMATION

An analysis of the Group's segment revenue, results, assets and liabilities for the year ended 31 December 2012 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 36. The directors recommend the payment of a final dividend of HK1 cent per share for year ended 31 December 2012 (2011: Nil).

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 37 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year, together with the reasons therefore, are set out in notes 35 and 36 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

Profit for the year attributable to owners of the Company of HK$254,039,000 (2011: HK$57,302,000) has been transferred to reserves. As at 31 December 2012, the Company's reserve available for distribution to shareholders amounted to approximately HK$199,540,000 (2011: HK$121,324,000) in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

The Group is principally engaged in retail business and provision of short term financing services. The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's revenue and purchases respectively during the year.

As far as the directors are aware, neither the directors, their associates nor any shareholder of the Company (which, to the best of knowledge of the directors, owns more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

Report of the directors

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive Directors

Cheung Siu Lam *(Chairman)*
Chan Yuk Ming *(Vice-chairman)*

Non-Executive Directors

Tao Ye (re-designated on 11 December 2012)
Liu Hui
Lo Wan

Independent Non-Executive Directors

Wang Jian Sheng
Chan Chun Keung
Tsang Kwok Wai

According to Article 105(A) of the Company's Articles of Association, Mr Cheung Siu Lam, Mr Chan Yuk Ming and Mr Liu Hui shall retire by rotation at the annual general meeting, and being eligible, will offer themselves for re-election at the annual general meeting. The directors of the Company, including the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

DIRECTORS' SERVICE CONTRACTS

The non-executive director, Mr Liu Hui and the independent non-executive director, Mr Tsang Kwok Wai, have entered into a service contract with the Company for one year commencing on 8 October 2007 and 28 May 2007 respectively and is subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Other independent non-executive directors, namely Mr Wang Jian Sheng and Mr Chan Chun Keung entered into service contracts with the Company respectively for a term of one year commencing on 9 September 2004 and are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Either party may terminate the contract by giving not less than two months' notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period. Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2012, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies ("Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Underlying Shares Interested *(Note 1)*	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital
Cheung Siu Lam	Beneficial owner of 1,710,044,240 ordinary shares and 11,000,000 underlying shares, family interest of 236,108,000 ordinary shares and 11,000,000 underlying shares *(Note 2)* and interest in controlled corporation of 86,400,000 ordinary shares *(Note 3)*	2,032,552,240	22,000,000	68.55%
Lo Wan	Beneficial owner of 236,108,000 ordinary shares and 11,000,000 underlying shares, family interest of 1,710,044,240 ordinary shares and 11,000,000 underlying shares *(Note 4)* and interest in controlled corporation of 86,400,000 ordinary shares *(Note 3)*	2,032,552,240	22,000,000	68.55%
Chan Yuk Ming	Beneficial owner	10,000,000	12,000,000	0.73%
Tao Ye	Beneficial owner	0	7,000,000	0.23%

Notes:

1. The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.

2. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 236,108,000 ordinary shares and 11,000,000 underlying shares held by Lo Wan.

3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.

4. By virtue of the SFO, Lo Wan is deemed to be interested in 1,710,044,240 ordinary shares and 11,000,000 underlying shares held by Cheung Siu Lam.

Long Positions in Shares and Underlying Shares of Associated Corporation

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

Save as disclosed above, none of the directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of Part XV of the SFO as at 31 December 2012.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' Interests in Share Capital" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

INTERESTS IN SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the following companies and person were interested in more than 5% of the issued share capital of the Company according to the register kept by the Company under Section 336 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares held	Underlying Shares Interested	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital
Cheung Siu Lam	Beneficial owner of 1,710,044,240 ordinary shares and 11,000,000 underlying shares, family interest of 236,108,000 ordinary shares and 11,000,000 underlying shares and interest in controlled corporation of 86,400,000 ordinary shares	2,032,552,240	22,000,000	68.55%
Lo Wan	Beneficial owner of 236,108,000 ordinary shares and 11,000,000 underlying shares, family interest of 1,710,044,240 ordinary shares and 11,000,000 underlying shares and interest in controlled corporation of 86,400,000 ordinary shares	2,032,552,240	22,000,000	68.55%

Save as disclosed above, no person had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under Section 336 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 7 June 2004 (the "New Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

A summary of the New Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity; any person or entity that provides technical, financial and legal support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
Total number of ordinary shares available for issue under the New Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	172,590,233 ordinary shares and 5.76% of the existing issued share capital.
Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting.

Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000,

such grant or further grant of options must be approved by the shareholders in a general meeting.

Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the New Scheme.
Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1.00 being payable by the grantee.
Basis of determining the exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options; and (iii) the nominal value of the Company's shares.
The remaining life of the New Scheme	The New Scheme remains in force until 6 June 2014.

During the year under review, no share options were granted. Details of the share options granted under the New Scheme are as follows:

As at 31 December 2012, the executive directors, non-executive directors and employees of the Group have the following interests under the New Scheme.

Director	Date of Offer	Exercise Price HK$	Outstanding at 1.1.2012	Granted During the Year	Exercised During the Year	Lapsed During the Year	Outstanding at 31.12.2012	Exercise Period	Closing Price of the Securities Immediately before the Date on Which the Options were Offered HK$
Cheung Siu Lam	04.10.07	0.479	10,000,000	–	–	–	10,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	1,000,000	–	–	–	1,000,000	22.10.10 – 21.10.20	0.360
Lo Wan	04.10.07	0.479	10,000,000	–	–	–	10,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	1,000,000	–	–	–	1,000,000	22.10.10 – 21.10.20	0.360
Chan Yuk Ming	04.10.07	0.479	10,000,000	–	–	–	10,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	2,000,000	–	–	–	2,000,000	22.10.10 – 21.10.20	0.360
Tao Ye	04.10.07	0.479	5,000,000	–	–	–	5,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	2,000,000	–	–	–	2,000,000	22.10.10 – 21.10.20	0.360
Employees in aggregate	04.10.07	0.479	28,000,000	–	–	–	28,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	28,000,000	–	–	–	28,000,000	22.10.10 – 21.10.20	0.360

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

The Company has not redeemed any of its listed securities during the year ended 31 December 2012. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

RETIREMENT SCHEMES

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year.

AUDITOR

The financial statements have been audited by CCIF CPA Limited, Certified Public Accountants, who will retire at the conclusion of the forthcoming annual general meeting of the Company.

On 27 March 2013, the Board resolved to propose the appointment of Crowe Horwath (HK) CPA Limited, as the auditor of the Company to fill the vacancy to be left by the retirement of CCIF CPA Limited. A resolution will be submitted to the shareholders at the forthcoming annual general meeting of the Company to appoint Crowe Horwath (HK) CPA Limited as the auditor of the Company.

On behalf of the board

Cheung Siu Lam
Chairman

Hong Kong, 27 March 2013

CCIF
CCIF CPA LIMITED
9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA FINANCIAL SERVICES HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Financial Services Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 32 to 127 which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 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. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, 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 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit 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 Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2013

Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	**2012 HK$'000**	2011 HK$'000 (Restated)
Continuing operations			
Turnover	*3*	**300,601**	117,677
Other revenue	*3*	**14,867**	10,105
Other net income	*3*	**19,093**	5,288
Administrative expenses		**(72,891)**	(55,342)
Profit from operations		**261,670**	77,728
Finance costs	*6*	**(8,245)**	(1,415)
Profit before taxation from continuing operations	*5*	**253,425**	76,313
Income tax	*8(a)*	**(68,218)**	(23,357)
Profit for the year from continuing operations		**185,207**	52,956
Discontinued operations			
Profit for the year from discontinued operations	*9*	**2,208**	6,419
Gain on disposal of a subsidiary	*9*	**68,234**	–
		70,442	6,419
Profit for the year		**255,649**	59,375
Other comprehensive (loss)/income, net of nil income tax			
Exchange differences on translation of financial statements of overseas subsidiaries		**(13,007)**	18,438
Change in fair value of available-for-sale financial assets		**3,336**	(5,041)
Other comprehensive (loss)/income for the year, net of nil income tax		**(9,671)**	13,397
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**245,978**	72,772

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Profit for the year attributable to:			
Owners of the Company		**254,039**	57,302
Non-controlling interests		**1,610**	2,073
		255,649	59,375
Profit attributable to owners of the Company arising from:			
– Continuing operations		**184,215**	52,680
– Discontinued operations		**69,824**	4,622
		254,039	57,302
Total comprehensive income attributable to:			
Owners of the Company		**244,175**	70,430
Non-controlling interests		**1,803**	2,342
		245,978	72,772
Total comprehensive income attributable to owners of the Company arising from:			
– Continuing operations		**174,351**	65,808
– Discontinued operations		**69,824**	4,622
		244,175	70,430
Earnings per share *(in HK cent)*	*12*		
From continuing and discontinued operations			
– Basic		**HK8.476 cents**	HK2.373 cents
– Diluted		**HK8.453 cents**	HK2.367 cents
From continuing operations			
– Basic		**HK6.147 cents**	HK2.182 cents
– Diluted		**HK6.129 cents**	HK2.176 cents

The notes on pages 40 to 127 form an integral part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	*13*	**10,732**	11,368
Intangible assets	*14*	**–**	385
Goodwill	*16*	**622,703**	622,703
Available-for-sale investments	*17*	**55,359**	65,348
		688,794	699,804
Current assets			
Inventories	*23*	**–**	20,777
Forfeited collateral held for sale	*24*	**638**	–
Accounts receivable	*18*	**25,388**	8,012
Consideration receivable from disposal of a subsidiary	*39*	**61,543**	–
Interests receivable	*19*	**5,533**	6,283
Short-term loans receivables	*20*	**1,071,318**	809,596
Financial assets at fair value through profit or loss	*22*	**–**	3,898
Other receivables, deposits and prepayments	*25*	**210,967**	38,610
Security deposits	*21*	**10,923**	18,503
Tax recoverable	*8(d)*	**–**	268
Cash and cash equivalents	*27*	**313,460**	187,239
		1,699,770	1,093,186
Assets classified as held-for-sale	*41*	**–**	73,959
		1,699,770	1,167,145
Current liabilities			
Accounts payable	*28*	**–**	45,605
Other payables, deposits received and accruals	*29*	**189,652**	143,569
Deferred income	*33*	**–**	16,275
Short-term borrowings	*31*	**308,103**	–
Bank loans	*32*	**3,700**	49,175
Liabilities arising from loan guarantee contracts	*30*	**1,111**	1,851
Tax payable	*8(d)*	**44,177**	35,011
		546,743	291,486
Net current assets		**1,153,027**	875,659
Total assets less current liabilities		**1,841,821**	1,575,463
Non-current liabilities			
Bank loans	*32*	**20,966**	–
Deferred tax liabilities	*34*	**10,964**	8,185
		31,930	8,185
NET ASSETS		**1,809,891**	1,567,278

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Share capital	*35*	**299,700**	299,700
Reserves	*37*	**1,480,823**	1,236,648
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,780,523**	1,536,348
Non-controlling interests	*37*	**29,368**	30,930
TOTAL EQUITY		**1,809,891**	1,567,278

The consolidated financial statements on pages 32 to 127 were approved and authorised for issue by the board of directors on 27 March 2013 and are signed on its behalf by:

Cheung Siu Lam
Director

Chan Yuk Ming
Director

The notes on pages 40 to 127 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	*13*	**3,020**	91
Interests in subsidiaries	*15*	**63,669**	14,269
		66,689	14,360
Current assets			
Other receivables, deposits and prepayments	*25*	**1,227**	2,095
Amounts due from subsidiaries	*26*	**1,378,956**	1,308,849
Cash and cash equivalents	*27*	**81,233**	24,599
		1,461,416	1,335,543
Current liabilities			
Other payables, deposits received and accruals	*29*	**38,326**	13,325
Amounts due to subsidiaries	*26*	**102,740**	27,755
		141,066	41,080
Net current assets		**1,320,350**	1,294,463
Total assets less current liabilities		**1,387,039**	1,308,823
NET ASSETS		**1,387,039**	1,308,823
EQUITY			
Equity attributable to owners of the Company			
Share capital	*35*	**299,700**	299,700
Reserves	*37*	**1,087,339**	1,009,123
TOTAL EQUITY		**1,387,039**	1,308,823

Approved and authorised for issue by the board of directors on 27 March 2013 and are signed on its behalf by:

Cheung Siu Lam
Director

Chan Yuk Ming
Director

The notes on pages 40 to 127 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

				Other comprehensive income						
	Share capital	Share premium	Share-based compensation reserve	Exchange fluctuation reserve	Fair value reserve	Statutory surplus reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	174,600	290,487	22,333	11,496	2,290	611	264,012	765,829	8,313	774,142
Exchange adjustment	–	–	–	18,169	–	–	–	18,169	269	18,438
Profit for the year	–	–	–	–	–	–	57,302	57,302	2,073	59,375
Fair value adjustment for financial assets	–	–	–	–	(5,041)	–	–	(5,041)	–	(5,041)
Total comprehensive income	–	–	–	18,169	(5,041)	–	57,302	70,430	2,342	72,772
Transfer to reserve	–	–	–	–	–	8,576	(8,576)	–	–	–
Shares issued through acquisition of subsidiaries	125,000	574,980	–	–	–	–	–	699,980	–	699,980
Increase in non-controlling interests arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	20,153	20,153
Equity settled share-based transactions	100	475	(216)	–	–	–	–	359	–	359
Expense incurred on issuing of new shares	–	(250)	–	–	–	–	–	(250)	–	(250)
Pre-acquisition dividend	–	–	–	–	–	–	–	–	122	122
As 31 December 2011 and 1 January 2012	299,700	865,692	22,117	29,665	(2,751)	9,187	312,738	1,536,348	30,930	1,567,278
Exchange adjustment	–	–	–	(13,200)	–	–	–	(13,200)	193	(13,007)
Profit for the year	–	–	–	–	–	–	254,039	254,039	1,610	255,649
Fair value adjustment	–	–	–	–	3,336	–	–	3,336	–	3,336
Total comprehensive income	–	–	–	(13,200)	3,336	–	254,039	244,175	1,803	245,978
Pre-acquisition dividend paid	–	–	–	–	–	–	–	–	(778)	(778)
Transfer to reserve	–	–	–	–	–	8,773	(8,773)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(2,587)	(2,587)
As 31 December 2012	299,700	865,692	22,117	16,465	585	17,960	558,004	1,780,523	29,368	1,809,891

The notes on pages 40 to 127 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Operating activities			
Profit for the year			
– Continuing operations		**185,207**	52,956
– Discontinued operations		**70,442**	6,419
Adjustments for			
Income tax expense recognised in profit or loss			
– Continuing operations	*8(a)*	**68,218**	23,357
– Discontinued operations	*9*	**351**	2,139
Depreciation of property, plant and equipment	*13*	**4,087**	760
Gain on disposal of property, plant and equipment	*3*	**(6,189)**	–
Gain on disposal of available-for-sale investments	*3*	**(5,239)**	(3,191)
Written off of property, plant and equipment		**–**	202
Impairment loss for short-term loans receivables	*20(b)*	**366**	1,535
Reversal of provision of impairment loss for short-term loans receivables	*20(b)*	**(35)**	–
Interest income	*3*	**(1,039)**	(1,415)
Finance costs	*6*	**8,245**	1,018
Dividend income from listed investments	*3*	**(1,274)**	(939)
Gain on disposal of a subsidiary	*39*	**(68,234)**	–
Amortisation of intangible assets	*14*	**9**	18
		254,915	82,859
Changes in working capital			
(Increase)/decrease in inventories		**(4,430)**	14,804
Increase in forfeited collateral held for sale		**(638)**	–
(Increase)/decrease in accounts receivable		**(23,347)**	4,783
Decrease/(increase) in interests receivable		**750**	(5,428)
Increase in short-term loans receivables		**(262,053)**	(564,983)
Decrease in financial assets at fair value through profit or loss		**3,898**	31,660
(Increase)/decrease in other receivables, deposits and prepayments		**(124,153)**	174,193
Increase in amounts due from related parties		**(128,504)**	–
Decrease/(increase) in security deposits		**7,580**	(18,503)
Decrease in accounts payable		**(18,932)**	(8,894)
Increase in other payables, deposits received and accruals		**70,378**	77,774
Increase in amount due to a related company		**1,036**	–
(Decrease)/increase in deferred income		**(16,275)**	15,886
(Decrease)/increase in liabilities arising from loan guarantee contracts		**(740)**	1,376
Cash used in operations		**(240,515)**	(194,473)
Taxation paid			
– PRC enterprise income tax	*8(d)*	**(52,265)**	(9,295)
– Hong Kong Profits Tax	*8(d)*	**(105)**	–
Taxation refund			
– PRC enterprise income tax	*8(d)*	**224**	–
Net cash used in operating activities		**(292,661)**	(203,768)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Investing activities			
Purchase of property, plant and equipment	*13*	**(5,640)**	(8,461)
Purchase of available-for-sale investments		**(15,111)**	(30,925)
Proceeds from sale of available-for-sale investments		**30,339**	12,221
Proceeds on disposal of a subsidiary, net of cash disposed	*39*	**64,539**	–
Proceeds on disposal of an investment property		**61,454**	–
Interest received	*3*	**1,039**	1,415
Proceeds from issue of shares		**–**	89
Dividend received from listed investment	*3*	**1,274**	939
Acquisition of subsidiaries, net of cash acquired	*40*	**–**	45,453
Proceeds on disposal of property, plant and equipment		**8,453**	–
Contribution from minority shareholders		**–**	5,844
Net cash inflow from investing activities		**146,347**	26,575
Financing activities			
Interest paid		**(8,245)**	(1,018)
Proceeds from new bank loans		**67,599**	12,152
Proceeds from new short-term borrowings		**308,103**	–
Repayment of bank loans		**(94,144)**	(5,057)
Pre-acquisition dividend paid		**(778)**	–
Net cash inflow from financing activities		**272,535**	6,077
Increase/(decrease) in cash and cash equivalents		**126,221**	(171,116)
Effect of foreign exchange rate changes		**–**	18,401
Cash and cash equivalents at beginning of the year		**187,239**	339,954
Cash and cash equivalents at end of the year	*27*	**313,460**	187,239

The notes on pages 40 to 127 form an integral part of these financial statements.

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suite 5606, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial applications of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of preparation of the financial statements *(continued)*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment properties *(see note 2(g))*;

– financial instruments classified as available-for-sale financial assets or as financial assets at fair value through profit or loss *(see note 2(j))*.

Non-current assets and disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell *(see note 2(x))*.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 45.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Changes in accounting policies

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

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

Amendments to HKFRS 7, Financial Instruments – Disclosures

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

d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset *(see note 2(j))* or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses *(see note 2(k)(i))*, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) *(see note 2(x))*.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– deferred tax asset or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes and* HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree and measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Business combinations *(continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment *(see note 2(k)(ii))*.

On disposal of a cash generating unit during the year, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

g) Investment properties

Investment properties are land and/or a building which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undertermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(iv).

When the Group holds a property interest under an operating lease to earn renal income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance lease.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses *(see note 2(k)(ii))*.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– buildings situated on leasehold land are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;

–	Leasehold improvements	3 years or over the remaining term of the lease, if shorter
–	Furniture and equipment	3 to 5 years
–	Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Intangible assets

Intangible assets with finite useful lives acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses *(see note 2(k)(ii))*. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The intangible assets in respect of trademarks with finite useful lives are amortised from the date they are available for use and their estimated useful lives of 25 years.

Both of the period and method of amortization are reviewed annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

j) Financial assets

The Group classified its financial assets in the following categories: available-for-sale financial assets, financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the nature and purpose for which the financial assets and is determined at the time of initial recognition.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Financial assets *(continued)*

i) Available-for-sale financial assets

Equity and debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(t)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss as set out in note 2(t)(iii). When these investments are derecognized or impaired *(see note 2(k)(i))*, the cumulative gain or loss is reclassified from equity to profit or loss.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see the accounting policy in respect of impairment loss on financial assets below).

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or when they expire.

ii) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss ("FVTPL") when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Financial assets *(continued)*

ii) Financial assets at fair value through profit or loss (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other net income" line item.

Assets in this category are classified as current assets if expected to be settled within 12 months after the end of reporting period; otherwise, they are classified as non-current.

iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less allowance for impairment of doubtful debts *(see note 2(k)(i))*, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such case, loan and receivables are stated at cost less allowance for impairment of doubtful debts. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Impairment of assets

i) Impairment of investments in equity securities and other financial assets

Investments in equity securities and other current and non-current financial that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

– For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Impairment of assets *(continued)*

i) Impairment of investments in equity securities and other financial assets (continued)

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Impairment of assets *(continued)*

i) Impairment of investments in equity securities and other financial assets (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of financial assets, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against financial assets directly and any amounts held in the allowance account relating to that assets are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Impairment of assets *(continued)*

ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year *(see note 2(k)(i) and (ii))*.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

n) Accounts and other payables

Accounts and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p) Financial guarantees issued, provisions and contingent liabilities

i) Financial guarantees issued

A loan guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A loan guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the loan guarantee contract. Subsequent to initial recognition, the Group measures the loan guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Undue liability provision is recognised at 50% of the guarantee income in the year it is generated.

Guarantee compensation provision is recognised at 1% of the year-end balance of the guarantee liability in the year it arisen.

ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

q) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, and the cost to of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the Black Scholes Option Pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r) Retirement scheme

The Group operates a Mandatory Provident Fund Scheme (the "MFP scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

For the Group's PRC operations participate in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The relevant authorities of the local municipal government in the PRC is responsible for the retirement benefit obligations payable to the Group's retired employees. The Group has no obligation for payment of retirement benefits beyond the annual contribution. The contribution payable is charged as an expense to profit or loss as and when incurred.

s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) *Sale of goods*

Revenue from the sale of merchandise is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the merchandise are delivered to customers and title has passed.

ii) Promotion and store display income, income from leasing of merchandise storage space are recognised according to contract terms and as services are provided.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t) Revenue recognition *(continued)*

iii) Revenue from short term financing services

- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial assets 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 assets to that asset's net carrying amount on initial recognition.

- Loan guarantee service income, consists of guarantee fee and related service income and is recognised in profit or loss on a straight-line basis over the guarantee period.

- Financing consulting service income, which is collected from the customer at the inception of pawn loan and other short term loan, is recognised when the services are rendered.

iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

v) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

vi) Other interest income

Other interest income is recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t) Revenue recognition *(continued)*

vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

viii) Sale of trading securities

Revenue on sale of trading securities is recognised on a trade date basis when the relevant transactions are executed.

u) Foreign currencies

i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

u) Foreign currencies *(continued)*

ii) Transactions and balances (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of foreign operation.

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 the case of 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 all other partial disposals (i.e. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

w) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

x) Non-current assets held for sale

Non-current assets and disposal groups 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 (or disposal group) 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

x) Non-current assets held for sale *(continued)*

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

y) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

z) Forfeited collateral held for sale

Forfeited collateral held for sale consists of forfeited collateral, from moneylending loans not repaid. The forfeited collateral is stated at the lower of cost (moneylending loan principal) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of forfeited collateral held for sale, computed on the specific identification basis, is recorded as a cost of revenue at the time of sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

aa) Related parties

a) A person, or a close member of that person's family, is related to the Group if that person:

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

iii) is a member of the key management personnel of the Group or the Group's parent.

b) An entity is related to the Group if any of the following conditions applies:

i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

vi) The entity is controlled or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. TURNOVER, OTHER REVENUE AND OTHER NET INCOME

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

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

4. SEGMENTAL INFORMATION

a) Operating segment information

The operation of convenience store was discontinued in the current year which is described in more detail in note 9.

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

b) Geographical Information

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

c) Information about major customers

The Group has a very wide customer base, no single customer contributed more than 10% of the Group's revenue for each of the years ended 31 December 2011 and 2012.

5. PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

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

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations		
Depreciation	**4,087**	760
Operating lease payments – land and buildings	**6,410**	32,592
Auditors' remuneration	**1,235**	1,008
Written off of property, plant and equipment	**–**	202
Reversal of impairment loss for short-term loans receivables	**(35)**	–
Impairment loss for short-term loans receivables	**366**	1,535
Staff costs (including directors' remuneration – *note 7*):		
Salaries, allowances and other benefits	**18,785**	14,626
Pension scheme contribution	**2,453**	997
	21,238	15,623

6. FINANCE COSTS

	Group	
	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations		
Interest expenses on bank loans, bank overdrafts and other loans repayable within five years	**501**	1,415
Interest expenses on other borrowings *(note 31)*	**7,744**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**8,245**	1,415

7. DIRECTORS', CHIEF EXECUTIVE'S, SENIOR EXECUTIVES' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Director's remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance and the chief executive's remuneration are as follows:

i) The details of emoluments of every director and the chief executive's remuneration are shown below:

	Year ended 31 December 2012			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Executive directors				
Cheung Siu Lam *(Chairman)*	–	3,847	14	3,861
Chan Yuk Ming *(Vice chairman)*	–	903	14	917
Non-executive directors				
Liu Hui	40	–	–	40
Lo Wan	40	–	–	40
Tao Ye *(note)*	–	539	26	565
Independent non-executive directors				
Wang Jian Sheng	40	–	–	40
Chan Chun Keung	40	–	–	40
Tsang Kwok Wai	80	–	–	80
Chief executive				
Luo Rui	–	111	49	160
	240	5,400	103	5,743

7. DIRECTORS', CHIEF EXECUTIVE'S, SENIOR EXECUTIVES' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION *(continued)*

i) The details of emoluments of every director and the chief executive's remuneration are shown below: *(continued)*

	Year ended 31 December 2011			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Executive directors				
Cheung Siu Lam *(Chairman)*	–	3,956	12	3,968
Chan Yuk Ming *(Vice chairman)*	–	891	12	903
Tao Ye	–	918	–	918
Non-executive directors				
Liu Hui	40	–	–	40
Lo Wan	18	364	12	394
Independent non-executive directors				
Wang Jian Sheng	40	–	–	40
Chan Chun Keung	40	–	–	40
Tsang Kwok Wai	80	–	–	80
Chief executive				
Luo Rui	–	–	–	–
	218	6,129	36	6,383

Note: Mr. Tao Ye was re-designated from executive director to non-executive director on 11 December 2012.

As at 31 December 2012, the directors held share options under the Company's share option scheme. The details of the share options are disclosed under the paragraph "Share Option Scheme" in the report of the directors and in note 36.

No directors waived any emoluments during the year. During the year, no amount paid or receivable by directors as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

7. DIRECTORS', CHIEF EXECUTIVE'S, SENIOR EXECUTIVES' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION *(continued)*

ii) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2011: four) were directors of the Company whose emoluments are included in the disclosure in note 7(i) above. The emoluments of the remaining two (2011: one) individual(s) were as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries, allowances and other benefits	**1,318**	952
Retirement scheme contribution	**28**	12
	1,346	964

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the two (2011: one) individual(s) other than directors with the highest emoluments are within the following bands:

	2012	2011
Number of individuals		
HK$Nil up to HK$1,000,000	**2**	1

iii) Remuneration of senior executives

The emoluments of the senior executives are within the following bands:

	2012	2011
Number of individuals		
HK$Nil up to HK$1,000,000	**2**	2

8. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

a) Income tax in the consolidated statement of comprehensive income represents:

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

No provision for profits tax in Hong Kong has been made as the Group has no income assessable for profits tax for the year in Hong Kong.

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

b) Reconciliation between tax expense and accounting profit at the applicable tax rate:

	2012 **HK$'000**	2011 HK$'000
Profit before taxation from continuing operations	**253,425**	76,313
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**55,482**	19,296
Income not subject to taxation	**(74,488)**	(12,067)
Expenses not deductible for taxation purposes	**80,364**	11,267
Effect of unrecognised temporary difference	**(3,590)**	–
Utilisation of tax losses previously not recognised	**(487)**	–
Deferred tax assets not recognised	**–**	1,580
Under-provision/(over-provision) of PRC Enterprise Income Tax in prior years	**309**	(701)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**10,628**	3,982
Tax charge	**68,218**	23,357

8. INCOME TAX (RELATING TO CONTINUING OPERATIONS) *(continued)*

c) Tax effects relating to each components of other comprehensive income

	2012			2011		
	Before tax amount HK$'000	**Tax (expense)/ benefit HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax (expense)/ benefit HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of overseas subsidiaries	**(13,007)**	**–**	**(13,007)**	18,438	–	18,438
Change in fair value of available-for-sale financial assets	**3,336**	**–**	**3,336**	(5,041)	–	(5,041)

d) Taxation in the consolidated statement of financial position represents:

	Group	
	2012 HK$'000	2011 HK$'000
At 1 January	**(34,743)**	(1,510)
Provision for the year		
– PRC Enterprise Income Tax	**(57,281)**	(38,884)
(Under-provision)/over-provision in prior years	**(309)**	701
Taxation paid for PRC Enterprise Income Tax	**52,265**	4,950
Taxation paid for Hong Kong Profits Tax	**105**	–
Tax refund	**(224)**	–
Reclassified from deferred tax liabilities upon disposal of investment property *(note 34)*	**(4,203)**	–
Exchange adjustment	**213**	–
At 31 December	**(44,177)**	(34,743)
Analysed for reporting purposes as:		
Tax recoverable	**–**	268
Tax payables	**(44,177)**	(35,011)
	(44,177)	(34,743)

9. DISCONTINUED OPERATIONS

On 26 November 2012, the Company's indirect wholly-owned subsidiary, K.P.B. Marketing Limited, entered into a sale and purchase agreement with MSPEA CVS Holding B.V. to dispose of 72% of issued share capital in Idea Thrive Limited, a company incorporated in the Cayman Islands with limited liability which directly and indirectly holds 100% of the equity interests in New Prosper Holdings Limited and 北京中港佳鄰商業諮詢有限公司 which mainly engaged in convenience store operations ("Disposal Group"), at the total consideration of RMB107,998,000 (equivalent to HK$133,575,000). The disposal of the convenience store operations is consistent with the Group's long-term policy to focus its resources in the provision of short-term financing service operations. The disposal was completed on 11 December 2012, on which date control of the Disposal Group and in effect the convenience store operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed below:

9. DISCONTINUED OPERATIONS *(continued)*

Analysis of profit for the year from discontinued operations

The results of the discontinued operations (i.e. convenience store operations) included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in 2011.

	2012 HK$'000	2011 HK$'000
Profit for the year from discontinued operations		
Turnover	**272,208**	264,450
Cost of sales	**(204,837)**	(197,862)
Other gains	**36,879**	33,695
Expenses	**(101,691)**	(91,725)
Profit before tax	**2,559**	8,558
Income tax expense	**(351)**	(2,139)
Profit for the year from discontinued operations	**2,208**	6,419
Gain on disposal of a subsidiary *(note 39)*	**68,234**	–
	70,442	6,419
Profit for the year from discontinued operations include the following:		
Amortisation of intangible asset *(note 14)*	**9**	18
Cash flows from discontinued operations		
Net cash inflows/(outflows) from operating activities	**11,575**	(56,476)
Net cash inflows from investing activities	**58**	487
Net cash (outflows)/inflows from financing activities	**(35,128)**	33,214
Net cash outflows	**(23,495)**	(22,775)
Profit for the year from discontinued operations attributable to:		
– Owners of the Company	**69,824**	4,622
– Non-controlling interests	**618**	1,797
Profit for the year from discontinued operations	**70,442**	6,419

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of HK$78,216,000 (2011: HK$44,665,000) which has been dealt with in the financial statements of the Company.

11. DIVIDEND

The directors recommend the payment of a final dividend of HK1 cent per share for the year ended 31 December 2012 (2011: Nil). The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

12. EARNINGS PER SHARE

From continuing and discontinued operations

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

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

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

12. EARNINGS PER SHARE *(continued)*

From continuing operations

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

Earnings figures are calculated as follows:

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

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

From discontinued operations

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

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and building held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost					
At 1/1/2011	2,125	1,786	2,579	1,165	7,655
Additions	–	5,104	1,952	1,405	8,461
Through acquisition of subsidiaries	–	–	4	204	208
Written off	–	(259)	–	(124)	(383)
Exchange adjustment	–	12	–	38	50
At 31/12/2011 and 1/1/2012	2,125	6,643	4,535	2,688	15,991
Additions	–	1,590	3,776	274	5,640
Disposals	(1,776)	(1,215)	(1,223)	(107)	(4,321)
Exchange adjustment	–	58	1	(67)	(8)
At 31/12/2012	**349**	**7,076**	**7,089**	**2,788**	**17,302**
Accumulated depreciation and impairment					
At 1/1/2011	972	611	1,786	662	4,031
Charge for the year	33	11	402	314	760
Written back and disposals	–	(127)	–	(54)	(181)
Exchange adjustment	–	3	1	9	13
At 31/12/2011 and 1/1/2012	1,005	498	2,189	931	4,623
Charge for the year	26	2,308	1,075	678	4,087
Written back on disposals	(682)	(45)	(1,223)	(107)	(2,057)
Exchange adjustment	–	(77)	2	(8)	(83)
At 31/12/2012	**349**	**2,684**	**2,043**	**1,494**	**6,570**
Carrying amounts					
At 31/12/2012	**–**	**4,392**	**5,046**	**1,294**	**10,732**
At 31/12/2011	1,120	6,145	2,346	1,757	11,368

The leasehold land and building of the Group is held under medium term lease and situated in Hong Kong.

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost				
At 1/1/2011	378	1,992	567	2,937
Additions	–	–	29	29
At 31/12/2011 and 1/1/2012	378	1,992	596	2,966
Additions	–	3,410	–	3,410
Disposals	–	(1,223)	–	(1,223)
At 31/12/2012	**378**	**4,179**	**596**	**5,153**
Accumulated depreciation				
At 1/1/2011	378	1,747	421	2,546
Charge for the year	–	245	84	329
At 31/12/2011 and 1/1/2012	378	1,992	505	2,875
Charge for the year	–	455	26	481
Written back on disposals	–	(1,223)	–	(1,223)
At 31/12/2012	**378**	**1,224**	**531**	**2,133**
Carrying amounts				
At 31/12/2012	**–**	**2,955**	**65**	**3,020**
At 31/12/2011	–	–	91	91

14. INTANGIBLE ASSETS – TRADEMARKS

Group

	Hi-24 HK$'000
Cost	
At 1/1/2011, 31/12/2011 and 1/1/2012	448
Eliminated on disposal of a subsidiary	(448)
At 31/12/2012	–
Accumulated amortisation	
At 1/1/2011	45
Amortisation for the year	18
At 31/12/2011 and 1/1/2012	63
Amortisation for the year	9
Eliminated on disposal of a subsidiary	(72)
At 31/12/2012	–
Carrying amount	
At 31/12/2012	–
At 31/12/2011	385

Note:

Hi-24 is the trademark for a convenience chain stores operations. The convenience chain stores operations was discontinued in 2012, which is described in more detail in note 9.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2012 **HK$'000**	2011 HK$'000
Unlisted shares, at cost	**63,669**	14,269

15. INTERESTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name	Country of incorporation/ registration and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
K.P.B. Group Holdings Limited	British Virgin Islands ("BVI")/ Hong Kong	Ordinary US$12	100%	–	Investment holding
北京華夏興業融資擔保有限公司 (formerly known as "北京華夏興業投資擔保有限公司") *(note k)*	PRC	Registered capital RMB300,000,000	100%	–	Provision of loan guarantee service
Charter Merit Limited	Hong Kong	Ordinary HK$2	–	100%	Holding of a club membership
Charter Paradise Limited	Hong Kong	Ordinary HK$2	–	100%	Holding of a club membership
K.P.A. Company Limited	Hong Kong	Ordinary HK$2 Deferred HK$2	–	100%	Property investment
K.P.B. Asset Holdings Limited	BVI/Hong Kong	Ordinary US$6	–	100%	Investment holding
K.P.B. Marketing Limited	BVI/Hong Kong	Ordinary US$2	–	100%	Investment holding
K.P.B. – T.C. Holdings Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
K.P.B. Trading Limited	BVI/Hong Kong	Ordinary US$4	–	100%	Investment holding
K.P.I. Development Limited	Hong Kong	Ordinary HK$2 Deferred HK$10,000	–	100%	Trading of financial securities
K.P.I. Industries Limited	Hong Kong	Ordinary HK$2 Deferred HK$2	–	100%	Investment holding and property investment
K.P.I. International Trading Company Limited	Hong Kong	Ordinary HK$2 Deferred HK$2	–	100%	Holding of a club membership and trading of financial securities
K.P.I. Convenience Retail Company Limited	BVI/Hong Kong	Ordinary US$50,000	–	72%	Investment holding
K.P.I. Property Investment Company Limited	Hong Kong	Ordinary HK$2	–	100%	Property investment

15. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Country of incorporation/ registration and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北京嘉鑫銘物業管理有限公司 *(note f)*	PRC	Registered capital US$3,000,000	–	100%	Provision of property management service
北京中金投財務諮詢有限公司 *(note g)*	PRC	Registered capital RMB300,000	–	100%	Provision of financing consultancy service
北京中金投商業經紀有限公司 *(note h)*	PRC	Registered capital RMB500,000	–	100%	Provision of rental service
北京中金港資產管理有限公司 *(note i)*	PRC	Registered capital RMB500,000	–	100%	Provision of financing consultancy service
北京惠豐融金小額貸款有限公司 *(note j)*	PRC	Registered capital RMB50,000,000	–	70%	Provision of short term financing service
K.P. Financial Group Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
KP Financial Holdings Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
KP Financial Services Limited	Hong Kong	Ordinary HK$1	–	100%	Money lending business
海口港佳貿易有限公司（海口港佳）*(note a)*	PRC	Registered capital US$25,400,000	–	100%	Investment holding and property investment
上海港佳倍盛經貿有限公司 *(note b)*	PRC	Registered capital RMB2,000,000	–	Ceased on 17 March 2012	General trading
北京中嘉利通商貿有限公司 *(note c)*	PRC	Registered capital RMB30,000,000	–	100%	General trading
北京中港佳鄰商業有限公司 *(note d)*	PRC	Registered capital US$13,000,000	–	72%	Convenience stores chain
北京中金投典當行有限公司 (formerly known as "北京萬方利通典當行有限公司") *(note e)*	PRC	Registered capital RMB80,000,000	–	100%	Provision of short-term financing services
New Prosper Holdings Limited *(note n)*	HK	Ordinary HK$1	Incorporated on 30 August 2012 and disposed on 11 December 2012		Investment holding

15. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Country of incorporation/ registration and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
北京中港佳鄰商業諮詢有限公司 *(note m)*	PRC	Registered capital US$100,000	Established on 1 November 2012 and disposed on 11 December 2012		Convenience stores chain
Idea Thrive Limited *(note l)*	Cayman Islands	Ordinary US$50,000	Incorporated on 28 June 2012 and disposed on 11 December 2012		Investment holding

Notes:

a) 海口港佳 is a wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to August 2015.

b) 上海港佳倍盛經貿有限公司 is a sino-foreign equity joint venture established in the PRC to be operated for 10 years up to March 2012. The operation was ceased upon the expiry of the operating licence on 17 March 2012.

c) 北京中嘉利通商貿有限公司 is a wholly foreign-owned enterprise established by 海口港佳 to be operated for 15 years up to March 2023.

d) 北京中港佳鄰商業有限公司 is a wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to March 2028.

e) 北京中金投典當行有限公司 (formerly known as "北京萬方利通典當行有限公司") is a limited liability company established in the PRC. The company name was changed on 21 February 2012.

f) 北京嘉鑫銘物業管理有限公司 is a wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to December 2030.

g) 北京中金投財務諮詢有限公司 is a wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to December 2030.

h) 北京中金投商業經紀有限公司 is a limited liability company established in the PRC.

i) 北京中金港資產管理有限公司 is a limited liability company established in the PRC.

j) 北京惠豐融金小額貸款有限公司 is a limited liability company established in the PRC.

k) 北京華夏興業融資擔保有限公司 (formerly known as "北京華夏興業投資擔保有限公司") is a wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to June 2031. The company name was changed on 12 October 2012.

l) Idea Thrive Limited is an exempted company incorporated in Cayman Island with limited liability on 28 June 2012 and disposed on 11 December 2012 *(note 9)*.

m) 北京中港佳鄰商業諮詢有限公司 is a wholly foreign-owned enterprise established in the PRC on 1 November 2012 and disposed on 11 December 2012 *(note 9)*.

n) New Prosper Holdings Limited is a limited company incorporated on 30 August 2012 and disposed on 11 December 2012 *(note 9)*.

16. GOODWILL

	Group	
	2012 **HK$'000**	2011 HK$'000
Carrying amount		
At 1 January	**622,703**	–
Arising on acquisition of subsidiaries *(note 40)*	**–**	622,703
At 31 December	**622,703**	622,703

Goodwill is allocated to the Group's cash-generating unit ("CGU") of short-term financing operation.

Impairment test for cash-generating unit containing goodwill

The recoverable amount of the CGU represents the value-in-use at 31 December 2012 based on a business valuation report on the CGU prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited (2011: Roma Appraisals Limited). The valuation used the discount cash flow approach and the value-in-use calculations based on financial budgets approved by management covering a three-year period (2011: five-year period). Management determined the budgeted gross margin based on past performance and its expectation for market development. The growth rates used are by references to the forecasts based on the funds available for the Group's loan financing business and does not exceed the forecasts included in industry reports. The discount rates used are pre-tax and reflects specific risks relating to the relevant operating segments. Cashflow beyond the three-year period (2011: five-year period) are extrapolated using the estimated gross margin of 88% (2011: 87%), discount rate of 13.52% (2011: 29.69%) and 3% growth rate (2011: zero growth rate). The growth rate does not exceeds the long-term average growth rate for the business in which the CGU operates.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Listed securities, at fair value – Hong Kong	**51,825**	61,814
Unlisted investments:		
– Golf club memberships, at cost	**2,761**	2,761
– Long term equity interest, at cost *(see note below)*	**773**	773
Total	**55,359**	65,348

Note: As at 31 December 2011 and 2012, the Group's long term equity interest was not stated at fair value but at cost because it did not have a quoted market price in an active market and the fair value cannot be reliably measured. No impairment is recognised since there is no objective evidence that the long term equity interests will be impaired.

18. ACCOUNTS RECEIVABLE

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

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

Accounts receivable are due on date of billing.

18. ACCOUNTS RECEIVABLE *(continued)*

a) Aging analysis

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

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

b) Accounts receivable that are not impaired

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

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

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

19. INTERESTS RECEIVABLE

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

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

a) Maturity profile

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

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

b) Interests receivable that are not impaired

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

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

20. SHORT-TERM LOANS RECEIVABLES

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

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

a) Maturity profile

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

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

20. SHORT-TERM LOANS RECEIVABLES *(continued)*

b) Impairment of short-term loans receivables

Impairment losses in respect of short-term loans receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against short-term loans receivables directly *(see note 2(k))*.

Movements in allowance for doubtful debts

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

As at 31 December 2012, no short-term loans receivable were individually determined to be impaired (2011: Nil).

c) Short term loans receivables that are not impaired

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

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

20. SHORT-TERM LOANS RECEIVABLES *(continued)*

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

Notes:

i) As at 31 December 2012, approximately RMB138,817,000 (2011: RMB46,020,000) represented pawn loans receivable attributable to loans renewals.

ii) As at 31 December 2012, the Group held collaterals with value of approximately RMB3,190,946,000 (2011: RMB1,785,460,000) in total over the pawn loans receivable and other short-term loans receivable.

21. SECURITY DEPOSITS

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

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK$'000	HK$'000
Financial derivatives	**–**	3,898

23. INVENTORIES

a) Inventories in the consolidated statement of financial position comprise:

	Group	
	2012	2011
	HK$'000	HK$'000
Commodities held for sale	**–**	20,777

As at 31 December 2012, none of the inventories were carried at net realisable value (2011: Nil).

b) The analysis of the amount of inventories recognised as an expense is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Carrying amount of inventories sold in discontinued operation	**204,837**	197,862

24. FORFEITED COLLATERAL HELD FOR SALES

a) Forfeited collateral held for sales in the consolidated statement of financial position comprise:

	2012 HK$'000	2011 HK$'000
Forfeited collateral held for sales	**638**	–

Note: Forfeited collateral held for sales include gold and jewellery.

b) The analysis of the amount of forfeited collateral held for sales recognised as an expenses and included in the consolidated statement of comprehensive income is as follow:

	2012 HK$'000	2011 HK$'000
Carrying amount of forfeited collateral sold	**913**	–

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		**Company**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Other receivables	**80,136**	26,009	**159**	1,080
Amounts due from related parties	**128,504**	–	**–**	–
Loans and receivables	**208,640**	26,009	**159**	1,080
Prepayments	**834**	11,297	**299**	299
Utility and sundry deposits	**1,493**	1,304	**769**	716
	210,967	38,610	**1,227**	2,095

All of the other receivables are expected to be recovered within one year. Utility and sundry deposits are expected to be recovered or recognised as expense after more than one year.

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

The details of the amounts due from related parties are as follows:

Name	*Notes*	**2012 HK$'000**	2011 HK$'000
北京典佳盛投資有限公司("典佳盛")	*(a), (b)*	**19,955**	–
中金佳晟投資基金管理(北京)有限公司	*(a), (c)*	**80,460**	–
北京萬方有限公司("北京萬方")	*(a), (d)*	**28,089**	–
		128,504	–

Notes:

a) The amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

b) Mr. Cheung Siu Lam, the executive director of the Company, has 37.67% equity interest in 典佳盛. The receivable represented the net balance of fund deposited to 典佳盛 as instructed by the vendor, which will be used for future settlement of the consideration payable to the vendor for the acquisition of subsidiaries, as included in the "other payables, deposits received and accruals" under current liabilities.

c) Mr. Cheung Siu Lam, the executive director of the Company, is the legal representative of 中金佳晟投資基金管理(北京)有限公司. Included in the balance is an amount of approximately HK$76 million represented fund advanced to 中金佳晟投資基金管理(北京)有限公司 for arranging an entrusted loan to a third party. The amount of approximately HK$4 million represented consultancy income receivables from such entrusted loan.

d) Mr. Cheung Siu Lam, the executive director of the Company, indirectly held 7.57% equity interest in 北京萬方. The amount will be used for repayment of short-term loan from 北京萬方 *(note 31)*.

26. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

27. CASH AND CASH EQUIVALENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Cash at banks/financial institutions and on hand	**313,460**	187,239
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flow	**313,460**	187,239

	Company	
	2012	2011
	HK$'000	HK$'000
Cash at banks	**81,233**	24,599
Cash and cash equivalents in the statement of financial position	**81,233**	24,599

Deposits with bank carry interest at market rates ranged from 0.35% to 0.5% (2011: 0.5%) per annum. The directors consider the carrying amounts of cash and cash equivalents at the end of the reporting period approximate to their fair value.

28. ACCOUNTS PAYABLE

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

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

Accounts payable are interest free and are normally settled on 90-day terms. The carrying amounts of accounts payable approximate to their fair values due to their short term maturity and measured at amortised cost.

29. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accrued salaries, wages and benefits	**233**	62	**–**	–
Accrued expenses	**1,636**	1,481	**385**	410
Balance of consideration for acquisition of subsidiaries *(note a)*	**37,915**	12,915	**37,915**	12,915
Dividend payable	**–**	47,850	**–**	–
Amount due to a related company *(note b)*	**1,036**	–	**–**	–
Others	**22,013**	65,192	**26**	–
Financial liabilities measured at amortised cost	**62,833**	127,500	**38,326**	13,325
Rental and other deposit received	**6**	7,807	**–**	–
Deposits received *(note c)*	**120,286**	6,275	**–**	–
VAT and other tax payables	**6,527**	1,987	**–**	–
	189,652	143,569	**38,326**	13,325

All of the other payables, deposits received and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

Notes:

a) The balance was arising from the acquisition of subsidiaries disclosed in note 40. There was an increase in the balance in the current year since payment of consideration in the amount of HK$25 million remitted to the vendor in the PRC by the end of previous year was subsequently returned to the Group's bank due to additional waiting time is required for the currency conversion.

b) The amount due to a related company is unsecured, non-interest bearing and has no fixed term of repayment. Mr. Cheung Siu Lam, the executive director of the Company, indirectly held 18.84% equity interest in this related company.

c) Deposits received mainly included:

- Deposits for securing the priority for purchasing the potentially forfeited collaterals of leasehold properties of approximately HK$118,680,000; and
- Consultancy fee overcharged to be refunded to loan customers of approximately HK$1,110,000.

30. LIABILITIES ARISING FROM LOAN GUARANTEE CONTRACTS

	Group	
	2012	2011
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current liabilities	**1,111**	1,851

	Undue liability provision *(note a)* HK$'000	**Guarantee compensation provision** *(note b)* HK$'000	**Total** HK$'000
At 1 January 2012	603	1,248	1,851
Reversal provision in the year	(70)	(667)	(737)
Exchange adjustment	–	(3)	(3)
At 31 December 2012	533	578	1,111

Notes:

a) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide 50% of its guarantee income in the year it derived, as undue liability provision ("未到期責任準備金").

b) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide no less than 1% of the year-end balance of the guarantee liability in the year it arising as guarantee compensation provision ("擔保賠償準備金").

31. SHORT-TERM BORROWINGS

	2012 HK$'000	2011 HK$'000
Entrusted loan *(note a)*	**61,664**	–
Other borrowings *(note b)*	**246,439**	–
	308,103	–

Notes:

a) In November 2012, the Group borrowed an entrusted loan through a bank in the PRC. The entrusted loan was not secured by any assets and guarantors. As at 31 December 2012, the effective interest rate of the entrusted loan (which also equals to contract interest rates) was 8.30% per annum.

b) In January 2012, 北京中金港資產管理有限公司 ("北京中金港資產"), a subsidiary of the Company, entered into a contractual and a financial arrangement agreements with 北京萬方. Pursuant to the contractual agreement, 北京萬方 will provide funding with maximum amount of RMB200 million to 北京中金港資產 and its fellow subsidiary, 北京財務諮詢有限公司, for the short-term financing services. The fund provided by 北京萬方 bears interest at 9% per annum. The amount of interest expenses incurred during the year amounting to HK$7,744,000 (2011: N/A) is included in finance costs *(note 6)*.

32. BANK LOANS

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

	Group	
	2012	2011
	HK$'000	HK$'000
Current liabilities		
Within 1 year or on demand		
Bank loans	**3,700**	49,175
Non-current liabilities		
After 1 year but within 2 years		
Bank loans	**3,700**	–
After 2 years but within 5 years		
Bank loans	**17,266**	–
	20,966	–
	24,666	49,175

All of the non-current interest bearing bank loans are carried at amortised cost. None of the non-current interest-bearing bank loans is expected to be settled within one year.

The directors consider the carrying amounts of bank loans at the end of the reporting period approximate to their value.

The ranges of effective interest rates on the Group's bank loans are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Effective interest rates:		
Bank loans	**6.95% per annum**	6.56% per annum

32. BANK LOANS *(continued)*

In 2011, bank loans of HK$15,870,000 were secured by the Group's investment property with a carrying amount of approximately HK$73,959,000. The remaining balance of bank loans of HK$33,305,000 was secured by corporate guarantee of its subsidiaries. The bank loans were fully settled in March 2012.

In 2012, bank loans of HK$24,666,000 were secured by corporate guarantee from related parties and third parties and personal guarantee from a director of the Company.

None of the portion of bank loans of 2012 due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

33. DEFERRED INCOME

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

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

34. DEFERRED TAXATION

a) The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follow:

	Group		
	Revaluation of investment property HK$'000	**Withholding tax** HK$'000	**Total** HK$'000
Deferred tax arising from:			
At 1 January 2011	4,203	–	4,203
Charged to profit or loss	–	3,982	3,982
At 31 December 2011 and 1 January 2012	4,203	3,982	8,185
Reclassified to income tax payable upon disposal of investment property *(note 8(d))*	(4,203)	–	(4,203)
Charged to profit or loss	–	10,628	10,628
Disposal of a subsidiary *(note 39)*	–	(3,646)	(3,646)
At 31 December 2012	–	10,964	10,964

b) Withholding tax

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax liabilities is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future.

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

The Group has not recognised deferred tax assets in respect of the tax losses of HK$60,876,000 (2011: HK$54,253,000) due to the unpredictability of future profit streams. The unrecognised tax losses, mainly arising from Hong Kong companies, can be carried forward indefinitely.

35. SHARE CAPITAL

	2012		2011	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**4,000,000,000**	**400,000**	4,000,000,000	400,000
Issued and fully paid:				
At beginning of the year	**2,997,002,336**	**299,700**	1,746,002,336	174,600
Shares issued under share option scheme *(note a)*	**–**	**–**	1,000,000	100
Share issued pursuant to acquisition *(note b)*	**–**	**–**	1,250,000,000	125,000
At end of the year	**2,997,002,336**	**299,700**	2,997,002,336	299,700

Notes:

a) On 16 March 2011, options were exercised to subscribe for 1,000,000 ordinary shares in the company at a consideration of HK$359,000 of which HK$100,000 was credited to share capital and the balance of HK$259,000 was credited to the share premium account. As a result of the exercise of such share options, HK$216,300 is also transferred from the share-based compensation reserve to the share premium account.

b) On 21 June 2011, the Company acquired the entire issued capital of K.P. Financial Group Limited, as detailed in note 40, at consideration of HK$800,000,000, in which HK$700,000,000 was satisfied by issuance of 1,250,000,000 shares of the company at fair value of HK$0.56 each.

HK$125 million was credited to share capital and the balance of HK$575 million was credited to the share premium account.

36. SHARE OPTIONS

Equity-settled share option schemes

Pursuant to an ordinary resolution passed on 19 March 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the directors of the Company were authorised to grant share options to full-time employees (including executive directors) of the Company or any of its subsidiaries to subscribe for shares in the Company.

On 7 June 2004, the Old Share Option Scheme was terminated and a new share option scheme ("New Share Option Scheme") was adopted. The purpose of the New Share Option Scheme is to enable the Company to grant option to eligible participants in order to reward or provide incentives to its employees or any person who has contributed or will contribute to the Group. The New Share Option Scheme shall continue in force for the period commencing from 7 June 2004 and expiring at the close of business on the tenth anniversary thereof, after such period no further options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any options granted before its expiry or termination but not yet exercised.

Under the New Share Option Scheme, the directors of the Company may offer to any employees or any person who has contributions to the Group including directors of the Company or any of its subsidiaries share options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme.

The maximum number of shares in respect of which share options may be granted under the New Share Option Scheme shall not, when aggregate with any shares subject to any other schemes, exceed such number of shares as represents 10% of the issued shares as at the date of approval of the New Share Option Scheme (the "Scheme Mandate Limit") which shall be equivalent to 67,725,155 shares. On 28 April 2005, the Scheme Mandate Limit was refreshed to 101,587,733 shares. The Company may seek approval from the shareholders in a general meeting to refresh the Scheme Mandate Limit. However, the total number of shares which may be issued upon exercise of all share options to be granted under all of the schemes of the Company or its subsidiaries under the limit as refreshed must not exceed 10% of the shares in issue as at the date of approval of the Scheme Mandate Limit. Share options previously granted under the New Share Scheme (excluding those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or any other share option schemes and exercised the share options) will not be counted for the purpose of calculating the Scheme Mandate Limit.

36. SHARE OPTIONS *(continued)*

Equity-settled share option schemes *(continued)*

The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not exceed 10% except seeking separate approval by its shareholders in general meeting for granting further options. Moreover in any case, must not exceed 30% of the total issued share capital from time to time.

The total number of shares issued and to be issued on the exercise of share options granted and to be granted in any 12-month period up to the date of grant of each eligible participant (including both exercised and outstanding options) shall not exceed 1% of the total issued shares.

The exercise price is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

On 17 May 2004 and 7 July 2004, 38,000,000 share options granted to the executive directors and 1,000,000 share options granted to the continuous contract employees outstanding under the Old Share Option Scheme were lapsed respectively.

On 10 January 2005, 2 February 2005 and 1 September 2005, the Company granted in aggregate 99,500,000 share options to its directors and employees under the New Share Option Scheme. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 by each of the grantees. The options may be exercised at any time after date of grant of the share options to the half past-ninth anniversary of the date of grant.

On 4 October 2007, the Company granted 68,500,000 share options to its directors and employees under the New Share Option Scheme. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 by each of the grantees. The options may be exercised at any time after twelve months from the date of grant of the share options to the tenth anniversary of the date of grant.

On 22 October 2011, the Company granted 36,000,000 share options to the eligible grantees under the share option scheme of the Company adopted on 7 June 2004, subject to acceptance of the Grantees. The Share Options shall entitle the Grantees to subscribe for a total of 36,000,000 ordinary shares of HK$0.1 each in the share capital of the Company.

36. SHARE OPTIONS *(continued)*

Equity-settled share option schemes *(continued)*

The following table discloses movements of the Company's share options granted under the New Share Option Scheme and movements in such holdings:

Category of grantee	Exercise price per share HK$	Date of grant	Exercisable period	Contractual life of option
Directors	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	0.359	22 October 2011	22 October 2011 to 21 October 2020	10 years
Employees	0.126	10 January 2005	10 January 2005 to 6 June 2014	9.5 years
	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	0.359	22 October 2011	22 October 2011 to 21 October 2020	10 years

a) The following table discloses movements of the Company's share options held by employees and directors during year.

Option type	Outstanding at 1/1/12 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/12 '000
2007	63,000	–	–	–	–	63,000
2010	34,000	–	–	–	–	34,000
	97,000	–	–	–	–	97,000
Exercisable at the end of the year						97,000
Weighted average exercise price	HK$0.437	–	–	–	–	HK$0.437

No share options under the New Share Option Scheme were granted during the year ended 31 December 2011. 1,000,000 shares of the share options under the New Share Option Scheme were exercised during the year ended 31 December 2011.

36. SHARE OPTIONS *(continued)*

Equity-settled share option schemes *(continued)*

b) Fair value of share options at measurement date

The fair value of services received in return of share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes Option Pricing Model. The contractual life of the option is used as an input into this model.

Grant dates	**Director 4 October 2007**	**Employee 4 October 2007**	**Director 22 October 2011**	**Employee 22 October 2011**
Fair value of shares options and assumptions:				
Fair value at measurement date (HK$)	0.235	0.235	0.216	0.216
Share price (HK$)	0.470	0.470	0.355	0.355
Exercise price (HK$)	0.479	0.479	0.359	0.359
Expected volatility (expressed at a weighed average volatility used in the modelling under the Black-Scholes Option Pricing Model)	68.60%	68.60%	103.93%	103.93%
Option life	10 years	10 years	10 years	10 years
Expected dividends	0%	0%	0%	0%
Rick-free interest rate (based on Exchange fund Notes)	4.31%	4.31%	0.58%	0.58%
Expected forfeiture rate	0%	0%	0%	0%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

37. RESERVES

Group

	Share premium HK$'000	Share-based compensation reserve HK$'000	Other comprehensive income: Exchange fluctuation reserve HK$'000	Other comprehensive income: Fair value reserve HK$'000	Statutory surplus reserve HK$'000	Retained earnings HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	290,487	22,333	11,496	2,290	611	264,012	591,229	8,313	599,542
Exchange adjustment	–	–	18,169	–	–	–	18,169	269	18,438
Profit for the year	–	–	–	–	–	57,302	57,302	2,073	59,375
Fair value adjustment for financial assets	–	–	–	(5,041)	–	–	(5,041)	–	(5,041)
Total comprehensive income	–	–	18,169	(5,041)	–	57,302	70,430	2,342	72,772
Transfer to reserve	–	–	–	–	8,576	(8,576)	–	–	–
Share issued through acquisition of subsidiaries	574,980	–	–	–	–	–	574,980	–	574,980
Increase in non-controlling interest arising on acquisition of subsidiaries	–	–	–	–	–	–	–	20,153	20,153
Equity settled share-based transactions	475	(216)	–	–	–	–	259	–	259
Expense incurred on issuing of new shares	(250)	–	–	–	–	–	(250)	–	(250)
Pre-acquisition dividend	–	–	–	–	–	–	–	122	122
As 31 December 2011 and 1 January 2012	865,692	22,117	29,665	(2,751)	9,187	312,738	1,236,648	30,930	1,267,578
Exchange adjustment	–	–	(13,200)	–	–	–	(13,200)	193	(13,007)
Profit for the year	–	–	–	–	–	254,039	254,039	1,610	255,649
Fair value adjustment	–	–	–	3,336	–	–	3,336	–	3,336
Total comprehensive income	–	–	(13,200)	3,336	–	254,039	244,175	1,803	245,978
Pre-acquisition dividend paid	–	–	–	–	–	–	–	(778)	(778)
Transfer to reserve	–	–	–	–	8,773	(8,773)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	(2,587)	(2,587)
As 31 December 2012	**865,692**	**22,117**	**16,465**	**585**	**17,960**	**558,004**	**1,480,823**	**29,368**	**1,510,191**

37. RESERVES *(continued)*

Company

	Share premium HK$'000	Share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2011	290,487	22,333	76,659	389,479
Application of white wash waiver	(250)	–	–	(250)
Issue of new shares pursuant to acquisition	574,970	–	–	574,970
Equity settled share-based transactions	475	(216)	–	259
Profit for the year	–	–	44,665	44,665
At 31 December 2011 and 1 January 2012	865,682	22,117	121,324	1,009,123
Profit for the year	–	–	78,216	78,216
At 31 December 2012	**865,682**	**22,117**	**199,540**	**1,087,339**

At 31 December 2012, the Company has reserve available for distribution to shareholders as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance at HK$199,540,000 (2011: HK$121,324,000).

Nature and purpose of reserves

i) *Share premium*

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

ii) *Share-based compensation reserve*

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of a subsidiary recognised in accordance with the accounting policy adopted for share-based payments set out in note 2(q)(ii).

iii) *Exchange fluctuation reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

37. RESERVES *(continued)*

Nature and purpose of reserves *(continued)*

iv) *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2(j).

v) *Statutory surplus reserve*

According to the Company's PRC subsidiaries' articles of association, the PRC company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the PRC company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years' losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

38. RETIREMENT BENEFITS SCHEME

The Group operated a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

39. DISPOSAL OF A SUBSIDIARY

On 11 December 2012, the Group disposed of the Disposal Group which mainly engaged in convenience store operations *(note 9)*. Details of the disposal are set out below:

	2012 HK$'000
Total consideration from disposal of a subsidiary	
Consideration received in cash and cash equivalents	**72,032**
Consideration receivable from disposal of a subsidiary	**61,543**
	133,575

Analysis of asset and liabilities over which control was lost on disposal

	At the date of disposal HK$'000
Net assets disposed of	
Intangible assets	376
Inventories	25,207
Accounts receivable	5,971
Prepayments and other receivables	69,398
Cash and cash equivalents	7,493
Accounts payable	(26,673)
Other payables, deposit received and accruals	(9,477)
Tax payables	(721)
Deferred taxation	(3,646)
Non-controlling interests	(2,587)
	65,341
Gain on disposal of a subsidiary *(see note below)*	68,234
Total consideration	133,575

Note:

The gain on disposal of a subsidiary is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income *(note 9)*.

Net cash inflow on disposal of a subsidiary

	2012 HK$'000
Consideration received	**72,032**
Less: Cash and cash equivalent balances disposed of	**(7,493)**
	64,539

The results and cash flows of the convenience store operation were set out in note 9.

40. ACQUISITION OF SUBSIDIARIES

On 27 January 2011, K.P.B. Group Holdings Limited, a wholly-owned subsidiary of the Company, entered into an Acquisition Agreement with the Chairman of the Board, Mr. Cheung Siu Lam, to acquire the entire issued capital of K.P. Financial Group Limited ("K.P. Financial") which indirectly has beneficial interests in 70% of the equity interests in Beijing Huifeng Rongjin Credit Finance Company Limited（北京惠豐融金小額貸款有限公司）, 100% of the equity interests in Beijing Zhong Jin Tou Management Consultancy Company Limited（北京中金投財務諮詢有限公司）and 100% of the equity interests in 北京華夏興業投資擔保有限公司 ("華夏興業融資擔保") (name changed to 北京華夏興業融資擔保有限公司 on 12 October 2012). Beijing Huifeng Rongjin Credit Finance Company Limited is principally engaged in the provision of small loan services in Miyun county, Beijing, PRC, 華夏興業融資擔保 is principally engaged in the provision of loan guarantee services to individuals and corporation.

The acquisition was completed on 21 June 2011 upon the fulfilment of the conditions agreed and the completion of the transfer of the entire registered capital of 華夏興業融資擔保 to the Company. The acquisition costs of HK$800,000,000 was satisfied (i) as to HK$100,000,000 in cash payable within 6 months after the date of completion and (ii) as to HK$700,000,000 by issuance of 1,250,000,000 shares of the Company at fair value of HK$0.56 each. The fair value of these shares is equivalent to the closing market value as at 21 June 2011.

K.P. Financial and its subsidiaries (collectively "K.P. Financial Group") and 華夏興業融資擔保 additional contributed approximately HK$109,271,000 to the Group's revenue and approximately HK$37,184,000 to the Group's net profit after taxation for the period between the date of acquisition and 31 December 2011.

The revenue and profit after taxation (excluding non-controlling interest) of K.P. Financial Group and 華夏興業融資擔保 for the year ended 31 December 2011 amounting to HK$159,925,000 and HK$90,502,000 respectively. If the acquisition had occurred on 1 January 2011, the Group's revenue would have been HK$458,934,000, and profit after taxation (excluding non-controlling interest) would have been HK$115,843,000 for the year ended 31 December 2011. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

40. ACQUISITION OF SUBSIDIARIES *(continued)*

Goodwill arising on acquisition:

	HK$'000
Total consideration – satisfied by	
Cash consideration	100,000
Issue of new shares of the company	700,000
	800,000
Add: Non-controlling interests, being held 30% equity interest in sub-subsidiary Beijing Huifeng Rongjin Credit Finance Company Limited	18,413
Less: Fair value of Identifiable net assets	(195,710)
Goodwill on acquisition *(note 16)*	622,703

Acquisition-related costs amounting to HK$2,039,725 have been excluded from the consideration transferred and have been recognised as an expenses in 2011, within the 'administrative expenses' line item in the consolidated statement of comprehensive income.

An analysis of the net assets acquired is as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Property, plant and equipment	208	–	208
Deferred assets	1,104	–	1,104
Accounts receivable	11,652	–	11,652
Prepayment, deposits and other receivables	52,420	–	52,420
Short-term loans receivable	58,404	–	58,404
Interests receivable	855	–	855
Cash and cash equivalents	145,453	–	145,453
Deferred income	(389)	–	(389)
Accounts payables	(134)	–	(134)
Other payables, deposits received and accruals	(56,356)	–	(56,356)
Tax payables	(17,032)	–	(17,032)
Liabilities arising from loan guarantee contracts	(475)	–	(475)
	195,710	–	195,710

40. ACQUISITION OF SUBSIDIARIES *(continued)*

Goodwill arose in the business combination because the cost of the combination included amount in relation to the benefits from business network with commercial banks and business associates, customer service capability, the provision of solid sources of funding, network growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	(100,000)
Cash and cash equivalents acquired	145,453
	45,453

Contingent liabilities arising from acquisition of subsidiaries of RMB26,000,000 in 2011 equivalent to approximately HK$32,071,000 in relation to the provision of loan guarantee services in the PRC.

41. ASSET CLASSIFIED AS HELD FOR SALE

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

Note:

The investment property located at No. 88, Xi San Wan Road North, Hai Ding District, Beijing. The investment property was revalued at RMB63 million (equivalent to approximately HK$74 million) on 31 October 2011, which was equivalent to the consideration of the disposal. The transaction was completed on 14 September 2012.

42. OPERATING LEASE ARRANGEMENTS

a) As lessor

The Group leases its investment property, sub-lease its shop premises of convenience stores chain operations and golf club membership under operating lease arrangements, with leases negotiated for terms of one to fifteen years for investment property, one to ten years for shop premises of convenience stores chain operations and one to two years for golf club membership. The terms of the leases generally also require the lessees to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

During the year, the Group sold the investment property on 14 September 2012 and the Group discontinued its convenience store chain operations on 11 December 2012. No operating lease commitment for above two activities exists at the end of the reporting period.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its lessees falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Within one year	**12**	8,088
In the second to fifth years, inclusive	**–**	21,974
After the fifth year	**–**	9,238
	12	39,300

42. OPERATING LEASE ARRANGEMENTS *(continued)*

b) As lessee

The Group leases certain of its office properties, director's quarter and shop premises of convenience stores chain operation and short term financing operation under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years. The leases for shop premises of convenience stores chain operation terminated upon the disposal of such operation on 11 December 2012.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Within one year	**9,006**	5,504	**2,245**	755
In the second to fifth years, inclusive	**16,916**	15,955	**3,368**	–
After the fifth year	**1,236**	9,456	**–**	–
	27,158	30,915	**5,613**	755

43. CONTINGENT LIABILITIES

The Group had contingent liabilities of RMB57,765,000 (2011: RMB104,950,000) equivalent to approximately HK$71,240,000 (2011: HK$129,450,000), and recognised RMB431,954 (2011: RMB488,516) equivalent to approximately HK$533,000 (2011: HK$603,000) and RMB468,900 (2011: RMB1,011,910) equivalent to HK$578,000 (2011: HK$1,248,000) as undue liability provision and guarantee compensation provision in the consolidated statement of financial position in relation to the provision of loan guarantee service in the PRC.

44. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with its related parties during the year:

Remuneration of key management personnel of the Group

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and other benefits	**3,847**	3,944
Post-employment benefit	**14**	12
	3,861	3,956

Note: Further details of pension scheme contribution and directors' emoluments are included in note 7 to the financial statements.

45. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, the following are the key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Impairment of property, plant and equipment

The recoverable amount of an asset is the higher of its fair value less cost 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, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

45. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

a) Key sources of estimation uncertainty *(continued)*

ii) *Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

iii) *Impairment of receivables*

The Group maintains impairment allowance for doubtful debts based upon evaluation of the recoverability of the accounts receivables and other receivables, where applicable, at each end of the reporting period. The estimates are based on the aging of the accounts receivables and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

iv) *Impairment losses on short-term loans receivables*

The provisioning policy for impairment of short-term loans receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgements. A considerable amount of judgement is required in assessing the ultimate realization of short-term loans receivables from these customers, if applicable, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Short-term loans receivables mainly include financing advances provided to customers which are secured by real estate. Apart from assessing the financial positions of customers, the management further reviews value of the pledged real estate by reference to recent market transactions in comparable properties. If the market value of secured real estate is deteriorated and is below the carrying amount of the corresponding financing advances, provision on impairment may be required.

v) *Estimated fair value of available-for-sale investments*

The fair value of financial instruments in active markets (such as trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the closing bid price at the end of the reporting period.

The fair value of financial instruments that are not traded in active market is determined based on available recent market information such as most recent market transaction price with third parties and the latest available financial information existing at each end of the reporting period.

45. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

a) Key sources of estimation uncertainty *(continued)*

vi) Write down of inventories and forfeited collateral held for sale

The management of the Group reviews its inventories at the end of each reporting period and write down inventories to net realisable value. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory and forfeited collateral held for sale review on a product-by-product basis at each statement of financial position date and make allowance for obsolete items.

vii) Recognition of deferred tax assets

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance, changes in operational and financing cashflows.

viii) Acquired intangible assets

Acquired intangible assets are trademarks for convenience chain stores operations. They are amortised over their estimated useful lives. The valuation and estimated useful lives of trademarks is dependent on a number of assumptions and judgements, such as expected cash flows, customer attrition, and royalty rates, variations in which could produce different values and/or useful lives.

xi) Income taxes

As at 31 December 2012, no deferred tax asset (2011: Nil) in relation to unused tax losses HK$60,876,000 (2011: HK$54,253,000) has been recognised in the Group's consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

x) Provision for loan guarantees

When determining the amounts to be recognised in respect of liabilities arising from the loan guarantee business, the Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies.

45. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Certain available-for-sale financial assets are stated at cost less impairment. Judgement is required when determining whether an impairment existed. In making this judgement, historical data and factors such as industry and sector performance and financial information regarding the investee are taken into account.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group's major financial instruments include available-for-sale investments, accounts receivable, interests receivable, short-term loans receivables, financial assets at fair value through profit or loss, other receivables, security deposits, amounts due from subsidiaries, cash and cash equivalents, accounts payable, other payables, short-term borrowings, bank loans and liabilities arising from loan guarantee contracts. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and equity price risk. 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.

a) Credit risk

i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

ii) As at 31 December 2012, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

a) Credit risk *(continued)*

iii) In respect of accounts receivable, other receivables and short-term loans receivables in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of accounts receivable and other receivables. In addition, the management of the Group reviews the recoverable amount of each individual at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group and the Company's credit risk is significantly reduced.

iv) In respect of the amounts due from subsidiaries, the Company reviews the recoverable amount of the amounts due from subsidiaries at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the management considers that the Company's credit risk is significantly reduced.

v) In respect of accounts receivable, other receivables and short term loans receivables and interests receivable and amounts due from subsidiaries, the Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, other than the concentration of credit risk on the amounts due from subsidiaries and amounts due from related parties, the Group and the Company had no significant concentrations of credit risk which individual balance exceeds 10% of the total accounts receivable, other receivables and short term loans receivables and interest receivable at the end of the reporting period.

vi) The majority of the Group's investments are liquid securities listed on the recognised stock exchanges. No exposure to credit risk is expected.

vii) The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

viii) Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable, interests receivable and short-term loans receivables are set out in notes 18, 19 and 20, respectively.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

b) Liquidity risk

The Group is responsible for its own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank borrowings as a significant source of liquidity.

The following liquidity table set out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date the Group and the Company required to pay:

Group

	2012					2011				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities										
Bank loans										
– fixed rates	5,414	5,157	18,466	29,037	24,666	–	–	–	–	–
– variable rates	–	–	–	–	–	55,001	–	–	55,001	49,175
Short-term borrowings										
– fixed rates	335,401	–	–	335,401	308,103	–	–	–	–	–
Accounts and other payables	189,652	–	–	189,652	189,652	189,174	–	–	189,174	189,174
Liabilities arising from loan guarantee contracts	1,111	–	–	1,111	1,111	1,851	–	–	1,851	1,851
	531,578	5,157	18,466	555,201	523,532	246,026	–	–	246,026	240,200

Company

	2012				2011			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities								
Other payables and accruals	38,326	–	38,326	38,326	13,325	–	13,325	13,325
Amounts due to subsidiaries	102,740	–	102,740	102,740	27,755	–	27,755	27,755
	141,066	–	141,066	141,066	41,080	–	41,080	41,080

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 32 for details of these borrowings) and fair value interest rate risk in relation to fixed-rate borrowings.

i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period:

	Group			
	2012		2011	
	Effective interest rates %	**HK$'000**	Effective interest rates %	HK$'000
Fixed rate borrowings:				
Bank loans	**6.95%**	**24,666**	–	–
Short-term borrowings:				
– Entrusted loan	**8.3%**	**61,664**	–	–
– Other borrowings	**9%**	**246,439**	–	–
		308,103		–
Variable rate borrowings:				
Bank loans	**–**	**–**	6.534% – 6.56%	49,175
Total borrowings		**332,769**		49,175
Fixed rate borrowings as percentage of total borrowings		**100%**		0%

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

c) Interest rate risk *(continued)*

ii) Sensitivity analysis

All of the bank loans and short-term borrowings of the Group which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

The Group and the Company are exposed to cash flow interest rate risk in relation to bank balances and deposits that carrying interest at variables rates. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The directors consider the Group's exposure to cash flow interest rate risk of bank balances and deposits is not significant.

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax (and retained profits) by approximately HK$nil (2011: HK$368,813). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2011: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2011.

d) Currency risk

The Group and the Company have no significant exposure to currency risk as at 31 December 2012 and 2011.

e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at fair value through profit or loss and available-for-sale investments.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

e) Equity price risk *(continued)*

The Group's listed investments are listed on the recognised stock exchanges. Decisions to buy or sell financial assets at fair value through profit or loss are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

At 31 December 2012, it is estimated that an increase/(decrease) of 10% (2011: 10%) in the relevant stock market index (for listed investments), the price/earning ratios of comparable listed companies (for unquoted investments) as applicable, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

Group

	2012			2011		
		Effect on profit after tax and retained profits HK$'000	**Effect on other components of equity HK$'000**		Effect on profit after tax and retained profits HK$'000	Effect on other components of equity HK$'000
Change in the relevant equity price risk variable:						
Increase	**10%**	**–**	**4,328**	10%	326	5,161
Decrease	**(10)%**	**–**	**(4,328)**	(10)%	(326)	(5,161)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2011.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

f) Fair values

i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	2012				2011			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets								
Financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**	3,898	–	–	3,898
Available-for-sale investments	**51,825**	**–**	**–**	**51,825**	61,814	–	–	61,814
	51,825	**–**	**–**	**51,825**	65,712	–	–	65,712

During the year there were no significant transfers between instruments in Level 1 to Level 2 or Level 3.

ii) Fair value of financial instruments carried at other then fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2012.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

g) Capital management

The Group's objectives when managing capital are 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 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 issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The Group monitors capital on the basis of the gearing ratio, which was unchanged from 2011. This ratio is calculated as net debt divided by capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Capital comprises all components of equity.

The gearing ratio at 31 December 2012 and 2011 was as follows:

	Group		**Company**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Bank loans	**24,666**	49,175	**–**	–
Short-term borrowings	**308,103**	–	**–**	–
Total borrowings	**332,769**	49,175	**–**	–
Less: Cash and cash equivalents	**(313,460)**	(187,239)	**(81,233)**	(24,599)
Net debt	**19,309**	N/A	**N/A**	N/A
Capital	**1,809,891**	1,567,278	**1,387,039**	1,308,823
Gearing ratio	**1.07%**	N/A	**N/A**	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

46. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

h) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

i) Listed securities

Fair value is based on listed market price at the end of the reporting period without any deduction for transaction costs.

ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

47. ULTIMATE CONTROLLING PARTY

The directors regard Mr. Cheung Siu Lam through his direct shareholding in the Company as being the ultimate controlling party. The Company does not have any parent company.

48. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

[1] *Effective for annual periods beginning on or after 1 January 2013.*
[2] *Effective for annual periods beginning on or after 1 January 2014.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 July 2012.*

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

49. EVENT AFTER THE REPORTING PERIOD

Issue of convertible bonds

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

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation and to provide comparative amounts in respect of items disclosed. Further details of such reclassification are disclosed in note 9.

Financial Summary

For the year ended 31 December 2012

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified or restated as appropriate, is set out below.

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**300,601**	382,127	217,022	2,073,083	1,777,062
Profit for the year	**255,649**	59,375	32,146	42,614	255,874
Attributable to:					
Owners of the Company	**254,039**	57,302	25,355	26,303	247,686
Non-controlling interest	**1,610**	2,073	6,791	16,311	8,188
	255,649	59,375	32,146	42,614	255,874

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**2,388,564**	1,866,949	885,740	2,087,814	1,821,954
Total liabilities	**(578,673)**	(299,671)	(111,598)	(1,246,765)	(1,040,167)
Non-controlling interest	**(29,368)**	(30,930)	(8,313)	(104,216)	(87,647)
Balance of total equity attributable to owners of the Company	**1,780,523**	1,536,348	765,829	736,833	694,140