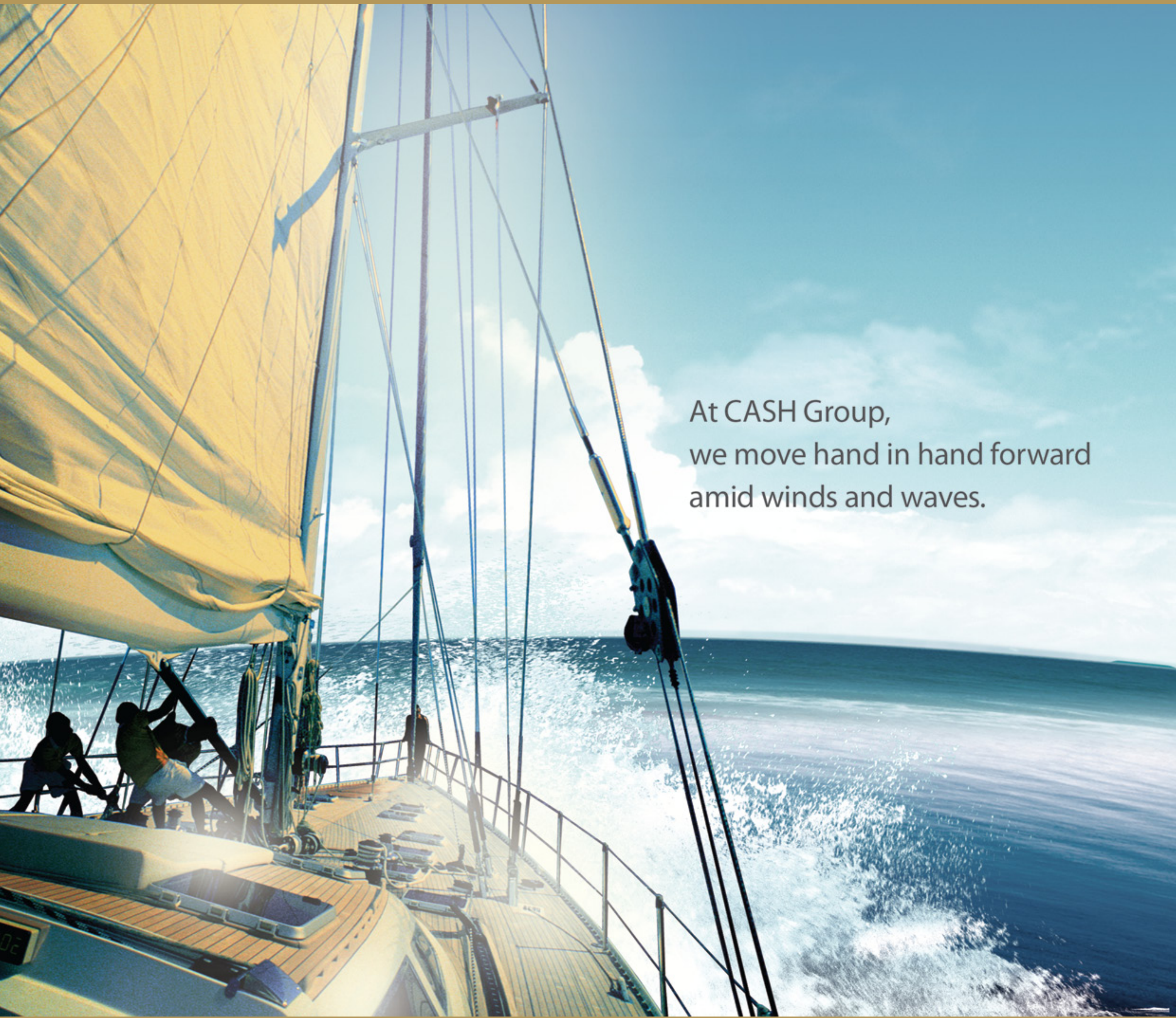
CASH 時富

Celestial Asia Securities Holdings Limited

(Stock Code: 1049)



2012 Annual Report

Contents

Corporate Profile

CORPORATE PROFILE

Celestial Asia Securities Holdings Limited ("CASH Group", SEHK: 1049) is a multi-faceted service conglomerate in China. We address modern consumer needs in investment and wealth management, home improvement, lifestyle, personal enjoyment and mobile internet services. All our businesses share a common mission that our customers' interests always come first. Our brands are synonymous with good customer service, great quality and fabulous value.

Abide by the "People-Oriented" principle, CASH Group is committed to becoming a Total Caring Organisation to partner with our key stakeholders to work towards the sustainable development of our business, our employees, our environment and our society. CASH's award-winning companies comprise CASH Financial Services Group (CFSG), CASH Retail Management Group (CRMG): Pricerite, and Net2Gather (China) Holdings (Net2Gather).

FINANCIAL SERVICES – CFSG

CASH Financial Services Group (SEHK: 510) is a leading financial services conglomerate in China, providing a comprehensive range of financial products and quality services that includes mobile and premium trading, investment banking and corporate finance advisory, wealth and asset management, alternative trading, etc. As a leading technology-focused financial services provider, coupled with our professional human talents, CFSG is committed to operating the state-of-the-art trading platform to provide our clients with instant market information while at the same time trade anytime, anywhere, borderless.

Headquartered in Hong Kong, CFSG has already built a solid foothold in China with service centres established in various strategic first-tier cities, namely Shanghai, Beijing, Chengdu, Qingdao, Shenzhen, and Xiamen. With our comprehensive product offerings, international management experience, and award-winning operating platform, we cater for the investment and wealth management needs of our clients anytime, anywhere.

Known for our innovation and quality services, CFSG has been widely recognised by the industry. In 2008, CFSG was the first organisation in Hong Kong to obtain the stringent ISO 9001:2008 certification, with zero non-conformity. Other accolades include a Top Service Brand award from the Hong Kong Brand Development Council, and the Distinguished Salespersons Awards from the Hong Kong Management Association, etc.

RETAIL MANAGEMENT – PRICERITE

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

We have a long heritage of adopting advanced technologies to enhance our operating efficiency. From back office support to product and service offerings, marketing communications and delivery scheduling, we strengthen our competitive edges through a balanced fusion of technology and people.

Pricerite is known for our relentless effort in enhancing customer satisfaction, which is acknowledged by obtaining various accreditations, such as the Premier Service Brand from the Hong Kong Brand Development Council, the PRC Consumers' Favourite Brands Campaign 2008 from the China Enterprise Reputation & Credibility Association (Overseas) Ltd. and numerous Service and Courtesy Awards from the Hong Kong Retail Management Association, etc.

MOBILE INTERNET – NET2GATHER

Net2Gather is a Mobile Internet service provider in China, providing online games, mobile games and IPTV interactive games. By aggregating various Mobile Internet services into an integrated platform, including content (upstream), operating platforms (midstream) and distribution channels (downstream), Net2Gather aims to build a cross-value chain of activities to enable people to come 2Gather in an online community in China that combines Mobile, Internet and Television platforms in line with the national move towards convergence.

Net2Gather operates the online games platform through subsidiary Moliyo, which has a database of more than 40 million subscribers for its award-winning games. We are also actively seeking strategic partnerships with leading mobile content developers and publishers in North America and Japan to introduce quality mobile game titles into China. On the other hand, committed to developing the fast growing IPTV market in China, Net2Gather provides IPTV interactive games to more than 10 million IPTV subscribers in three major areas, namely Shanghai, Jiangsu and Guangdong provinces.

Corporate Information

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	(Chairman & CEO)
CHAN Yau Ching Bob	(Deputy CEO)
LAW Ping Wah Bernard	(CFO)
NG Kung Chit Raymond	(COO)

Independent Non-executive:

LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

AUDIT COMMITTEE

LEUNG Ka Kui Johnny (committee chairman)
WONG Chuk Yan
CHAN Hak Sin

REMUNERATION COMMITTEE

LEUNG Ka Kui Johnny (committee chairman)
WONG Chuk Yan
KWAN Pak Hoo Bankee

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, FCIS

AUTHORISED REPRESENTATIVES

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

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

WEBSITE

www.cash.com.hk

STOCK CODE ON MAIN BOARD

1049

CONTACTS

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Facsimile : (852) 2287 8000

Chairman's Letter

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Global economic activities were negatively impacted by the faltering US and European economies and a slowdown in Mainland growth in 2012. As an open economy, Hong Kong was inevitably affected, drastically changing the business environment. Our principal activities, namely financial services, retail management and mobile internet, came under high pressure to fine-tune the business models to cope with the fast-deteriorating external environment. In all, 2012 was a year of re-engineering for all CASH companies, with the aim to build sustainable growth amid skyrocketing rents, human resources and consumer prices.

On the local financial front, the changing market landscape, ever-increasing overheads and escalating costs of compliance all called for changes in the traditional broker-dealer business model, which became increasingly unviable. As a result, the Group resolved to transform its financial services business from a retail-oriented brokerage to a technology-driven financial services house, serving high net worth individuals, institutional, corporate, commercial and premium clients. The decision was grounded on our deep-rooted strengths in advanced technology-based platforms and our great human capital. We will focus on developing several high-growth business pillars, including an algo trading platform, investment banking, wealth management, and premium and mobile brokerage services.

Our retail management business maintained stable growth despite the market doldrums. The Group believes that we are serving our customers with the right products and with highly regarded services. Our market niche also remains in line with the Hong Kong lifestyle and environment, providing flexible and smart living solutions for space-challenged households.

The China mobile internet industry experienced a deceleration in the explosive growth of previous years. We expect that new business models driving further monetisation will appear. The online game market has been approaching saturation since 2009, bringing diminishing returns on investments. With our unparalleled IT platform, experience and network in developing online and mobile games, the Group is considering various ways to foster the mobile commerce sector, which is the hottest in China's mobile internet market, according to iResearch, a market research firm.

In general, the Group is cautiously optimistic about the outlook for 2013. We will remain prudent, both financially and operationally, and take a flexible and proactive approach in order to maximize interesting opportunities and manage the challenges ahead.

Finally, I would like to thank all staff for their loyalty, dedication, hard work and persistence, especially during the past unsettled year.

Yours sincerely,

Bankee P. Kwan
Chairman & CEO
Celestial Asia Securities Holdings Limited

Financial Review

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

The Group has early adopted a number of new and revised HKFRSs this year. One of which, HKFRS 10 establishes a single control model and includes a new definition of control which is used to determine which entities are consolidated. The Directors assessed whether or not the Group has control over CFSG in accordance with the new definition of control and the related guidance set out in HKFRS 10. After assessment, we concluded that the Group did not lose control over CFSG since 11 October 2010 despite its shareholding therein has been less than 50%. As a result, CFSG has been accounted for as a subsidiary of the Group under HKFRS 10 throughout the relevant reporting periods. The revenue and operating result of CFSG for the whole year of 2012 had been included in the Group's consolidated statement of comprehensive income. The Group has restated the financial information of 2011 for comparison purpose.

During the year under review, the Group's financial service business had inevitably been affected by the challenging global environment and economic uncertainty while its retail management business managed to weather through the difficulties and maintained the same revenue level of the previous year due to a relatively stable domestic economy. However, the Group's mobile internet business remained under very keen competition. Overall, the Group recorded revenue of HK$1,290.3 million for the year ended 31 December 2012 as compared to HK$1,343.9 million (as restated) the year before. During the year under review, the Group has recognised impairment loss in respect of goodwill and intangible assets amounting to HK$83.4 million and HK$24.0 million respectively, after taking into consideration the unsatisfactory performance and the future revenue of the two new proprietary online games which had been developed over the past years. Overall, the Group recorded a net loss for the year attributable to the owners of the Company of HK$228.6 million for the year ended 31 December 2012 as compared to a net loss of HK$126.5 million (as restated) the year before.

Financial Services Business – FSG

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

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

Retail Management Business – CRMG

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

Hong Kong Retailing Business

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

PRC Retailing Business

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

Mobile Internet Business

In view of the prolonged unstable global economic situation and the slowdown of China's economic growth, coupled with the intensive competition amongst the industry players, the online game market in China has now been undergoing an adjustment period. As a result, we treaded carefully in adjusting the pace of our business expansion and carried out thorough organisational and operational reengineering. We have decisively implemented stringent cost control measures over its operations and adhered to a prudent strategy for its online game business. During the year under review, the Group's mobile internet business had already conducted several rounds of closed beta and user acceptance tests for its two new proprietary online games, known as "Tales of Ocean Fantasy" and "Superhero". Despite facing a tough operating environment, the Group launched its "Tales of Ocean Fantasy" in rather low profile in March 2012. However, the performance of "Tales of Ocean Fantasy" was not satisfactory and the Group had decided to postpone the commercial operation of "Superhero" which was originally scheduled to be launched in 2013. The Group continued to leverage its extensive publishing network and partnership to secure license deals in several countries and regions. The Group will put its best effort to explore ways to align its mobile internet business and new initiatives of business development will be in place to enhance its competitiveness. Overall, for the year ended 31 December 2012, the Group's mobile internet business recorded revenue of HK$9.2 million and a net loss of HK$173.1 million (including impairment loss recognised in respect of goodwill and intangible assets amounting to HK$83.4 million and HK$24.0 million respectively) as compared to revenue of HK$9.4 million and a net loss of HK$35.2 million in 2011.

Liquidity and Financial Resources

The Group's total equity amounted to HK$755.5 million as at 31 December 2012 as compared to HK$1,013.7 million (as restated) at the end of the previous year. The decrease in equity was the result of the loss reported for the year.

As at 31 December 2012, the Group had total outstanding borrowings of approximately HK$518.4 million, comprising of unsecured loans of approximately of HK$27.4 million payable to certain independent third parties and secured loans of approximately of HK$491.0 million (including bank loans of approximately HK$427.9 million, a secured loan of approximately HK$62.1 million payable to an independent third party and obligations under finance leases of approximately HK$1.0 million). The above bank loans of approximately HK$427.9 million were secured by the Group's listed securities, investment properties of carrying amounts of approximately HK$134.8 million, pledged deposits of HK$73.4 million, corporate guarantees and its margin clients' securities pledged to it. The above secured loan of approximately HK$62.1 million payable to an independent third party was secured by the shares of CIGL (a wholly-owned subsidiary of the Company). The total borrowings at the end of the previous year were approximately HK$450.0 million (as restated). The increase was due to the extra funding requirements for deposits made for acquisition of properties and for financing the enlarged investment portfolio.

As at 31 December 2012, our cash and bank balances totalled HK$1,204.7 million as compared to HK$1,269.8 million (as restated) at the end of the previous year. The liquidity ratio as at 31 December 2012 remained healthy at 1.1 times as compared with 1.2 times (as restated) on 31 December 2011.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 68.6% as at 31 December 2012 as compared to 44.4% (as restated) as at 31 December 2011. The increase was due to the extra funding requirements for deposits made for acquisition of properties and for financing the enlarged investment portfolio. On the other hand, we have no material contingent liabilities at the year-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

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

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

On 7 December 2012, the Group announced a major transaction relating to disposal of property in Hong Kong at a consideration of HK$66,000,000 in cash. The disposal was completed on 6 February 2013. Details of the transaction are disclosed in the Company's announcement dated 7 December 2012 and the circular dated 2 January 2013.

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

Capital Commitment

As at 31 December 2012, the Group has total capital commitments of HK$227.7 million, comprising (i) HK$207.1 million in relation to the balance of consideration of acquisition of the properties, and (ii) HK$20.6 million in relation to the subscription in Infinity, as mentioned in the above paragraph. Details of the capital commitments are also disclosed in note 44 to the consolidated financial statements.

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

Material Investments

As at 31 December 2012, the Group was holding a portfolio of investments held for trading with market values of approximately HK$123.2 million. The net gain derived from investments held for trading of HK$98.5 million was recorded for the year.

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

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Financial Services Business

Industry Review

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

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

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

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

Business Review

Platform Development

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

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

Fund Management

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

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Banking

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

Securities Broking

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

Asset Management

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

Wealth Management

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

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

Outlook

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

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

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

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

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

Retail Management Business

Industry Review

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

Business Review

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

Store Network & Operations

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

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

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

LIVING SMART by Pricerite

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

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

New Products

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

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

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

E-Channels

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

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

Rewards & Recognitions

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

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

China Operations

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

Outlook

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

Mobile Internet Business

Industry Review

The mobile internet market saw a slowdown in growth, from 86.2% in 2011 to 74% in 2012. According to Enfodesk, a business information database, the reasons were two-fold. Firstly, the market had experienced exponential growth in the past few years and was growing from a relatively high base in 2011. Secondly, the problem of inconvenient payment between mobile commerce and mobile marketing platforms remained unresolved. Overall, the China mobile internet market reached RMB150 billion by the end of 2012, according to Enfodesk research.

According to iResearch, China's mobile game industry is heading into a transitional period. The market is expected to reach RMB5.21 billion in 2012, with the structure of the mobile game industry changing as traditional service providers are displaced and payment and distribution channels continue to develop.

The online gaming market has experienced unprecedented growth in both market size and number of users during the past decade. However, growth in the client-based online gaming market has declined since 2009. According to reports and data released by Analysys International, a technology media telecom market research company, the year-on-year growth rate in market size fell to a single-digit in 2012. Furthermore, several leading online gaming operators recorded year-on-year decreases in revenue for the client-based online gaming sector.

Business Review

PC Online Game

During the year, Net2Gather has completed the development of two new client-end Massively Multiplayer Online Role-playing Games (MMORPGs), known as "Tales of Ocean Fantasy" and "Superhero". We have launched the commercial operation of "Tales of Ocean Fantasy" in Mainland China. For "Superhero", which has been named the Best Self-Developed Online Games (Superhero) in China's prestigious Golden Plume Awards, several rounds of user acceptance tests and a public closed-beta test were completed. We have collected valuable feedback and user data from our players and released updated patches in timely manners to fix the issues and publish new contents. In view of the increasingly intense competition in client-end gaming market, the Group will continue to optimise gameplay and contents of "Superhero" and evaluate the appropriate schedule for commercial operation.

The Group has launched several new updates and enhancements of contents of "King of Pirates", our well-received self-developed MMORPG. Our operation team has implemented multiple tactics and arranged a variety of online activities to attract users.

During the year, we have launched commercial operations of "King of Pirates" in Brazil, Portugal and Indonesia, and released continuous game updates in several countries and regions. Net2Gather continued to leverage its publishing network to secure game license deals of our newly-developed MMORPGs. We have reached game licensing agreement with several leading online gaming operators in Taiwan, Singapore, Malaysia, Australia and New Zealand to publish "Tales of Ocean Fantasy". Localisation and adaptation of game contents are in progress. Commercial operations are expected to be launched from second half of 2013.

Mobile Game

During the year, our first self-developed mobile social game "MoMo Island" was launched on China Apple app store at end of 2012. We have also identified several overseas markets for publishing and expected to reach licensing partnerships with overseas mobile gaming publishers and platforms.

MoMo Island is a casual island simulation social network game. The game can be played online or offline on mobile devices. Gameplay involves various aspects of island management such as construction of houses, caviar factories, lumber factories, shipyards and boats, trades with other island owners by boats and to fend off the pirates. MoMo Island incorporates the social networking aspect through the popular "Weibo" platform. Players can invite friends to trade or to visit friend's island and collect coins. This game is a "freemium" game, meaning there is no cost to play but players have the option of purchasing premium content in the game.

During 2012 we had successfully signed up content provider agreements for the provision of IPTV games to China Telecom operating companies at Shanghai, Jiangsu and Guangdong. They have combined over 8 million subscribers.

Outlook

China has become the world's largest Internet and mobile market, overtaking the USA in terms of broadband and mobile Internet installations. We anticipate slower growth rate of broadband while mobile Internet will continue to experience strong growth.

We have observed that PC client MMORPG market has less new players. Web game (Browser based Game) has becoming more and more popular among online game players whose lifestyle has changed to have less time to play online games. We will look into the feasibility of developing web game to satisfy the market needs.

The strongest growth area is undoubtedly mobile games. Smartphone users have increased to 380 million. Over 68% of smartphones sold in China were Android based, and most of them are locally made and affordable to the younger generation, our target game player market.

Smartphones selling between RMB1,000–RMB2,000 had 42.2% market share, and price under RMB1,000 has 34.9% market share of all new phones sold in China. We will focus on developing and publishing Android version game titles.

While Chinese population spent more money on online games than movies, mobile game players do not have the same spending habit. Those who are willing to pay for in-game items are people who do not have access to PC. Game design must cater for both offline and online mode. Some mobile gamers totally rely on mobile data network for internet connection. The data size of each game must not be too big otherwise gamers would hesitate to download it. Similar to PC online game, role-play game is more popular than other game genre in terms of in-game purchase. We have not seen too many role-play games debuted in 2012, we believe there is great potential in this market segment. We will spend more R&D effort on role-play games. Chinese mobile gamers will gradually follow spending pattern in other countries.

Publishing mobile games in China can be simple if it is Apple iOS version. When it comes to Android based games we will have to distribute through third party platforms because the market is fragmented. We have already established the network for our new products to be launched in 2013.

Employee Information

EMPLOYEE INFORMATION

At 31 December 2012, the Group had 1,373 employees, of which 1,184 were at the CFSG Group. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$311.7 million.

BENEFITS

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

TRAINING

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the SFO, to attend the requisite training courses to fulfill/ comply with the continuous professional training as prescribed in the SFO.

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

Board of Directors and Senior Management

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' PROFILE

Executive Directors

Bankee Pak-hoo KWAN

Chairman & CEO, MBA, BBA, FFA, MHKSI, CPM(HK), MHKIM, aged 53, joined the Board on 9 March 1998. He is responsible for the overall business strategy of the Group. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Mr Kwan is also a fellow of the Institute of Financial Accountants, UK, a member of the Hong Kong Securities Institute, a Certified Professional Marketer (HK) and a member of the Hong Kong Institute of Marketing.

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

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

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

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

Bob Yau-ching CHAN

Deputy CEO, PhD, CFA, aged 50, joined the Board on 3 October 2012. He is in charge of corporate development and management of the Group. He is accountable to the Board for formulating long-term business strategies for the Group and works closely with the chief executive officers of respective business units on corporate development and expansion. He has global vision and extensive experience in corporate business enhancement, restructuring and financial re-engineering, financial management, strategic analysis and portfolio management. Dr Chan graduated from Purdue University, US with a Doctorate Degree in Business, from the University of Wisconsin-Madison, US with a Master Degree of Business Administration and from the Chinese University of Hong Kong with a Bachelor Degree of Business Administration. He is a member of Chartered Financial Analyst Institution, Hong Kong Securities Institute and the Hong Kong Society of Financial Analysts. Dr Chan is a responsible person of CASH Wealth Management.

Bernard Ping-wah LAW

CFO, MBA, FCCA, FCPA, MHKSI, aged 54, joined the Board on 9 March 1998. He is in charge of the Group's overall financial and accounting management. Mr Law has extensive experience in financial management and accountancy. Mr Law graduated from the University of Warwick, United Kingdom with a Master Degree of Business Administration. He is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and a member of Hong Kong Securities Institute. Mr Law is also an executive director and chief financial officer of CFSG.

Raymond Kung-chit NG

COO, M Mgmt, B Comm, aged 44, joined the Board on 11 December 2009. He is in charge of the Group's day-to-day operation. He has extensive management experience in corporate administration and operation. Mr Ng graduated from Macquarie University, Australia with a Master Degree in Management and from the University of Toronto, Canada with a Bachelor Degree in Commerce.

Independent non-executive Directors

Johnny Ka-kui LEUNG

INED, LL.B, aged 55, joined the Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. Mr Leung graduated from the University of London with a Bachelor of Laws. Mr Leung is the chairman of the Audit Committee and the Remuneration Committee.

Chuk-yan WONG

INED, MSc (Business Administration), BBA, CFA, CGA, aged 51, joined the Board on 3 June 1998. Mr Wong has extensive investment management experience in the global financial markets and is a portfolio manager of a large renowned investment counsel in Toronto, Canada and is responsible for the company's equity investments in the Asia Pacific region. Mr Wong graduated from the University of British Columbia, Canada with a Master of Science degree in Business Administration and from The Chinese University of Hong Kong with a Bachelor Degree of Business Administration. Mr Wong is also a Chartered Financial Analyst (CFA) charterholder and a Certified General Accountant of Canada. Mr Wong is also a member of the Audit Committee and the Remuneration Committee.

Hak-sin CHAN

INED, PhD, MBA, BBA, aged 51, joined the Board on 25 October 2000. Dr Chan has extensive experience in the academia in the US as professor, researcher and consultant in the fields of corporate finance and international marketing. He is an associate professor in the Department of Marketing and Management at Hang Seng Management College as well as an adjunct associate professor in the Department of Marketing at The Chinese University of Hong Kong. Dr Chan graduated from the University of Wisconsin-Madison, US with a Doctor of Philosophy degree in Business and a Master Degree in Business Administration and from The Chinese University of Hong Kong with a Bachelor Degree in Business Administration. Dr Chan is also a member of the Audit Committee.

Senior Management

Benson Chi-ming CHAN

Executive Director and Chief Executive Officer of CFSG, aged 46, is a holder of Master Degree of Business Administration from The Hong Kong University of Science and Technology and a holder of Bachelor of Arts (Hons.) Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. Mr Chan joined the Group in June 1998 and has extensive experience in the field of investment banking, corporate finance, auditing and accounting. Mr Chan is in charge of the CFSG Group's overall business development and management. Mr Chan is also the managing director and a responsible officer of Celestial Capital (the investment banking group of the CFSG Group).

Derek Hin-sing NG

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

Harry RUMJAHN

Chief Executive Officer, Net2Gather, aged 56, received a Bachelor Degree in Commerce from McGill University, Canada. Mr Rumjahn joined the Group in March 2011 and has extensive experience in the fields of telecommunications and internet. He is in charge of the overall product development and operation of the Group's online game business and mobile internet business.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ben Man-pan CHENG

Executive Director of CFSG, aged 43, graduated from The City University of Hong Kong with a Bachelor Degree in Accountancy. He is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Cheng joined the Group in March 1998 and has extensive experience in auditing, accounting, financial controlling and project management. Mr Cheng is the managing director of brokerage services of CFSG. He is a responsible officer of Celestial Securities, Celestial Commodities and CASH Asset Management respectively.

Majone Pui-lai CHENG

Executive Director and COO of CFSG, aged 40, received a Master Degree of Science in Financial Management from the University of London, United Kingdom and a Bachelor Degree in Economics from The University of Hong Kong. Ms Cheng joined the Group in March 1998 and has extensive relevant experiences in the financial services industry. She is in charge of the overall operations of the CFSG Group.

James Siu-pong LEUNG

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

Jack Tsz-cheung HO

Deputy COO, Moliyo, aged 31, received a Bachelor Degree of Business Administration from The Chinese University of Hong Kong. Mr Ho joined the Group in September 2003 and has extensive experience in the fields of business development, operations and management. He is in charge of business development and strategic planning of the Group's online game business.

Raymond Pak-lau YUEN

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

Hon-wo SHUM

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

Suzanne Wing-sheung LUKE

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

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The Directors of the Company have adopted various policies to ensure compliance with the code provisions of the CG Code on Corporate Governance Practices (effective until 31 March 2012) and the CG Code (effective from 1 April 2012) under Appendix 14 of the Listing Rules. For the year, the Company has complied fully with the code provisions of the CG Code, except for the deviations with explanation described below:

i. The roles of chairman and CEO of the Company did not separate and were performed by the same individual, Mr Kwan Pak Hoo Bankee, as provided for in code provision A.2.1. Mr Kwan Pak Hoo Bankee, Chairman of the Board, also assumes the role of CEO of the Company during the underlying period. The dual role of Mr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. Moreover, Dr Chan Yau Ching Bob has been appointed as deputy CEO of the Company on 3 October 2012 to assist Mr Kwan for corporate affairs. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

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

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

iv. The INEDs of the Company, Mr Wong Chuk Yan and Dr Chan Hak Sin, were unable to attend the AGM of the Company held on 21 May 2012 as provided for in code provision A.6.7 as they were on overseas engagement and other business engagement respectively.

THE BOARD COMPOSITION

As at the date of this report, the Board comprised seven Directors (four EDs and three INEDs) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The INEDs will also share their valuable impartial view on matters to be discussed at the Board meetings. The biographies of the Directors are set out from pages 22 to 23 of this annual report under the "Board of Directors and Senior Management" section.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr Kwan Pak Hoo Bankee, Chairman of the Board, also assumes the role of CEO of the Company during the underlying period and is responsible for formulating the strategies and policies of the business development of the Group, and overseeing the functioning of the Board. He would ensure that all Directors are properly briefed on issues arising at Board meetings and that adequate, complete and reliable information is received by the Directors. In addition, the three INEDs provide independent and impartial opinion on issues to be considered by the Board. The board is of the opinion that the current Board structure functions effectively and does not intend to make any change thereof.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

ROLES AND RESPONSIBILITIES OF THE BOARD

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

DELEGATION TO THE MANAGEMENT

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

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

- Publication of final and interim results of the Company
- Dividend distribution or other distribution
- Major issues of treasury policy, accounting policy and remuneration policy
- Review on internal control system and risk management
- Corporate governance functions
- Review on the succession plan and consideration of the appointment, re-election and removal of the Directors
- Changes to major group structure or Board composition requiring notification by announcement
- Notifiable transaction and non-exempted connected transaction/continuing connected transaction
- Proposed transaction requiring Shareholders' approval
- Capital restructuring
- Joint venture with outside party involving substantial capital commitment from the Group that requires notification by announcement
- Financial assistance to Directors

RELATIONSHIP BETWEEN THE BOARD MEMBERS

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

INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

Name of Directors	**Topics on training covered** *(Note)*
Kwan Pak Hoo Bankee	(a), (b), (d), (e)
Chan Yau Ching Bob	(b), (d)
Law Ping Wah Bernard	(b), (c), (d), (e)
Ng Kung Chit Raymond	(b), (d)
Leung Ka Kui Johnny	(b), (e)
Wong Chuk Yan	(b)
Chan Hak Sin	(b)

Notes:

(a) Global and local financial market and business environment
(b) Regulatory and corporate governance
(c) Finance & taxation
(d) Leadership and management skills
(e) Other information relevant to the Company or its business

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

DIRECTORS' INSURANCE

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

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

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

	Meetings attended/held					
Name of Directors	**Executive Committee Meeting**	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**	**Special General Meeting**
Executive Directors						
Kwan Pak Hoo Bankee	13/13	6/6	N/A	1/1	0/1	1/1
Chan Yau Ching Bob (was appointed on 3 October 2012)	3/3	2/2	N/A	N/A	N/A	1/1
Law Ping Wah Bernard	13/13	6/6	N/A	N/A	1/1	1/1
Ng Kung Chit Raymond	13/13	6/6	N/A	N/A	1/1	1/1
Independent Non-Executive Directors						
Leung Ka Kui Johnny	N/A	6/6	5/5	1/1	1/1	0/1
Wong Chuk Yan	N/A	6/6	5/5	1/1	0/1	0/1
Chan Hak Sin	N/A	6/6	5/5	N/A	0/1	0/1
Total number of meetings held:	13	6	5	1	1	1

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

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

BOARD MEETINGS AND PROCEEDINGS

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

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

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

AUDIT COMMITTEE *(SET UP ON 28 JUNE 1999)*

The Audit Committee comprises three INEDs, namely Mr Leung Ka Kui Johnny (Chairman of the Committee), Mr Wong Chuk Yan and Dr Chan Hak Sin.

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

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

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

i. reviewed the annual and interim financial statements for the year ended 31 December 2012 and for the six-months ended 30 June 2012 respectively, and the business operation and development of the Group for the quarters ended 30 September 2011, 31 March 2012 and 30 September 2012;

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

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

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

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

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

REMUNERATION COMMITTEE *(SET UP ON 1 JUNE 2005)*

The Remuneration Committee comprises two INEDs, Mr Leung Ka Kui Johnny (Chairman of the Committee) and Mr Wong Chuk Yan, as well as Mr Kwan Pak Hoo Bankee (Chairman of the Board).

The specific written terms of reference of the Remuneration Committee which was re-adopted on 7 February 2012 in light of the amendments of the Listing Rules, is available on the Company's website. Pursuant to model B.1.2(c)(ii) and the revised terms of reference in the CG Code adopted by the Remuneration Committee, its primary duties are to make recommendation to the Board on the Company's policies and structure of the remuneration of Directors and senior management and the remuneration packages of individual EDs and senior management. Details of the remuneration of each of the Directors for the year are set out in note 13 to the consolidated financial statements. The Remuneration Committee held one meeting during the year.

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

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

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

NOMINATION AND REMUNERATION POLICY FOR DIRECTORS

Nomination of Directors

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

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

During the year under review, 1 meeting was held by the executive Directors in resolving for the appointment of deputy CEO of the Company.

Remuneration policy of Directors

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

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

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance – which is set in accordance to the Director's duties, responsibilities, skills, experiences and market influences;
- pension – which is based on the local Mandatory Provident Fund Contribution Scheme;
- short term variable incentive – which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets;
- long term variable incentive – which may include share options designed to encourage long-term commitment.

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

The remuneration paid to and/or entitled by each of the Directors for the year under review is set out in note 13 to the consolidated financial statements in this annual report.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

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

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

SECURITIES TRANSACTIONS OF DIRECTORS

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

ACCOUNTABILITY AND AUDIT

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

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

INTERNAL CONTROLS

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

CONSTITUTIONAL DOCUMENTS

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a SGM and putting forward proposals at general meetings

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

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

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

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

Enquiries from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong or tel: (852) 2980 1333 or email: cash1049@cash.com.hk.

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

AUDITOR'S INDEPENDENCE AND REMUNERATION

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

Services rendered	Fees paid/payable
	HK$
Audit services	3,850,000
Non-audit services:	
Review of the preliminary results announcement and circulars	285,000
	4,135,000

On behalf of the Board
Bankee P. Kwan
Chairman & CEO

Hong Kong, 25 March 2013

Directors' Report

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the year consisted of (a) provision of mobile internet (to include content, operations and distribution activities) services and online game (sales of online game auxiliary products and licensing) services; (b) the business activities carried out via CFSG (stock code: 510): (i) financial services including online and traditional brokerage of securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, money lending and corporate finance, and (ii) sales of furniture and household items and electrical appliances; and (c) investment holding.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on pages 50 to 51 of this annual report.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2012 is set out on pages 160 to 161 of this annual report.

PROPERTY AND EQUIPMENT

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 50 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity" of the consolidated financial statements on pages 54 to 55 of this annual report.

As at 31 December 2012, the reserves of the Company available for distribution to Shareholders were approximately HK$11,573,000, comprising contributed surplus of HK$149,719,000 and retained loss of HK$138,146,000. And the Company's share premium available for distribution in the form of fully paid bonus shares was HK$473,504,000.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

The Company did not have any continuing connected transaction during the year under review. The transactions listed below became continuing connected transactions of the Company subsequent to the balance sheet date.

New Margin Financing Arrangement

On 14 December 2012, Celestial Securities (a wholly-owned subsidiary of CFSG) has entered into the new margin financing agreement all dated 14 December 2012 in respect of the New Margin Financing Arrangement with each of the Connected Clients in relation to the granting of margin financing facilities to the Connected Clients. Under the New Margin Financing Arrangement, Celestial Securities would extend margin financing facilities to the Connected Clients, at an annual cap of up to HK$30 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) to each of the Connected Clients for each of the three financial years ending on 31 December 2015 and are on terms and rates which are in line with the rates offered by Celestial Securities to other independent margin clients. The margin financing facilities are repayable on demand and secured by listed securities held by the respective Connected Clients.

CFSG was accounted for an associated company of the Company as at the date of the above new margin financing agreements. On 21 March 2013, CFSG was accounted for and became a subsidiary of the Company due to early adoption of the new and revised HKFRS 10 by the Company. Upon CFSG becoming a subsidiary of the Group, the provision of the New Margin Financing Arrangement by Celestial Securities (becoming a subsidiary of the Group) to each of the Connected Clients (save as CASH companies, being wholly-owned subsidiaries of the Company), being either directors or substantial shareholders of the Company or each respective associates and are regarded as connected persons of the Company, also constituted continuing connected transactions relating to financial assistance for the Company under Chapter 14A of the Listing Rules.

As each of the margin financing facilities on an annual basis to be granted would exceed 5% of the applicable percentage ratios of the Company under the Listing Rules and HK$10,000,000, the financial assistance to be provided by Celestial Securities to the Connected Clients was subject to all applicable reporting, annual review and disclosure requirements in respect of such continuing connected transactions by the Company in accordance with Rule 14A.41 of the Listing Rules.

The New Margin Financing Arrangement has been approved by the independent shareholders of CFSG at its special general meeting held on 22 January 2013. The Company also announced on 21 March 2013 to disclose such continuing connected transactions in compliance with Rule 14A.41 of the Listing Rules. Pursuant to Rule 14A.41 of the Listing Rules, the Company will comply the annual review requirement in its annual report for the financial year commencing from 31 December 2013 and all applicable reporting, annual review, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules in respect of all such continuing connected transactions effected after such variation or renewal. Details of the New Margin Financing Arrangement were disclosed in the Company's announcement dated 21 March 2013.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 14 July 2011, Praise Joy Limited (a wholly-owned subsidiary of the Company) as borrower and Wah Sun Finance Limited as lender entered into a facility agreement relating to a revolving loan facility of HK$80,000,000. The loan facility commenced from the date of the facility agreement to and including 30 June 2013. The outstanding balance of the loan facility was approximately HK$62,100,000 as at 31 December 2012.

Pursuant to the terms of the facility agreement, the Company and Mr Kwan Pak Hoo Bankee (the chairman and indirect substantial Shareholder) undertook, inter alia, that:

(1) Save with written consent of the lender, Mr Kwan Pak Hoo Bankee shall remain as the only major shareholder in the Company and shall (directly or indirectly) legally and beneficially own not less than 30% of the issued share capital of the Company; and

(2) Mr Kwan Pak Hoo Bankee exerts de facto control over the management and affairs of the Company and remains as executive chairman of the Company.

If an event of default under the facility agreement occurs, the lender may declare the loan facility terminated and/or all outstanding amounts together with interest accrued thereon and all other sums payable by the Company under the facility agreement to be immediately due and payable.

RELATED PARTIES TRANSACTIONS

The Group entered into certain related parties transactions as disclosed in note 47 to the consolidated financial statements which were not regarded as connected transactions or connected transactions as approved by independent Shareholders. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

RAISING OF FUNDS AND USE OF PROCEEDS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Kwan Pak Hoo Bankee
Chan Yau Ching Bob (was appointed on 3 October 2012)
Law Ping Wah Bernard
Ng Kung Chit Raymond

Independent Non-executive Directors:

Leung Ka Kui Johnny
Wong Chuk Yan
Chan Hak Sin

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

(i) Dr Chan Yau Ching Bob, being newly appointed ED, shall retire at the annual general meeting of the Company in accordance with the bye-laws of the Company;

(ii) Mr Ng Kung Chit Raymond, being ED, shall retire at least once in every 3 financial years at the annual general meeting of the Company in accordance with his term of office of directorship; and

(iii) Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, all being INEDs, shall retire at the annual general meeting of the Company in each year in accordance with their terms of office of directorship.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 46 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SECURITIES

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

A. The Company

1. Long positions in the Shares

Name	Capacity	Number of Shares			Shareholding
		Personal	Family interest	Corporate interest	(%)
Kwan Pak Hoo Bankee	Beneficial owner and interested in a controlled corporation	360,000	–	117,870,137*	32.00
Chan Yau Ching Bob	Beneficial owner	60,000	–	–	0.01
Law Ping Wah Bernard	Beneficial owner	10,740,872	–	–	2.91
Ng Kung Chit Raymond	Beneficial owner and family interest	339,960	34,560	–	0.10
		11,500,832	34,560	117,870,137	35.02

* The Shares were held by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these Shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

2. Long positions in the underlying Shares

Options under share option scheme

Name	Date of grant	Option period	Exercise price per Share	Notes	Number of options				Percentage to issued Shares as at 31 December 2012
					outstanding as at 1 January 2012	granted during the year	lapsed during the year	outstanding as at 31 December 2012	
			(HK$)			(Notes (4) & (5))	(Note (6))		(%)
Kwan Pak Hoo Bankee	3/6/2010	3/6/2010–31/5/2012	0.1667	(1) & (2)	24,000,000	–	(24,000,000)	–	–
	11/10/2012	11/10/2012–31/10/2014	0.7020	(1) & (3)	–	3,600,000	–	3,600,000	0.97
Chan Yau Ching Bob	11/10/2012	11/10/2012–31/10/2014	0.7020	(3)	N/A	3,600,000	–	3,600,000	0.97
Law Ping Wah Bernard	3/6/2010	3/6/2010–31/5/2012	0.1667	(2)	24,000,000	–	(24,000,000)	–	–
	11/10/2012	11/10/2012–31/10/2014	0.7020	(3)	–	3,600,000	–	3,600,000	0.97
Ng Kung Chit Raymond	3/6/2010	3/6/2010–31/5/2012	0.1667	(2)	12,000,000	–	(12,000,000)	–	–
	11/10/2012	11/10/2012–31/10/2014	0.7020	(3)	–	2,000,000	–	2,000,000	0.54
					60,000,000	12,800,000	(60,000,000)	12,800,000	3.45

Notes:

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

(2) The options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 May 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 May 2012. All options will vest until the grantee having been the members of the Group for 18 months from the date of grant.

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

(4) The closing price of the Share immediately before the date of grant of options on 11 October 2012 was HK$0.6700.

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

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

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

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

B. Associated corporations (within the meaning of SFO)

CFSG

(i) Long positions in the ordinary shares of HK$0.02 each

		Number of shares			
Name	**Capacity**	**Personal**	**Family interest**	**Corporate interest**	**Shareholding** (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	–	–	1,725,160,589*	44.48
Chan Yau Ching Bob	Family interest	–	180,000	–	0.00
Law Ping Wah Bernard	Beneficial owner	27,506,160	–	–	0.70
Ng Kung Chit Raymond	Beneficial owner and family interest	5,577,000	99,000	–	0.14
		33,083,160	279,000	1,725,160,589	45.32

* The shares were held as to 1,657,801,069 shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company), and as to 67,359,520 shares by Cash Guardian. The Company was beneficially owned as to approximately 32.00% by Mr Kwan Pak Hoo Bankee, and Cash Guardian was 100% beneficially owned by Mr Kwan Pak Hoo Bankee, details of which were disclosed in the "Substantial Shareholders" below. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee was deemed to be interested in all the shares held by CIGL and Cash Guardian in CFSG.

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

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

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

(ii) Long positions in the underlying shares – options under share option scheme

					Number of options					
Name	**Date of grant**	**Option period**	**Exercise price per share**	**Notes**	**outstanding as at 1 January 2012**	**granted during the year**	**reallocated upon change of directorate**	**lapsed during the year**	**outstanding as at 31 December 2012**	**Percentage to issued shares as at 31 December 2012**
			(HK$)			(Notes (5) & (6))		(Note (7))		(%)
Kwan Pak Hoo Bankee	15/10/2010	15/10/2010–31/10/2012	0.2764	(1), (2) & (3)	22,000,000	–	–	(22,000,000)	–	–
	11/10/2012	11/10/2012–31/10/2014	0.0930	(1) & (4)	–	39,000,000	–	–	39,000,000	1.01
Chan Yau Ching Bob	15/10/2010	15/10/2010–31/10/2012	0.2764	(2) & (3)	N/A	–	11,000,000	(11,000,000)	–	–
	11/10/2012	11/10/2012–31/10/2014	0.0930	(4)	N/A	39,000,000	–	–	39,000,000	1.01
Law Ping Wah Bernard	15/10/2010	15/10/2010–31/10/2012	0.2764	(2) & (3)	33,000,000	–	–	(33,000,000)	–	–
	11/10/2012	11/10/2012–31/10/2014	0.0930	(4)	–	39,000,000	–	–	39,000,000	1.01
Ng Kung Chit Raymond	15/10/2010	15/10/2010–31/10/2012	0.2764	(2) & (3)	5,500,000	–	–	(5,500,000)	–	–
	11/10/2012	11/10/2012–31/10/2014	0.0930	(4)	–	20,000,000	–	–	20,000,000	0.52
					60,500,000	137,000,000	11,000,000	(71,500,000)	137,000,000	3.55

Notes:

(1) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.

(2) The options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 October 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 October 2012.

(3) The vesting of the options is subject to the grantee having been with members of the Group for 14 months from the date of grant.

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

(5) The closing price of CFSG's share immediately before the date of grant of options on 11 October 2012 was HK$0.0920.

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

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

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

SHARE OPTION SCHEMES

(A) The Company

The New Share Option Scheme was adopted pursuant to an ordinary resolution passed at the AGM held on 21 May 2012 to replace the previous Share Option Scheme dated 19 February 2002. Particulars of the terms of the New Share Option Scheme and the Share Option Scheme are set out in note 45(A) to the consolidated financial statements.

Details of the movements in the share options to subscribe for Shares granted under the share options schemes during the year are set out below:-

					Number of options			
Name of scheme	Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2012	granted during the year (Notes (4) & (5))	lapsed during the year (Note (6))	outstanding as at 31 December 2012
Directors								
The Share Option Scheme	3/6/2010	3/6/2010–31/5/2012	0.1667	(1)&(4)(a)	60,000,000	–	(60,000,000)	–
The New Share Option Scheme	11/10/2012	11/10/2012–31/10/2014	0.7020	(1),(4)(a)&(b)	–	12,800,000	–	12,800,000
					60,000,000	12,800,000	(60,000,000)	12,800,000
Employees								
The Share Option Scheme	3/6/2010	3/6/2010–31/5/2012	0.1667	(4)(a)	96,000,000	–	(96,000,000)	–
The New Share Option Scheme	11/10/2012	11/10/2012–31/10/2014	0.7020	(4)(a)&(b)	–	8,000,000	–	8,000,000
					96,000,000	8,000,000	(96,000,000)	8,000,000
Consultants								
The Share Option Scheme	29/11/2010	29/11/2010–30/11/2013	0.8600	(3)	30,000,000	–	(30,000,000)	–
The New Share Option Scheme	11/10/2012	11/10/2012–31/10/2014	0.7020	(3)	–	9,000,000	–	9,000,000
					30,000,000	9,000,000	(30,000,000)	9,000,000
					186,000,000	29,800,000	(186,000,000)	29,800,000

Notes:

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

(2) The options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 May 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 May 2012. All options will be vested until the grantee having been the members of the Group for 18 months from the date of grant.

(3) The options were granted to consultants of the Group for the services to be provided to the Group. The options will be exercisable within 7 days from the date of completion of the services determined at the sole discretion of the Board.

(4) (a) The vesting of certain options is subject to achievement of agreed milestones / performance indicators as determined at the sole discretion of the Board.

(b) The options must be exercised within one month from the date on which the Board's approval of the vesting of the options.

(5) The closing price of the Share immediately before the date of grant of option on 11 October 2012 was HK$0.6700.

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

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

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

(B) The subsidiary

(i) CFSG

The CFSG Option Scheme was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 22 February 2008, which took effect on 3 March 2008. Particulars of the terms of the CFSG Option Scheme are set out in note 45(B) to the consolidated financial statements.

Details of the movements in the share options to subscribe for shares of HK$0.02 each in CFSG granted under the CFSG Options Scheme during the year are set out below:-

					Number of options				
Name of scheme	Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2012	granted during the year (Notes (4) & (5))	reallocated upon change directorate	lapsed during the year (Note (6))	outstanding as at 31 December 2012
Directors									
CFSG Option Scheme	15/10/2010	15/10/2010–31/10/2012	0.2764	(1),(2)(C)(ii)&3(ii)	60,500,000	–	11,000,000	(71,500,000)	–
	11/10/2012	11/10/2012–31/10/2014	0.0930	(1)&(3)(iv)	–	137,000,000	–	–	137,000,000
					60,500,000	137,000,000	11,000,000	(71,500,000)	137,000,000
Employees and consultants									
CFSG Option Scheme	15/6/2009	15/6/2009–30/6/2013	0.1335	(2)(A)(i)	49,500,000	–	–	–	49,500,000
		15/6/2009–30/6/2013	0.1335	(2)(A)(ii)	42,900,000	–	–	–	42,900,000
	22/6/2009	22/6/2009–30/6/2013	0.1309	(3)(i)	82,500,000	–	–	–	82,500,000
	3/6/2010	3/6/2010–31/5/2012	0.1145	(2)(B)(i)	68,750,000	–	–	(68,750,000)	–
	15/10/2010	15/10/2010–31/10/2012	0.2764	(2)(C)(i)	11,000,000	–	–	(11,000,000)	–
		15/10/2010–31/10/2012	0.2764	(2)(C)(ii)&(3)(ii)	77,000,000	–	(11,000,000)	(66,000,000)	–
		15/10/2010–31/10/2012	0.2764	(3)(i)&(iii)	99,000,000	–	–	(99,000,000)	–
		15/10/2010–31/10/2013	0.2764	(2)(C)(iii)	13,750,000	–	–	–	13,750,000
		15/10/2010–31/10/2013	0.2764	(2)(C)(iv)&(3)(ii)	5,500,000	–	–	–	5,500,000
		22/11/2010–30/11/2012	0.4636	(3)(i)&(iii)	66,000,000	–	–	(66,000,000)	–
	22/11/2010	1/2/2011–31/12/2013	0.4318	(3)(i)&(iii)	77,000,000	–	–	–	77,000,000
	11/10/2012	11/10/2012–31/10/2014	0.0930	3(iv)	–	177,000,000	–	–	177,000,000
					592,900,000	177,000,000	(11,000,000)	(310,750,000)	448,150,000
					653,400,000	314,000,000	–	(382,250,000)	585,150,000

Notes:

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

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

(A) Options granted on 15 June 2009

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

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

(B) Options granted on 3 June 2010

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

(C) Options granted on 15 October 2010

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Netfield

The share option scheme of Netfield was adopted on 6 June 2008. Particulars of the terms of the share option scheme of Netfield are set out in note 45(C) to the consolidated financial statements. No option has been granted under the share option scheme of Netfield since the adoption of the scheme.

SUBSTANTIAL SHAREHOLDERS

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

Name	**Capacity**	**Number of Shares**	**Shareholding** (%)
Hobart Assets Limited (Note (1))	Interest in a controlled corporation	117,870,137	31.91
Cash Guardian (Note (1))	Interest in a controlled corporation	117,870,137	31.91

Notes:

(1) This refers to the same number of Shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee and Hobart Assets Limited were deemed to be interested in the Shares held by Cash Guardian.

(2) Mr Kwan Pak Hoo Bankee (a Director whose interests is not shown in the above table) was interested and/or deemed be interested in a total of 118,230,137 Shares (32.00%), which were held as to 117,870,137 Shares by Cash Guardian and as to 360,000 Shares in his personal name. Detail of his interest is set out in the section "Directors Interests in Securities" above.

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

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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

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

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

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

CONFIRMATION OF INDEPENDENCE

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

AUDITOR

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

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

On behalf of the Board
Bankee P. Kwan
Chairman & CEO

Hong Kong, 25 March 2013

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
(FORMERLY KNOWN AS NET2GATHER (CHINA) HOLDINGS LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Celestial Asia Securities Holdings Limited (formerly known as Net2Gather (China) Holdings Limited) ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 158, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, 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 Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (restated)
Continuing operations			
Revenue	7	**1,290,314**	1,343,858
Cost of inventories and services		**(653,531)**	(642,970)
Other income	9	**11,510**	6,638
Other gains and losses	10	**84,514**	172,404
Salaries, allowances and commission	11	**(306,283)**	(403,307)
Other operating, administrative and selling expenses		**(452,609)**	(494,188)
Depreciation of property and equipment		**(64,407)**	(62,680)
Amortisation of intangible assets		**(26,428)**	(4,457)
Finance costs	12	**(16,383)**	(22,246)
Fair value change on investment properties		**(17,068)**	(3,673)
Share of results of an associate	24	**14,045**	8,884
Loss on early redemption of convertible notes	35	**–**	(7,108)
Impairment loss recognised in respect of goodwill	21	**(83,361)**	–
Impairment loss recognised in respect of intangible assets	22	**(24,000)**	–
Loss before taxation		**(243,687)**	(108,845)
Income tax expense	14	**(8,769)**	(6,959)
Loss for the year from continuing operations	15	**(252,456)**	(115,804)
Discontinued operation			
Loss for the year from discontinued operation	16	**–**	(30,147)
Loss for the year		**(252,456)**	(145,951)
Other comprehensive income for the year, net of income tax			
Exchange difference on translation of foreign operations		**492**	9,099
Change in revaluation of leasehold land and buildings		**–**	22,582
Deferred taxation arising on revaluation of leasehold land and buildings		**–**	(3,631)
Total other comprehensive income for the year		**492**	28,050
Total comprehensive expense for the year		**(251,964)**	(117,901)

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000 (restated)
Loss for the year attributable to owners of the Company:			
– from continuing operations		**(228,552)**	(95,689)
– from discontinued operation		**–**	(30,810)
Loss for the year attributable to owners of the Company		**(228,552)**	(126,499)
(Loss) profit for the year attributable to non-controlling interests:			
– from continuing operations		**(23,904)**	(20,115)
– from discontinued operation		**–**	663
Loss for the year attributable to non-controlling interests		**(23,904)**	(19,452)
		(252,456)	(145,951)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(228,060)**	(114,711)
Non-controlling interests		**(23,904)**	(3,190)
		(251,964)	(117,901)
Loss per share	17		
From continuing and discontinued operations:			
Basic and diluted (HK cents)		**(61.87)**	(36.34)
From continuing operations:			
Basic and diluted (HK cents)		**(61.87)**	(27.49)

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)	1 January 2011 HK$'000 (restated)
Non-current assets				
Property and equipment	19	**84,297**	124,589	202,044
Investment properties	20	**68,832**	185,484	185,777
Goodwill	21	**62,710**	146,071	146,071
Intangible assets	22	**96,600**	141,028	73,512
Interest in an associate	24	**152,939**	138,894	124,512
Rental and utilities deposits		**34,091**	37,197	24,959
Other assets	25	**37,020**	7,477	14,851
Loan to an associate	24	**10,296**	10,296	10,296
Deferred tax assets	14	**6,700**	4,700	4,100
		553,485	795,736	786,122
Current assets				
Inventories – finished goods held for sale		**56,847**	59,609	48,948
Accounts receivable	26	**920,627**	815,030	707,708
Loans receivable	27	**61,496**	44,492	13,017
Prepayments, deposits and other receivables	30	**43,351**	55,815	54,229
Amounts due from related companies		**–**	–	334
Tax recoverable		**3,536**	2,894	–
Investments held for trading	28	**123,206**	26,961	44,310
Bank deposits subject to conditions	29	**90,555**	80,040	68,252
Bank balances – trust and segregated accounts	30	**782,293**	694,525	697,060
Bank balances (general accounts) and cash	30	**331,891**	495,188	418,795
		2,413,802	2,274,554	2,052,653
Assets classified as held for sale	42	**66,000**	–	–
		2,479,802	2,274,554	2,052,653
Current liabilities				
Accounts payable	31	**1,591,375**	1,386,663	1,172,626
Deferred revenue		**37**	1,628	2,482
Accrued liabilities and other payables	32	**110,339**	166,642	101,372
Taxation payable		**14,046**	5,867	9,407
Obligations under finance leases – amount due within one year	33	**906**	906	382
Borrowings – amount due within one year	34	**491,121**	336,365	556,172
Convertible notes	35	**–**	–	18,733
Loan from a non-controlling shareholder of a subsidiary	32	**27,437**	27,437	27,437
		2,235,261	1,925,508	1,888,611
Net current assets		**244,541**	349,046	164,042
Total assets less current liabilities		**798,026**	1,144,782	950,164

Consolidated Statement of Financial Position (continued)

At 31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (restated)	1 January 2011 HK$'000 (restated)
Capital and reserves				
Share capital	36	**36,943**	36,943	30,902
Reserves	39	**332,530**	548,418	414,007
Equity attributable to owners of the Company		**369,473**	585,361	444,909
Non-controlling interests	40	**386,035**	428,348	431,892
Total equity		**755,508**	1,013,709	876,801
Non-current liabilities				
Deferred tax liabilities	14	**16,137**	18,385	20,291
Obligations under finance leases				
– amount due after one year	33	**50**	956	552
Borrowings – amount due after one year	34	**26,331**	111,732	52,520
		42,518	131,073	73,363
		798,026	1,144,782	950,164

The consolidated financial statements on pages 50 to 158 were approved and authorised for issue by the Board of Directors on 25 March 2013 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LAW PING WAH BERNARD
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Notes	Attributable to owners of the Company													
		Share capital	Share premium	Contributed surplus	General reserve	Other reserve	Translation reserve	Convertible notes equity reserve	Share option reserve	Properties revaluation reserve	Revaluation reserve	Retained earnings (accumulated losses)	Total	Non-controlling interests	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note (a))	(Notes (b)&(c))		(Note (d))	(Note 39)			(Note 39)	(Note (e))			(Note 40)	
At 1 January 2011, as originally stated		30,902	264,430	88,926	1,160	–	(769)	6,884	3,490	1,919	–	115,230	512,172	–	512,172
Effect in change in accounting policies		–	–	–	–	2,306	7,418	–	–	18,330	15,564	(110,881)	(67,263)	431,892	364,629
At 1 January 2011, as restated		30,902	264,430	88,926	1,160	2,306	6,649	6,884	3,490	20,249	15,564	4,349	444,909	431,892	876,801
Loss for the year		–	–	–	–	–	–	–	–	–	–	(126,499)	(126,499)	(19,452)	(145,951)
Exchange difference on translation of foreign operations		–	–	–	–	–	3,772	–	–	–	–	–	3,772	5,327	9,099
Change in revaluation of leasehold land and buildings		–	–	–	–	–	–	–	–	9,552	–	–	9,552	13,030	22,582
Deferred taxation arising on revaluation of leasehold land and buildings		–	–	–	–	–	–	–	–	(1,536)	–	–	(1,536)	(2,095)	(3,631)
Other comprehensive income for the year		–	–	–	–	–	3,772	–	–	8,016	–	–	11,788	16,262	28,050
Total comprehensive income (expense) for the year		–	–	–	–	–	3,772	–	–	8,016	–	(126,499)	(114,711)	(3,190)	(117,901)
Share-based payments of the Company		–	–	–	–	–	–	–	6,980	–	–	–	6,980	–	6,980
Share-based payments of CFSG's share options		–	–	–	–	–	–	–	–	–	–	–	–	21,996	21,996
Transfer upon exercise of share options		–	506	–	–	–	–	–	(506)	–	–	–	–	–	–
Issue of new shares		3,080	153,000	–	–	–	–	–	–	–	–	–	156,080	–	156,080
Issue of new shares upon acquisition of subsidiaries		958	49,191	–	–	–	–	–	–	–	–	–	50,149	–	50,149
Shares issued upon conversion of Convertible Notes		1,561	11,439	–	–	–	–	(3,597)	–	–	–	–	9,403	–	9,403
Lapsed upon early redemption of Convertible Notes		–	–	–	–	–	–	(3,287)	–	–	–	3,287	–	–	–
Exercise of share options		612	5,153	–	–	–	–	–	–	–	–	–	5,765	–	5,765
Repurchase of shares		(170)	(2,650)	–	–	–	–	–	–	–	–	–	(2,820)	–	(2,820)
Transaction costs attributable to issue of new shares		–	(5,197)	–	–	–	–	–	–	–	–	–	(5,197)	–	(5,197)
Transfer upon disposal of properties		–	–	–	–	–	–	–	–	(28,265)	(4,400)	40,996	8,331	–	8,331
Dividends paid		–	–	–	–	–	–	–	–	–	–	(6,846)	(6,846)	–	(6,846)
Dividends paid by CFSG		–	–	–	–	–	–	–	–	–	–	–	–	(8,306)	(8,306)
Acquisition of subsidiaries (Note 37(i) and (ii))		–	–	–	–	–	–	–	–	–	–	–	–	54,089	54,089
Change in shareholding in subsidiaries without losing control	(d)	–	–	–	–	33,318	–	–	–	–	–	–	33,318	(16,900)	16,418
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	(51,233)	(51,233)
At 31 December 2011, as restated		36,943	475,872	88,926	1,160	35,624	10,421	–	9,964	–	11,164	(84,713)	585,361	428,348	1,013,709
Loss for the year		–	–	–	–	–	–	–	–	–	–	(228,552)	(228,552)	(23,904)	(252,456)
Exchange difference on translation of foreign operations		–	–	–	–	–	492	–	–	–	–	–	492	–	492
Other comprehensive income for the year		–	–	–	–	–	492	–	–	–	–	–	492	–	492
Total comprehensive income (expense) for the year		–	–	–	–	–	492	–	–	–	–	(228,552)	(228,060)	(23,904)	(251,964)
Share-based payments of CFSG's share options		–	–	–	–	–	–	–	–	–	–	–	–	562	562
Transfer to accumulated losses upon expiration of CFSG's share options		–	–	–	–	–	–	–	–	–	–	8,936	8,936	(8,936)	–
Transfer to accumulated losses upon expiration of share options		–	–	–	–	–	–	–	(9,964)	–	–	9,964	–	–	–
Dividends paid by CFSG		–	–	–	–	–	–	–	–	–	–	–	–	(4,250)	(4,250)
Change in shareholding in subsidiaries without losing control	(d)	–	–	–	–	3,236	–	–	–	–	–	–	3,236	(5,785)	(2,549)
At 31 December 2012		**36,943**	**475,872**	**88,926**	**1,160**	**38,860**	**10,913**	**–**	**–**	**–**	**11,164**	**(294,365)**	**369,473**	**386,035**	**755,508**

Notes:

(a) Under the Companies Act 1981 of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(b) Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contribution surplus, if:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(c) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1994 and the nominal value of the issued share capital of the Company issued in exchange thereof, and the net amount arising from the reduction of share premium account, capital reduction and the amounts transferred to set-off accumulated losses.

(d) The other reserve of the Group represents the reserve arising from the distribution of shares of CASH Financial Services Group Limited ("CFSG") (formerly known as CASH on-line Limited) in year 2000 and the effect arising from the change in the Group's ownership interest in existing subsidiaries without losing control.

Movement of other reserves in 2011 and 2012 arose from the effect due to changes in the Group's ownership interests in existing subsidiaries without losing control.

(e) At 1 January 2011, revaluation reserve of HK$15,564,000 represented the adjustment to fair values on the Property (as defined in note 42) and trademark (included in the intangible assets) related to previously held interest in an associate when the Group acquired additional interest and obtained control over the associate in equity. During the year ended 31 December 2011, the Group disposed of the Property and the fair value adjustment of HK$4,400,000 is transferred to accumulated losses upon the disposal.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (restated)
Operating activities		
Loss before taxation		
– continuing operations	**(243,687)**	(108,845)
– discontinued operation	**–**	(30,104)
Adjustments for:		
Allowance on bad and doubtful loans receivable	**9,700**	28,700
Bad debt on accounts receivable and other receivables written off directly	**–**	86
Amortisation of intangible assets	**26,428**	16,195
Depreciation of property and equipment	**64,407**	63,227
Share-based payments	**562**	28,976
Write-down on inventories	**5,348**	2,840
Loss on disposal of subsidiaries	**–**	3,323
Impairment loss recognised in respect of goodwill	**83,361**	28,231
Impairment loss on property and equipment	**4,664**	–
Impairment loss on intangible assets	**24,000**	–
Fair value change on investment property	**17,068**	3,673
Interest expense	**16,383**	22,248
Loss (gain) on disposal of property and equipment	**615**	(396)
Share of results of an associate	**(14,045)**	(8,884)
Gain on disposal of assets classified as held for sale	**–**	(32,400)
Loss on early redemption on convertible notes	**–**	7,108
Operating cashflow before movements in working capital	**(5,196)**	23,978
Increase in inventories	**(2,586)**	(13,501)
Increase in accounts receivable	**(105,597)**	(109,299)
Increase in loans receivable	**(26,704)**	(60,175)
Decrease in prepayments, deposits and other receivables	**4,732**	1,265
(Increase) decrease in listed investments held for trading	**(96,245)**	17,349
Decrease in amounts due from related companies	**–**	334
(Increase) decrease in bank balances – trust and segregated accounts	**(87,768)**	2,535
Increase in accounts payable	**204,712**	214,402
Decrease in deferred revenue	**(1,591)**	(903)
(Decrease) increase in accrued liabilities and other payables	**(56,303)**	66,093
Net cash (used in) from operations	**(172,546)**	142,078
Income taxes refunded	**1,651**	–
Income taxes paid	**(7,131)**	(19,814)
Net cash (used in) from operating activities	**(178,026)**	122,264

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (restated)
Investing activities			
Acquisition of subsidiaries	37	**–**	(31,152)
Disposal of subsidiaries	38	**–**	13,324
Settlement on consideration receivable on disposal of subsidiaries		**17,296**	–
Increase in bank deposits under conditions		**(10,515)**	(11,788)
Proceeds from disposal of property and equipment		**472**	410
Purchase of property and equipment		**(29,476)**	(52,383)
(Placement) refund statutory and other deposits		**(29,543)**	7,374
Proceeds from disposal of assets classified as held for sale		**–**	123,500
Development costs paid		**(6,000)**	(36,174)
Proceeds from disposal of investment properties		**27,126**	–
Net cash (used in) from investing activities		**(30,640)**	13,111
Financing activities			
Increase (decrease) in borrowings		**69,355**	(160,595)
Repayments of obligations under finance leases		**(906)**	(809)
Proceeds on issue of shares		**–**	161,845
Payment on repurchase of shares		**–**	(2,820)
Dividends paid to non-controlling shareholders of CFSG		**(4,250)**	(8,306)
Dividends paid by the Company		**–**	(6,846)
Interest paid on obligations under finance leases		**(53)**	(87)
Share issue expenses		**–**	(5,197)
Interest paid on borrowings and Convertible Notes		**(16,330)**	(20,197)
Repayments of Convertible Notes		**–**	(18,402)
Capital contribution from a non-controlling shareholder of CFSG's subsidiary		**–**	2,000
Issue of new shares by CFSG		**–**	5,597
Payment on repurchase of shares by CFSG		**(2,549)**	(4,099)
Net cash from (used in) financing activities		**45,267**	(57,916)
Net (decrease) increase in cash and cash equivalents		**(163,399)**	77,459
Cash and cash equivalents at beginning of year		**495,188**	418,795
Effect of foreign exchange rate changes		**102**	(1,066)
Cash and cash equivalents at end of year		**331,891**	495,188
Being:			
Bank balances and cash		**331,891**	495,188

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information of this annual report.

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 50.

Pursuant to a special resolution passed by the shareholders at a special general meeting of the Company held on 5 October 2012, the name of the Company was changed from Net2Gather (China) Holdings Limited 網融(中國)控股有限公司 to Celestial Asia Securities Holdings Limited (時富投資集團有限公司). The change of the name became effective on 8 October 2012.

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

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

HKFRSs that become effective for the year

Amendments to HKAS 12	Deferred tax: recovery of underlying assets
Amendments to HKFRS 7	Financial instrument: Disclosures – Transfer of financial assets

HKFRSs that have been early adopted for the year

Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009–2011 cycle issued in 2012
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures

Except as described below, the adoption of the above HKFRSs in the current year has had no material effect on the consolidated financial statements.

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

Amendments to HKAS 1 Presentation of financial statements (as a part of the Annual Improvement to HKFRSs 2009–2011 cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009–2011 Cycle). In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In current year, the Group has applied HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011), HKAS 28 (revised 2011) and amendments to HKAS 12, which has resulted in a material effect on the information in consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without related notes.

HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances including the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, rights arising from other contractual arrangements, and any additional facts and circumstances, including voting patterns at previous shareholders' meetings.

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

HKFRS 10 Consolidated financial statements (continued)

The adoption of HKFRS 10 has affected the Group's accounting for the interest in CFSG.

Prior to deconsolidation of CFSG on 11 October 2010, the Group used to control CFSG under HKAS 27 (Revised 2008) because the Group collectively owned more than 50% of voting rights of CFSG by virtue of the voting rights directly owned by the Group and the voting rights of directors of the Company who agreed to cast all votes in all shareholders' meeting of CFSG in accordance with the voting decision of the Company at all time under contractual arrangements. Accordingly, the Group had accounted CFSG for as a subsidiary.

On 11 October 2010, directors of the Company disposed of their interests in CFSG, causing the voting power of the Group in CFSG was dropped below than 50%, since then CFSG ceased as a subsidiary and became an associate of the Group under HKAS 28. From 11 October 2011 to 31 December 2012, the Group's shareholding in CFSG varied between 41.55% to 42.75% up to 31 December 2012.

In current year, the directors examined the effect of application of HKFRS 10 taking into account all the relevant facts and circumstances, including the Group's dominant voting interest in CFSG, dispersion of holding of other vote holders, rights arising from other contractual arrangements, participation rates of shareholders and voting patterns in previous shareholders' meetings and concluded that the Group did not lose control over CFSG since 11 October 2010 despite its shareholding therein has been less than 50% and that CFSG qualified as a subsidiary of the Group under HKFRS 10 throughout the relevant reporting periods. Accordingly, the financial information of CFSG is consolidated retrospectively for all relevant periods as if the Group has not lost control over CFSG since 11 October 2010. The impact of the Group's consolidated financial statements is set out below.

In addition, the Group has applied the transitional guidance under amendments to HKFRS 10 which only requires an entity to present the quantitative information for the annual period immediately preceding the date of initial application of HKFRS 10 not withstanding the requirements of paragraph 28 of HKAS 8 "Accounting policies, changes in accounting estimates and errors". As such, the Group has not presented the impacts on consolidated financial statements for the year ended 31 December 2012.

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements in respect of the non-wholly owned subsidiaries that have material non-controlling interests. As at 31 December 2012 and 2011, the Group did not have interests in any unconsolidated structure entities.

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

Amendments to HKAS 12 Deferred tax: recovery of underlying assets

Under the amendments to HKAS 12 "Deferred tax: recovery of underlying assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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

The amendments to HKAS 12 have been applied retrospectively. The application of such has no impact on the deferred tax on changes in fair value of investment properties held by the associate as previously the associate recognised deferred tax based on the tax consequences that would follow from the manner in which the Group expected to recover the investment properties.

For the investment properties in Hong Kong directly held by the Group, the applications of these amendments has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income tax on disposal of these investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties in Hong Kong based on the tax consequences that would follow from the manner in which the Group expected to recover the investment properties. The amendments to HKAS 12 have resulted in the Group's deferred tax liabilities being decreased by HK$5,623,000 as at 1 January 2011, with corresponding credit being recognised in retained earnings. Similarly, the deferred tax liabilities have been decreased by HK$6,448,000 as at 31 December 2011. During the year ended 31 December 2012, no deferred taxes have been provided for change in fair value of the Group's investment properties in Hong Kong. The change in accounting policy has resulted in the Group's income tax expenses for the years ended 31 December 2012 and 31 December 2011 being increased by HK$6,448,000 and reduced by HK$825,000 respectively and hence resulted in loss for the years ended 31 December 2012 and 2011 being increased by HK$6,448,000 and reduced by HK$825,000, respectively.

For the investment properties in the PRC directly held by the Group, in view of the insignificant change in fair value changes in these investment properties, the application has no material impact on the Group's financial performance and position for current and prior years.

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

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the year ended 31 December 2011 is as follows:

	As originally stated HK$'000	HKFRS 10 adjustments and reclassification HK$'000 (Note)	Restated amounts after HKFRS 10 adjustments HK$'000	Amendments to HKAS 12 adjustments HK$'000	As restated HK$'000
Continuing operations					
Revenue	9,418	1,334,440	1,343,858	–	1,343,858
Cost of inventories and services	(4,673)	(638,297)	(642,970)	–	(642,970)
Other income, gains and losses	235	(235)	–	–	–
Other income	–	6,638	6,638	–	6,638
Other gains and losses	–	172,404	172,404	–	172,404
Salaries, allowances and commission	(9,753)	(393,554)	(403,307)	–	(403,307)
Other operating, administrative and selling expenses	(47,126)	(447,062)	(494,188)	–	(494,188)
Depreciation of property and equipment	(9,528)	(53,152)	(62,680)	–	(62,680)
Amortisation of intangible assets	(4,457)	–	(4,457)	–	(4,457)
Finance costs	(9,998)	(12,248)	(22,246)	–	(22,246)
Net loss on financial assets at fair value through profit or loss	(5,307)	5,307	–	–	–
Fair value change on investment properties	3,722	(7,395)	(3,673)	–	(3,673)
Share of results of an associate	(17,138)	26,022	8,884	–	8,884
Loss on early redemption of convertible notes	(7,108)	–	(7,108)	–	(7,108)
Loss before taxation	(101,713)	(7,132)	(108,845)	–	(108,845)
Income expenses	(90)	(7,694)	(7,784)	825	(6,959)
Loss for the year from continuing operations	(101,803)	(14,826)	(116,629)	825	(115,804)
Discontinued operation					
Loss for the year from discontinued operation	(30,147)	–	(30,147)	–	(30,147)
Loss for the year	(131,950)	(14,826)	(146,776)	825	(145,951)
Other comprehensive income for the year, net of income tax					
Exchange difference on translation of foreign operations	1,277	7,822	9,099	–	9,099
Change in revaluation of leasehold land and buildings	–	22,582	22,582	–	22,582
Deferred taxation arising on revaluation of leasehold land and buildings	–	(3,631)	(3,631)	–	(3,631)
Share of translation reserve of the associate	2,450	(2,450)	–	–	–
Total other comprehensive income for the year	3,727	24,323	28,050	–	28,050
Total comprehensive (expense) income for the year	(128,223)	9,497	(118,726)	825	(117,901)

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

Summary of the effects of the above changes in accounting policies (continued)

	As originally stated HK$'000	HKFRS 10 adjustments and reclassification HK$'000 (Note)	Restated amounts after HKFRS 10 adjustments HK$'000	Amendments to HKAS 12 adjustments HK$'000	As restated HK$'000
Loss for the year attributable to owners of the Company:					
– continuing operations	(96,514)	–	(96,514)	825	(95,689)
– discontinued operation	(30,810)	–	(30,810)	–	(30,810)
Loss for the year attributable to owner of the Company	(127,324)	–	(127,324)	825	(126,499)
Loss for the year attributable to non-controlling interests:					
– continuing operations	(5,289)	(14,826)	(20,115)	–	(20,115)
– discontinued operation	663	–	663	–	663
Loss for the year attributable to non-controlling interests	(4,626)	(14,826)	(19,452)	–	(19,452)
	(131,950)	(14,826)	(146,776)	825	(145,951)
Total comprehensive (expense) income for the year attributable to:					
Owners of the Company	(123,597)	8,061	(115,536)	825	(114,711)
Non-controlling interests	(4,626)	1,436	(3,190)	–	(3,190)
	(128,223)	9,497	(118,726)	825	(117,901)

Note: Certain income and gains and losses are reclassified and regrouped for the presentation of the consolidated financial statements of the Group.

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

Summary of the effects of the above changes in accounting policies (continued)

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2011 and 31 December 2011 is as follows:

	As at 1 January 2011 (originally stated)	HKFRS 10 adjustments and reclassification	Amendments to HKAS 12 adjustment	As at 1 January 2011 (restated)	As at 31 December 2011 (originally stated)	HKFRS 10 adjustments and reclassification	Amendments to HKAS 12 adjustment	As at 31 December 2011 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	19,986	182,058	–	202,044	17,134	107,455	–	124,589
Investment properties	95,810	89,967	–	185,777	99,532	85,952	–	185,484
Goodwill	83,361	62,710	–	146,071	83,361	62,710	–	146,071
Intangible assets	25,460	48,052	–	73,512	92,976	48,052	–	141,028
Interests in associates	410,922	(286,410)	–	124,512	391,933	(253,039)	–	138,894
Deposits	–	24,959	–	24,959	3,233	33,964	–	37,197
Other assets	–	14,851	–	14,851	–	7,477	–	7,477
Loan to an associate	–	10,296	–	10,296	–	10,296	–	10,296
Deferred tax assets	–	4,100	–	4,100	–	4,700	–	4,700
Inventories	–	48,948	–	48,948	186	59,423	–	59,609
Accounts receivable	632	707,076	–	707,708	744	814,286	–	815,030
Loans receivable	–	13,017	–	13,017	–	44,492	–	44,492
Prepayments, deposits and other receivables	10,578	43,651	–	54,229	22,093	33,722	–	55,815
Amounts due from related companies	–	334	–	334	–	–	–	–
Tax recoverable	–	–	–	–	–	2,894	–	2,894
Investments held for trading	1,875	42,435	–	44,310	–	26,961	–	26,961
Bank deposits subjection to condition	–	68,252	–	68,252	–	80,040	–	80,040
Bank balances – trust and segregated accounts	–	697,060	–	697,060	–	694,525	–	694,525
Bank balances (general accounts) and cash	81,951	336,844	–	418,795	81,109	414,079	–	495,188
Accounts payable	(32)	(1,172,594)	–	(1,172,626)	(523)	(1,386,140)	–	(1,386,663)
Accrued liabilities and other payables	(17,924)	(83,448)	–	(101,372)	(21,125)	(145,517)	–	(166,642)
Taxation payable	(29)	(9,378)	–	(9,407)	(15)	(5,852)	–	(5,867)
Obligations under finance leases – amount due within one year	–	(382)	–	(382)	(617)	(289)	–	(906)
Bank borrowings – amount due within one year	(153,681)	(402,491)	–	(556,172)	(61,608)	(274,757)	–	(336,365)
Loan from a non-controlling shareholder of a subsidiary	–	(27,437)	–	(27,437)	–	(27,437)	–	(27,437)
Deferred tax liabilities	(7,222)	(18,692)	5,623	(20,291)	(13,961)	(10,872)	6,448	(18,385)
Obligations under finance leases – amount due after one year	–	(552)	–	(552)	(693)	(263)	–	(956)
Bank borrowings – amount due after one year	(18,300)	(34,220)	–	(52,520)	(78,892)	(32,840)	–	(111,732)
Total effects on net assets	533,387	359,006	5,623	898,016	614,867	394,022	6,448	1,015,337
Other reserve	–	2,306	–	2,306	29,866	5,758	–	35,624
Translation reserve	(769)	7,418	–	6,649	2,958	7,463	–	10,421
Properties revaluation reserve	1,919	18,330	–	20,249	–	–	–	–
Revaluation reserve	–	15,564	–	15,564	–	11,164	–	11,164
Retained earnings (accumulated losses)	115,230	(116,504)	5,623	4,349	(13,734)	(77,427)	6,448	(84,713)
Non-controlling interests	–	431,892	–	431,892	(18,716)	447,064	–	428,348
Total effects on equity	116,380	359,006	5,623	481,009	374	394,022	6,448	400,844

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

Summary of the effects of the above changes in accounting policies (continued)

The effects of the above changes in accounting policies on the Group's basic and diluted loss per share for current and prior year are as follows:

	Impact on basic and diluted loss per share	
	2012	2011
	HK cents	HK cents
Continuing and discontinued operations		
Figures before adjustment	**(60.12)**	(36.58)
Adjustment arising from change in the Group's accounting policy in relation to amendments to HKAS 12	**(1.75)**	0.24
Figures after adjustment	**(61.87)**	(36.34)
Continuing operations		
Figures before adjustment	**(60.12)**	(27.73)
Adjustment arising from change in the Group's accounting policy in relation to amendments to HKAS 12	**(1.75)**	0.24
Figures after adjustment	**(61.87)**	(27.49)

The Group has not early applied the following new and revised Standards, Amendments to Standards and Interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle except for amendments to HKAS 1[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 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 13	Fair value measurement[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HKAS 19 (Revised 2011)	Employee benefits[1]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine[1]

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

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

HKFRS 13 Fair value measurement

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

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard is not expected to have a significant impact on the amounts reported but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group for accounting period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – offsetting financial assets and financial liabilities

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

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

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

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

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at revalued amount or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- exposure, or rights, to variable returns from its involvement with the investee; and

- the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 value, except that:

- deferred tax assets or liabilities and liabilities or assets 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 are 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.

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 Standard.

Prior to 1 January 2010, when a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with the transaction. Any adjustment to those fair values relating to previously held interests of the Group is credited to the revaluation reserve. On subsequent disposal of the revalued asset, the attributable revaluation surplus is transferred to retained profit/accumulated losses.

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

Investment in an associate

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

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

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

Non-current assets held for sale

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

Immediately before the initial classification as held for sale, the non-current assets are measured in accordance with applicable HKFRSs. Subsequent to classification, non-current assets that are within the scope of the measurement requirements of HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured at the lower of their previous carrying amount and fair value less costs to sell.

On disposal of the non-current assets, any gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the non-current assets) is included in the profit or loss in the period in which the assets are disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

- The net increase or decrease in fair value of trading investments are recognised directly in net profit or loss;
- Commission income for broking business is recorded as income on a trade date basis;
- Underwriting commission income, sub-underwriting income and placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed;
- Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

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

Revenue arising from the online game services is recognised on the following basis:

- Online game subscription income is recognised when the in-game premium features is consumed or points for in-game premium features is expired. Payments received from the sales of points for in-game premium features, that have not been consumed, are recorded as deferred revenue;
- Sales of online game auxiliary products are recognised when products are delivered and title has passed; and
- Licensing fee income is recognised on a straight-line basis over the licensing period.

Revenue arising from the mobile digital business is recognised when products are delivered to customers through tele-transmission.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessee

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

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

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

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

To the extent the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment except for those that are classified and accounted for as investment properties under the fair value model.

Sale and leaseback transaction

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

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

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

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

Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at 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.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent those held for trading.

A financial asset is classified as held for trading if:

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

The amount of impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Convertible notes contains liability and equity components

Convertible notes issued by the Group that contain both the liability, early redemption option and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. The early redemption option represent the redemption at the option of the bond holders before maturity date.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The early redemption option component is recognised at fair value. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component and early redemption option component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Convertible notes contains liability and equity components (continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The early redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability, early redemption option component and equity component in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption option component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

When the convertible notes are redeemed before maturity by exercising an early redemption option, the amortised cost of the financial liability component of the convertible notes is remeasured by discounting the revised estimate of cash flows payable at the original effective interest rate established at initial recognition of the financial liability component of the convertible notes. The difference between the previous amortised cost carrying amount and the newly remeasured amount would be recognised in profit or loss. The related equity component is transferred to retained profits/accumulated losses.

Derivative financial instruments

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

Derecognition

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

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

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

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

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

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Share options granted to consultants

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgement in applying the entity's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Control over CFSG

As disclosed in note 2 and note 50, CFSG is considered as a subsidiary of the Group upon adopting of HKFRS 10 although the Group's shareholding of CFSG varies from 41.55% to 42.75% from 11 October 2010 to 31 December 2012. The directors assessed whether or not the Group has control over CFSG based on whether the Group has the practical ability to direct the relevant activities of CFSG unilaterally. In making their judgement, the directors considered the Group's dominant voting interest relative to the size and dispersion of holdings of the other vote holders, rights arising from other contractual arrangements, and any additional facts and circumstances, including the participation rates of shareholders and voting patterns in previous shareholders' meetings and concluded that the Group did not lose control over CFSG since 11 October 2010 despite its has been less than 50% and that CFSG qualified as a subsidiary of the Group under HKFRS 10 throughout the relevant reporting periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the remaining deductible temporary difference and estimated unused tax losses of approximately HK$51,005,000 and HK$723,393,000 respectively (31 December 2011: HK$31,339,000 and HK$623,611,000) due to the unpredictability of future profit streams of the relevant subsidiaries. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, future recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

Estimated impairment of goodwill, intangible assets and property and equipment

Determining whether an impairment is required requires an estimation of recoverable amounts of relevant intangible assets and property and equipment or the respective cash generating units ("CGU") in which the goodwill, intangible assets and property and equipment belong, which is the higher of value in use and fair value less costs to sell. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant assets or the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or the CGU for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise. Details of the recoverable amount calculation of the relevant assets and respective CGU are disclosed in notes 22 and 23 respectively.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of accounts receivable from a broker

As described in note 26, the directors of the Company, based on the best information available as at 31 December 2012, assessed the provision for estimated compensation on potential uncollectable amount of an account balance held on behalf of its client of HK$30,363,000 (31 December 2011: HK$102,173,000) maintained in MF Global Hong Kong Limited ("MFG HK") which is subject to liquidation. The directors are of the view that the Group will recover the carrying amount at the end of the reporting period. In cases where the development of this matter suggests outcome is worse than expected, an impairment may be recognised in the consolidated statement of comprehensive income for the period when such event takes place.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability, ageing analysis of accounts, the values of underlying collateral and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of those clients in default of settlement. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2012, the aggregate carrying amount of accounts receivable and loans receivable, net of allowance for bad and doubtful debts, are HK$920,627,000 and HK$61,496,000 (31 December 2011: HK$815,030,000 and HK$44,492,000) respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 34 and equity attributable to owners of the Company, comprising issued share capital disclosed in note 36, reserves and retained earnings/accumulated losses as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Financial assets		
Investment held for trading	**123,206**	26,961
Loans and receivables (including cash and cash equivalents)	**2,209,627**	2,170,986
Financial liabilities		
Amortised cost	**2,246,603**	2,028,839

Financial risk management objectives and policies

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

Market risk

Price risk

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

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

Price sensitivity

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

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Price sensitivity (continued)

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

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

Interest rate risk

Fair value interest rate risk

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

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

Cash flow interest rate risk

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

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

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation for both years. As at 31 December 2012, if the interest rate had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's loss before taxation would increase/decrease by HK1,021,000 (2011: HK$904,000). This is mainly attributable to the Group exposure to the Group's exposure to the interest rates on variable-rate borrowings, loans receivable and loans to margin clients.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk

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

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

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

	Liabilities		**Assets**	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
USD	**20,044**	44,542	**298,147**	458,481
RMB	**1,491**	2,152	**110,349**	104,151

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

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

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of loans receivable and accounts receivable as disclosed in notes 26 and 27 respectively on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

In respect to the accounts receivable from MFG HK, the Group closely monitor the development and the directors closely contact with the liquidators (as defined in note 26) for the recoverable amount to address the credit risk.

The Group does not have any significant concentration of credit risk, as the exposure spread over a number of counterparties and customers, except for the loans receivable as disclosed in note 27.

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

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with all the loan covenants.

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

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

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

	Weighted average effective interest rate	Within 1 year or repayable on demand	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2012							
Accounts payable	N/A	1,591,375	–	–	–	1,591,375	1,591,375
Accrued liabilities and other payables	N/A	110,339	–	–	–	110,339	110,339
Borrowings	Note	503,000	2,156	6,468	26,042	537,666	517,452
Loan from a non-controlling shareholder of a subsidiary	N/A	27,437	–	–	–	27,437	27,437
Obligations under finance leases	3.35	926	50	–	–	976	956
		2,233,077	2,206	6,468	26,042	2,267,793	2,247,559
At 31 December 2011 (restated)							
Accounts payable	N/A	1,386,663	–	–	–	1,386,663	1,386,663
Accrued liabilities and other payables	N/A	166,642	–	–	–	166,642	166,642
Borrowings	Note	349,577	84,239	7,900	36,324	478,040	448,097
Loan from a non-controlling shareholder of a subsidiary	N/A	27,437	–	–	–	27,437	27,437
Obligations under finance leases	3.35	959	922	54	–	1,935	1,862
		1,931,278	85,161	7,954	36,324	2,060,717	2,030,701

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

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

Borrowings with a repayment on demand clause are included in the "within 1 year or repayment on demand" time band in the above maturity analysis. The aggregate carrying amounts of these bank loans amounted to approximately HK$236,764,000 as at 31 December 2012 (31 December 2011: HK$189,169,000). Taking into account the Group's financial position, the Directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate payment. The Directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows amount to approximately HK$246,857,000 as at 31 December 2012 (31 December 2011: HK$200,552,000), as follows:

	31 December 2012 HK$'000	31 December 2011 HK$'000 (Restated)
Within one year	**185,931**	149,425
More than one year but not exceeding two years	**29,956**	15,809
More than two years but not exceeding five years	**11,343**	9,190
More than five years	**19,627**	26,128
	246,857	200,552

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

Fair values

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

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

- the fair value of debt securities listed in Hong Kong and unlisted investment fund are determined based on brokers' quotes; and

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

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

6. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

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

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

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

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

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
As at 31 December 2012				
Financial assets at FVTPL				
Investments held for trading				
Equity securities listed in Hong Kong	**72,380**	**–**	**–**	**72,380**
Equity securities listed outside Hong Kong	**4**	**–**	**–**	**4**
Debt securities listed in Hong Kong	**–**	**26,749**	**–**	**26,749**
Debt securities listed outside Hong Kong	**13,988**	**–**	**–**	**13,988**
Unlisted investment fund	**–**	**10,085**	**–**	**10,085**
	86,372	**36,834**	**–**	**123,206**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2011 (restated)				
Financial assets at FVTPL				
Investments held for trading				
Equity securities listed in Hong Kong	26,956	–	–	26,956
Equity securities listed outside Hong Kong	5	–	–	5
	26,961	–	–	26,961

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

7. REVENUE

	2012 HK$'000	2011 HK$'000 (restated)
An analysis of the Group's revenue for the year from continuing operations is as follows:		
Fee and commission income	**163,599**	226,235
Interest income – financial services	**21,850**	35,453
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,095,680**	1,072,752
Online game subscription income	**5,703**	8,386
Licensing income	**3,482**	1,032
	1,290,314	1,343,858

8. SEGMENT INFORMATION

Segment information

Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Upon the adoption of HKFRS 10 resulting in CFSG becoming the subsidiary of the Company from 11 October 2010, two additional segments of financial services and retailing were presented to reflect the operations of CFSG based on the goods or services delivered or provided. Therefore, the segment information in respect of the year ended 31 December 2011 were restated.

In addition, the Group was newly engaged in mobile digital services through acquisition of Yole Wireless Technology (Hongkong) Co., Limited ("Yole Wireless") in April 2011 which then became a new operating and reportable segment during the year ended 31 December 2011.

Specifically, the Group's operating and reportable segments are as follows:

Financial services	Broking, financing, corporate finance services and securities trading
Retailing	Sales of furniture and household goods and electrical appliances
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services
Mobile digital services	Provision of mobile digital entertainment services

Mobile digital services operation, which was involved in provision of mobile digital entertainment services was discontinued during the year ended 31 December 2011 upon the disposal of Yole Wireless in December 2011, the segment information reported below does not include any amounts for this discontinued operation, which are described in more detail in note 16.

8. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2012

	Financial services HK$'000	**Retailing HK$'000**	**Online game services HK$'000**	**Consolidated HK$'000**
Continuing operations				
Revenue	**185,449**	**1,095,680**	**9,185**	**1,290,314**
Segment (loss) profit	**(36,899)**	**12,587**	**(173,100)**	**(197,412)**
Other income				**354**
Net gains on investments held for trading				**98,518**
Corporate expenses				**(134,784)**
Fair value change on investment properties				**(17,068)**
Share of results of an associate				**14,045**
Unallocated finance costs				**(7,340)**
Loss before taxation (continuing operations)				**(243,687)**

For the year ended 31 December 2011 (restated)

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Continuing operations				
Revenue	261,688	1,072,752	9,418	1,343,858
Segment (loss) profit	(5,757)	16,948	(35,195)	(24,004)
Other income				536
Net gains on investment held for trading				165,955
Corporate expenses				(238,208)
Fair value change on investment properties				(3,673)
Share of results of an associate				8,884
Loss on early redemption of convertible notes				(7,108)
Unallocated finance costs				(11,227)
Loss before taxation (continuing operations)				(108,845)

All the segment revenue is derived from external customers.

Segment result represents the loss incurred/profit earned by each segment without allocation of certain other income, net gains on investment held for trading, corporate expenses, fair value change on investment properties, share of results of an associate, loss on early redemption of convertible notes and certain finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

As at 31 December 2012

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	2,190,685	396,875	54,834	2,642,394
Investment properties				68,832
Unallocated property and equipment				18,454
Interest in an associate				152,939
Loan to an associate				10,296
Unallocated other assets				23,059
Deferred tax assets				6,700
Unallocated prepayments, deposits and other receivables				3,972
Assets classified as held for sale				66,000
Unallocated bank balances and cash				40,641
Total assets				3,033,287
LIABILITIES				
Segment liabilities	1,685,699	333,724	9,562	2,028,985
Unallocated accrued liabilities and other payables				36,403
Unallocated taxation payable				3,615
Unallocated borrowings				164,509
Loan from a non-controlling shareholder of a subsidiary				27,437
Deferred tax liabilities				16,137
Unallocated obligations under finance leases				693
Total liabilities				2,277,779

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

As at 31 December 2011 (as restated)

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	1,923,621	473,268	204,161	2,601,050
Investment properties				185,484
Unallocated property and equipment				42,493
Interest in an associate				138,894
Loan to an associate				10,296
Unallocated prepayments, deposits and other receivables				6,264
Deferred tax assets				4,700
Unallocated bank balances and cash				81,109
Total assets				3,070,290
LIABILITIES				
Segment liabilities	1,443,494	312,916	10,770	1,767,180
Unallocated accrued liabilities and other payables				64,734
Unallocated taxation payable				2,815
Unallocated borrowings				174,720
Loan from a non-controlling shareholder of a subsidiary				27,437
Deferred tax liabilities				18,385
Unallocated obligations under finance leases				1,310
Total liabilities				2,056,581

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segment other than investment properties, certain property and equipment, interest in associate, loan to an associate, certain other assets, deferred tax assets, certain prepayments, deposits and other receivables, assets classified as held for sale and certain bank balances and cash; and

- all liabilities are allocated to reportable and operating segment other than certain accrued liabilities and other payables, certain taxation payable, certain borrowings, loan from a non-controlling shareholder of a subsidiary, certain obligations under finance leases and deferred tax liabilities.

8. SEGMENT INFORMATION (continued)

Other segment information

Continuing operations

For the year ended 31 December 2012

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property and equipment	**12,485**	**16,314**	**165**	**512**	**29,476**
Additions of intangible assets	**–**	**–**	**6,000**	**–**	**6,000**
Depreciation of property and equipment	**12,885**	**24,425**	**3,713**	**23,384**	**64,407**
Amortisation of intangible assets	**–**	**–**	**26,428**	**–**	**26,428**
Finance costs	**5,003**	**4,040**	**–**	**7,340**	**16,383**
Write-down on inventories	**–**	**5,348**	**–**	**–**	**5,348**
Loss on disposal of property and equipment	**5**	**62**	**79**	**469**	**615**
Allowance on bad and doubtful loans receivable	**9,700**	**–**	**–**	**–**	**9,700**
Bad debt on accounts receivable recovered	**(3)**	**–**	**–**	**–**	**(3)**
Impairment loss recognised in respect of goodwill	**–**	**–**	**83,361**	**–**	**83,361**
Impairment loss recognised in respect of intangible assets	**–**	**–**	**24,000**	**–**	**24,000**
Impairment loss recognised in respect of property and equipment	**–**	**4,664**	**–**	**–**	**4,664**

For the year ended 31 December 2011 (restated)

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property and equipment	20,052	24,562	1,755	6,079	52,448
Additions of intangible assets	–	–	168,952	–	168,952
Depreciation of property and equipment	12,544	21,432	5,818	22,886	62,680
Amortisation of intangible assets	–	–	4,457	–	4,457
Finance costs	7,106	3,913	–	11,227	22,246
Write-down on inventories	–	2,840	–	–	2,840
Loss (gain) on disposal of property and equipment	14	–	–	(410)	(396)
Gain on disposal of assets classified held for sale	–	(32,400)	–	–	(32,400)
Bad debt on accounts receivable and other receivables written off directly	77	9	–	–	86
Allowance on bad and doubtful loans receivable	28,700	–	–	–	28,700
Bad debt on accounts receivable and loan receivables recovered	(12)	–	–	–	(12)

8. SEGMENT INFORMATION (continued)

Other segment information (continued)

Geographical information

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

The Group's segment revenue from external customers from continuing operations and information about its non-current assets (excluding loan to an associate and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue		Non-current assets	
			31 December	31 December
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)
Hong Kong	**1,271,845**	1,330,629	**394,388**	441,611
PRC	**18,469**	13,229	**142,101**	339,129
	1,290,314	1,343,858	**536,489**	780,740

No customer contributed over 10% of the Group's revenue during both years.

9. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
		(restated)
Continuing operations		
Dividends from listed investments held for trading	**1,616**	627
Sundry income	**9,894**	6,011
	11,510	6,638

10. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	HK$'000
		(restated)
Continuing operations		
Net gains on investments held for trading	**98,518**	165,955
(Loss) gain on disposal of property and equipment	**(615)**	396
Gain on disposal of assets classified as held for sale	**–**	32,400
Impairment loss in respect of property and equipment	**(4,664)**	–
Net foreign exchange gain	**972**	2,427
Bad debt on accounts receivable recovered	**3**	12
Allowance on bad and doubtful loans receivable	**(9,700)**	(28,700)
Bad debt on accounts receivable and other receivables written off directly	**–**	(86)
	84,514	172,404

11. SALARIES, ALLOWANCES AND COMMISSION

	2012 HK$'000	2011 HK$'000 (restated)
Continuing operations		
Salaries, allowances and commission represent the amounts paid and payable to the directors of the Company and employees and comprises of:		
Salaries, allowances and commission	**300,412**	389,248
Contributions to retirement benefits schemes	**11,309**	11,972
Share-based payments	**562**	28,976
Less: Amount capitalised as online game development costs	**(6,000)**	(26,889)
	306,283	403,307

12. FINANCE COSTS

	2012 HK$'000	2011 HK$'000 (restated)
Continuing operations		
Interest on:		
Bank overdrafts, bank loans and other borrowings:		
– wholly repayable within five years	**15,096**	17,834
– wholly repayable more than five years	**1,234**	2,040
Finance lease wholly repayable within five years	**53**	87
Effective interest expense on Convertible Notes (defined in note 35)	**–**	2,285
	16,383	22,246

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration

The remuneration paid or payable to each of the seven (2011: six) directors was as follows:

	Kwan Pak Hoo Bankee HK$'000 (Note (2))	Chan Yau Ching Bob HK$'000 (Note (1))	Law Ping Wah Bernard HK$'000	Ng Kung Chit Raymond HK$'000	Leung Ka Kui Johnny HK$'000	Chan Hak Sin HK$'000	Wong Chuk Yan HK$'000	Total HK$'000
2012								
Fees:								
Executive directors	–	–	–	–	–	–	–	–
Independent non-executive directors	–	–	–	–	150	150	–	300
Other remuneration paid to executive directors:								
Salaries, allowances and benefits in kind	2,053	176	863	758	–	–	–	3,850
Contributions to retirement benefit scheme	67	9	43	38	–	–	–	157
Total remuneration	2,120	185	906	796	150	150	–	4,307

Notes

(1) Mr Chan Yau Ching Bob is appointed as director of the Company on 3 October 2012.

(2) Mr Kwan Pak Hoo Bankee is also the Company's chief executive and his remunerations disclosed above include those for services rendered by him as chief executive.

	Kwan Pak Hoo Bankee HK$'000 (Note)	Law Ping Wah Bernard HK$'000	Ng Kung Chit Raymond HK$'000	Leung Ka Kui Johnny HK$'000	Chan Hak Sin HK$'000	Wong Chuk Yan HK$'000	Total HK$'000
2011							
Fees:							
Executive directors	–	–	–	–	–	–	–
Independent non-executive directors	–	–	–	150	150	–	300
Other remuneration paid to executive directors:							
Salaries, allowances and benefits in kind	4,926	1,014	750	–	–	–	6,690
Share-based compensation	2,624	3,936	–	–	–	–	6,560
Contributions to retirement benefit scheme	78	51	38	–	–	–	167
Total remuneration	7,628	5,001	788	150	150	–	13,717

Note: Mr Kwan Pak Hoo Bankee is also the Company's chief executive and his remunerations disclosed above include those for services rendered by him as chief executive.

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during both years.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (continued)

Employees' remuneration

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

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**5,437**	6,670
Contributions to retirement benefit scheme	**296**	364
Performance related incentive payments	**48,365**	64,318
	54,098	71,352

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

Their remunerations were within the following band:

	Number of Employees	
	2012	2011
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 or above	**3**	1

14. INCOME TAX EXPENSE

	2012	2011
	HK$'000	HK$'000
		(restated)
Continuing operations		
Current tax:		
– Hong Kong Profits Tax	**12,119**	11,224
Underprovision in prior years	**898**	190
Deferred tax	**(4,248)**	(4,455)
	8,769	6,959

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

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

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

The income tax expense can be reconciled to the loss before taxation from continuing operations per the consolidated statement of comprehensive income as follows:

	2012	2011
	HK$'000	HK$'000
		(restated)
Loss before taxation	**(243,687)**	(108,845)
Tax at domestic income tax rate of 16.5% (2011: 16.5%)	**(40,208)**	(17,960)
Tax effect of share of results of an associate	**(2,317)**	(1,466)
Underprovision in prior years	**898**	190
Tax effect of expenses not deductible for tax purpose	**33,820**	5,790
Tax effect of income not taxable for tax purpose	**(3,826)**	(2,941)
Tax effect of deductible temporary difference not recognised	**3,252**	5,171
Tax effect of estimated tax losses not recognised	**18,981**	17,451
Tax effect of utilisation of estimated tax losses previously not recognised	**(2,517)**	(1,744)
Others	**686**	2,468
Income tax expense (relating to continuing operations)	**8,769**	6,959

14. INCOME TAX EXPENSE (continued)

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

Deferred tax assets

	Decelerated tax depreciation HK$'000
At 1 January 2011, as originally stated	–
Effect in change in accounting policies	4,100
At 1 January 2011, as restated	4,100
Credit to profit or loss for the year	600
At 31 December 2011, as restated	4,700
Credit to profit or loss for the year	2,000
At 31 December 2012	6,700

Deferred tax liabilities

	Accelerated tax depreciation HK$'000	**Revaluation of leasehold land and building** HK$'000	**Revaluation of investment properties** HK$'000	**Interest in an associate** HK$'000	**Fair value adjustment on intangible assets under business combination** HK$'000	**Total** HK$'000
At 1 January 2011, as originally stated	–	–	(7,222)	–	–	(7,222)
Effect in change in accounting policies	(1,271)	(4,700)	(449)	–	(6,649)	(13,069)
At 1 January 2011, as restated	(1,271)	(4,700)	(7,671)	–	(6,649)	(20,291)
Charge to other comprehensive income for the year	–	(3,631)	–	–	–	(3,631)
Reversal to equity upon disposal of properties	–	8,331	–	–	–	8,331
Credit to profit or loss for the year	1,271	–	1,850	–	2,656	5,777
Acquisition of subsidiaries	–	–	–	–	(21,067)	(21,067)
Disposal of subsidiaries	–	–	–	–	12,496	12,496
At 31 December 2011, as restated	–	–	(5,821)	–	(12,564)	(18,385)
Credit (charge) to profit or loss for the year	–	–	2,700	(1,404)	952	2,248
At 31 December 2012	–	–	(3,121)	(1,404)	(11,612)	(16,137)

As at 31 December 2012, the Group has deductible temporary differences and estimated unused tax losses of approximately HK$51,051,000 and HK$723,393,000 respectively (31 December 2011: HK$31,339,000 and HK$623,611,000) available for offset against future profits. No deferred tax asset has been recognised as at 31 December 2012 and 31 December 2011 in respect of these deductible temporary differences and estimated unused tax losses as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised, and it is also uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

For certain subsidiaries operating in the PRC, unrecognised tax losses of HK$227,670,000 (31 December 2011: HK$157,676,000) will expire in various dates up to 2016 (31 December 2011: 2015). The remaining unrecognised tax losses can be carried forward indefinitely.

15. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2012 HK$'000	2011 HK$'000 (restated)
Loss for the year from continuing operations has been arrived at after charging:		
Auditor's remuneration	**3,500**	3,230
Operating lease rentals in respect of land and buildings	**226,753**	222,891
Less: Amount capitalised in online game development costs	**–**	(3,540)
	226,753	219,351
Handling expenses for securities dealing	**24,388**	29,739
Selling and distribution expenses	**37,211**	37,714
Advertising and promotion expenses	**37,429**	56,470
Cost of inventories in retailing business	**647,983**	638,297
Cost of inventories and services for online game business	**5,548**	4,673
Write-down on inventories (included in cost of inventories in retailing business)	**5,348**	2,840

16. DISCONTINUED OPERATION

On 9 November 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of a subsidiary, Yole Wireless, which carried out all of the Group's mobile digital entertainment business in the PRC. The disposal was effected in order to strengthen the cash position of the Group, as the management considered that the expected synergy between mobile digital business and online game business is not as significant as expected. The disposal was completed on 28 December 2011, on which date control of Yole Wireless was passed to the acquirer.

Yole Wireless was acquired by the Group on 26 April 2011 (see note 37 for the details of acquisition), therefore, the loss for the year from the discontinued operation is analysed as follows:

	26.4.2011 to 28.12.2011 HK$'000
Profit of mobile digital business for the period	1,407
Impairment loss recognised in respect of goodwill	(28,231)
Loss on disposal of Yole Wireless (see note 38)	(3,323)
Loss for the period from discontinued operation	(30,147)
Loss for the period attributable to:	
Owners of the Company	(30,810)
Non-controlling interests	663
	(30,147)

16. DISCONTINUED OPERATION (continued)

The results of the mobile digital business operation for the period from 26 April 2011 to 28 December 2011, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period from 26.4.2011 to 28.12.2011 HK$'000
Revenue	32,432
Cost of inventories	(9,626)
Other income	353
Salaries, allowances and commission	(4,855)
Other operating, administrative and selling expenses	(4,567)
Amortisation of intangible assets	(11,738)
Depreciation of property and equipment	(547)
Finance cost	(2)
Profit before taxation	1,450
Income tax expense	(43)
Profit for the period	1,407
Profit for the period attributable to:	
Owners of the Company	744
Non-controlling interest	663
	1,407

Loss for the period from discontinued operation includes the following:

	Period from 26.4.2011 to 28.12.2011 HK$'000
Operating lease rentals in respect of land and buildings	994
Interest income	14
Contribution to retirement benefit scheme (including in salaries, allowances and commission)	371

During the year ended 31 December 2011, Yole Wireless contributed HK$10,623,000 to the Group's net operating cash flows, paid HK$6,168,000 in respect of investing activities and with nil contribution in respect of financing activities.

The carrying amounts of the assets and liabilities of Yole Wireless at the date of disposal are disclosed in note 38.

17. LOSS PER SHARE

From continuing and discontinued operations

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

	2012 HK$'000	2011 HK$'000 (restated)
Loss for the purpose of basic and diluted loss per share	(228,552)	(126,499)

The denominators used are the same as those detailed below for the loss per share from continuing operations.

From continuing operations

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

Loss figures are calculated as follows:

	2012 HK$'000	2011 HK$'000 (restated)
Loss for the year attributable to owners of the Company	(228,552)	(126,499)
Less: Loss for the year from discontinued operation attributable to the owners of the Company	–	30,810
Loss for the purpose of basic and diluted loss per share from continuing operations	(228,552)	(95,689)

	2012 '000	2011 '000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share from continuing operations	369,432	348,065

The weighted average number of ordinary shares for the calculation of the basic and diluted loss per share for years of 2012 and 2011 have been adjusted retrospectively to reflect the impact of share consolidation during the year ended 31 December 2012.

The incremental shares from assumed exercise of share options and conversion of convertible notes are excluded in calculating the diluted loss per share from the continuing operations because they are antidilutive in calculating the diluted loss per share from continuing operations.

17. LOSS PER SHARE (continued)

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HK8.85 cents per share during the year ended 31 December 2011.

The denominators used are the same as those detailed above for the loss per share from continuing operations.

18. DIVIDENDS

	2012	2011
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2010 Final – HK0.2 cent per share	–	6,846

No dividend was paid or proposed during 2012 and 2011, nor has any dividend been proposed since the end of the reporting period.

19. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST OR VALUATION					
At 1 January 2011, as originally stated	–	26,453	48,864	1,568	76,885
Effect in change in accounting policies	70,000	133,625	100,846	2,444	306,915
At 1 January 2011, as restated	70,000	160,078	149,710	4,012	383,800
Additions	–	33,711	18,672	1,737	54,120
Acquisition of subsidiaries (Note 37)	–	311	1,239	–	1,550
Disposals	–	(35,519)	(20,297)	(1,568)	(57,384)
Disposals of subsidiaries (Note 38)	–	–	(2,729)	–	(2,729)
Revaluation	21,100	–	–	–	21,100
Reclassified as assets classified as held for sale (Note 42)	(91,100)	–	–	–	(91,100)
Exchange adjustments	–	1,000	699	9	1,708
At 31 December 2011, as restated	–	159,581	147,294	4,190	311,065
Additions	–	18,458	11,018	–	29,476
Disposals	–	(11,122)	(12,632)	–	(23,754)
Exchange adjustments	–	223	853	9	1,085
At 31 December 2012	–	167,140	146,533	4,199	317,872
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2011, as originally stated	–	18,877	36,454	1,568	56,899
Effect in change in accounting policies	–	70,059	53,683	1,115	124,857
At 1 January 2011, as restated	–	88,936	90,137	2,683	181,756
Provided for the year	1,483	35,841	25,296	607	63,227
Eliminated on disposals	–	(35,519)	(20,283)	(1,568)	(57,370)
Eliminated on disposals of subsidiaries	–	–	(547)	–	(547)
Eliminated on revaluation	(1,483)	–	–	–	(1,483)
Exchange adjustments	–	498	389	6	893
At 31 December 2011, as restated	–	89,756	94,992	1,728	186,476
Provided for the year	–	40,977	22,730	700	64,407
Eliminated on disposals	–	(11,122)	(11,545)	–	(22,667)
Impairment loss recognised in profit or loss	–	4,343	321	–	4,664
Exchange adjustments	–	85	602	8	695
At 31 December 2012	–	124,039	107,100	2,436	233,575
CARRYING AMOUNTS					
At 31 December 2012	–	43,101	39,433	1,763	84,297
At 31 December 2011	–	69,825	52,302	2,462	124,589

19. PROPERTY AND EQUIPMENT (continued)

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

Leasehold land and buildings	The shorter of the lease terms and 20 years
Leasehold improvements	The shorter of the lease terms and 5 years
Furniture, fixtures and equipment	3 to 7 years
Motor vehicles	3 to 5 years

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

The carrying amounts of motor vehicles of includes amounts of approximately HK$1,763,000 (31 December 2011: HK$2,462,000) in respect of assets held under finance leases.

20. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2011, as originally stated	95,810
Effect in change in accounting policies	89,967
At 1 January 2011, as restated	185,777
Decrease in fair value recognised in profit or loss	(3,673)
Exchange adjustments	3,380
At 31 December 2011, as restated	185,484
Decrease in fair value recognised in profit or loss	(17,068)
Disposals	(34,139)
Reclassified as assets held for sale (Note 42)	(66,000)
Exchange adjustments	555
At 31 December 2012	68,832

The fair value of the Group's investment properties at 31 December 2012 and 2011 was arrived at a valuation carried out by Peak Vision Appraisals Limited (2011: B. I. Appraisals Limited), independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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

20. INVESTMENT PROPERTIES (continued)

The carrying amounts of investment properties shown above are situated on:

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Land in Hong Kong with medium-term lease	**–**	80,000
Land in the PRC with medium-term lease	**41,354**	44,034
Land in the PRC with long-term lease	**27,478**	61,450
Total assets	**68,832**	185,484

21. GOODWILL

	HK$'000
COST	
At 1 January 2011, as originally stated	170,766
Effect in change in accounting policies	62,710
At 1 January 2011, as restated	233,476
Acquisition of subsidiaries (Note 37)	28,231
At 31 December 2011, as restated and 31 December 2012	261,707
IMPAIRMENT	
At 1 January 2011	87,405
Impairment loss recognised	28,231
At 31 December 2011	115,636
Impairment loss recognised	83,361
At 31 December 2012	198,997
CARRYING AMOUNTS	
At 31 December 2012	62,710
At 31 December 2011	146,071

21. GOODWILL (continued)

The carrying amounts of goodwill allocated to the CGUs are as follows:

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Financial services	**23,267**	23,267
Retailing	**39,443**	39,443
Online game services	**–**	83,361
	62,710	146,071

As detailed in note 37(i), the Group acquired Yole Wireless in April 2011 with a goodwill of HK$28,231,000, which reflected the management expectation of the synergy effect between mobile digital business and online game business. Subsequent to acquisition, management realised that the synergy would not be as significant as expected and thus decided to dispose of Yole Wireless in November 2011. As the estimated fair value less cost to sell is lower than the net carrying amount of the assets (including goodwill) and liabilities, an impairment loss of HK$28,231,000 is recognised in profit or loss and allocated to reduce the carrying amount of goodwill in 2011.

Particulars regarding impairment testing on goodwill as at 31 December 2012 and 2011 and impairment loss recognised in respect of goodwill of HK$83,361,000 during the year ended 31 December 2012 are disclosed in note 23.

22. INTANGIBLE ASSETS

	Trading rights	Club membership	Online game related intellectual property	Online game development costs	Domain name	Trademarks	Mobile digital related intellectual property	Mobile digital related development cost	Gaming licences	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note (c))	(Note (d))		(Note (a))	(Note (b))	(Note (e))			(Note (f))	
COST										
At 1 January 2011, as originally stated	–	–	16,390	25,593	5,460	–	–	–	–	47,443
Effect in change in accounting policies	9,392	660	–	–	–	38,000	–	–	–	48,052
At 1 January 2011, as restated	9,392	660	16,390	25,593	5,460	38,000	–	–	–	95,495
Addition	–	–	–	31,678	–	–	–	4,496	–	36,174
Acquisition of subsidiaries (Note 37)	–	–	–	–	–	–	87,383	5,100	40,295	132,778
Disposal of subsidiaries	–	–	–	–	–	–	(87,383)	(9,596)	–	(96,979)
At 31 December 2011, as restated	9,392	660	16,390	57,271	5,460	38,000	–	–	40,295	167,468
Addition	–	–	–	6,000	–	–	–	–	–	6,000
At 31 December 2012	9,392	660	16,390	63,271	5,460	38,000	–	–	40,295	173,468
AMORTISATION AND IMPAIRMENT										
At 1 January 2011	–	–	16,390	5,593	–	–	–	–	–	21,983
Charge for the year	–	–	–	–	–	–	11,651	87	4,457	16,195
Eliminated on disposal of subsidiaries	–	–	–	–	–	–	(11,651)	(87)	–	(11,738)
At 31 December 2011	–	–	16,390	5,593	–	–	–	–	4,457	26,440
Charge for the year	–	–	–	20,671	–	–	–	–	5,757	26,428
Impairment loss recognised for the year	–	–	–	24,000	–	–	–	–	–	24,000
At 31 December 2012	–	–	16,390	50,264	–	–	–	–	10,214	76,868
CARRYING AMOUNTS										
At 31 December 2012	9,392	660	–	13,007	5,460	38,000	–	–	30,081	96,600
At 31 December 2011	9,392	660	–	51,678	5,460	38,000	–	–	35,838	141,028

22. INTANGIBLE ASSETS (continued)

Notes:

(a) As at 31 December 2012, intangible asset of online game development costs represented internally generated online game development costs. This intangible asset has definite useful life and is amortised on a straight-line basis over the estimated useful lite. During the year ended 31 December 2012, one online games launched to the public and its development costs started to amortise for one year amounting to HK$20,671,000. The remaining online game with development costs of HK$37,007,000 (31 December 2011: HK$51,678,000) are not ready for use. No amortisation is provided and subject to impairment assessment during the year ended 31 December 2012.

For the purpose of impairment testing of online game development costs, the carrying amount of each online game is compared with the recoverable amount of each online game. The recoverable amount of each online game has been determined at the higher of fair value less cost to sell and value in use calculation. Value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-years period and discount rate of 21% (31 December 2011: 20.6%). The cash flow beyond the 5-years period are extrapolated using a steady percentage growth rate of nil (31 December 2011: 2%). The key assumptions for value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers. As a result of the assessment, the recoverable amount of the online game development costs is estimated to be less than the carrying amount and an impairment loss of HK$24,000,000 was recognised during the year ended 31 December 2012.

(b) As at 31 December 2012, intangible assets with carrying amounts of HK$5,460,000 (31 December 2011: HK$5,460,000) represent domain name. It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life.

The domain name is considered by management of the Group as having an indefinite useful life because it is expected to be used indefinitely. The domain name will not be amortised until its useful life is determined to be finite, instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing on domain name, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, with reference to the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs to sell at 31 December 2012 and 2011 was supported by a valuation carried out at that day by Peak Vision Appraisals Limited (2011: Peak Vision Appraisals Limited), an independent qualified professional valuer not connected with the Group.

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

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

(e) At 31 December 2012, trademark amounting to HK$38,000,000 (31 December 2011: HK$38,000,000) represents the perpetual right for the use of the brand name 'Pricerite' in Hong Kong which takes the form of a sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the products are expected to generate net cash flows for the Group. As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding impairment testing on trademark are disclosed in note 23.

(f) As at 31 December 2012, gaming licences with carrying amounts of approximately HK$30,081,000 (31 December 2011: HK$35,838,000) was purchased as part of a business combination of Oberon Media (defined and explained in note 37(ii)). This intangible asset has definite useful life and is amortised on a straight-line basis over 5 years. Particulars regarding impairment testing on gaming licences are disclosed in note 23.

23. IMPAIRMENT ASSESSMENT ON GOODWILL AND INTANGIBLE ASSETS

An impairment assessment requires an estimation of recoverable amount of relevant intangible assets and property and equipment or the respective CGU in which the goodwill, intangible assets, property and equipment belong, which is the higher of value in use and fair value less costs to sell. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of CGU to which the assets belongs. Specifically, the carrying amount of goodwill, trading rights, trademarks, online game development costs and gaming licences as at 31 December 2012 and 2011 allocated to these units are as follows:

	Goodwill		Trading rights		Trademarks		Online game development costs		Gaming licences	
	31 December 2012 HK$'000	31 December 2011 HK$'000	**31 December 2012 HK$'000**	31 December 2011 HK$'000	**31 December 2012 HK$'000**	31 December 2011 HK$'000	**31 December 2012 HK$'000**	31 December 2011 HK$'000	**31 December 2012 HK$'000**	31 December 2011 HK$'000
Financial services	**23,267**	23,267	**9,392**	9,392	**–**	–	**–**	–	**–**	–
Retailing	**39,443**	39,443	**–**	–	**38,000**	38,000	**–**	–	**–**	–
Online game services	**–**	83,361	**–**	–	**–**	–	**13,007**	51,678	**–**	–
Mobile game services	**–**	–	**–**	–	**–**	–	**–**	–	**30,081**	35,838
	62,710	146,071	**9,392**	9,392	**38,000**	38,000	**13,007**	51,678	**30,081**	35,838

Financial services CGU

The goodwill of HK$23,267,000 (31 December 2011: HK$23,267,000) and trading rights are allocated to CGU of broking of securities and corporate finance. The recoverable amounts of the CGU of broking of securities and corporate finance have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period, and discount rate of 10% (31 December 2011: one-year period, and discount rate of 10%). The cash flows beyond the one-year period are extrapolated for two years using a zero growth rate. The zero growth rate is determined based on management's expectations for the market development and is not expected to exceed the average long-term growth rate for the relevant industry. No impairment on these CGUs is made for both years as the recoverable amount exceeded the carrying amount. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

Retailing CGU

The goodwill of HK$39,443,000 (31 December 2011: HK$39,443,000) and trademark is allocated to CGU of retailing business in Hong Kong. The recoverable amount of the CGU of retailing business has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period having an annual growth rate of 3% and discount rate of 19.6% (31 December 2011: five-year period, annual growth rate of 5% and discount rate of 19.6%) and projections of terminal value using the perpetuity method at a growth rate of 3% (31 December 2011: 5%). A key assumption for the value in use calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development in Hong Kong. No impairment on this CGU is made for both years as the recoverable amount exceeded the carrying amount. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

23. IMPAIRMENT ASSESSMENT ON GOODWILL AND INTANGIBLE ASSETS (continued)

Online game services CGU

Online game development costs with carrying amount after impairment of HK$13,007,000 (31 December 2011: HK$51,678,000) and goodwill with carrying amount before impairment of HK$83,361,000 (31 December 2011: HK$83,361,000) have been allocated to the CGU of online game services.

The recoverable amount of the CGU of online game services has been determined at the higher of fair value less cost to sell and value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-years period and discount rate of 21% (31 December 2011: 20.6%). The cash flows beyond the 5-years period are extrapolated using a steady percentage growth rate of nil (31 December 2011: 2%). The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers.

During the year ended 31 December 2012, the financial performance and actual net cash flows generating from the new launched online game are significantly worse than previous budgeted. Moreover, management considered that the online game market is declining during the year as a result of the change in the customers' spending pattern between the online game and smartphone mobile games. In view of this, management adjusted downward the estimated cash flow of the CGU, taking into account the actual performance of the newly launched game in current year, the pilot run results as well as the estimated future revenue of another new online game. As a result of the re-estimation, the recoverable amount of the CGU is estimated to be less than the carrying amounts of goodwill and online game development costs and impairment losses of HK$83,361,000 (31 December 2011: nil) in respect of goodwill are recognised to profit or loss during the year ended 31 December 2012.

Mobile games services CGU

Intangible assets of HK$30,810,000 (2011: HK$35,838,000) is allocated to CGU of mobile games services, the recoverable amount has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering 5-years period and discount rate of 21% (31 December 2011: 20.8%). The cash flow beyond the 5-years period are extrapolated using steady percentage growth rate of 3% (31 December 2011: 3%). The growth rate is determined by reference to the growth rate for the mobile gaming industry. As at 31 December 2012, no impairment on the above CGU is made since its recoverable amounts of gaming licences exceeded its carrying amount.

24. INTEREST IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Cost of investment in an associate:		
Unlisted shares	**67,833**	67,833
Share of post-acquisition profits and other comprehensive income	**85,106**	71,061
	152,939	138,894
Loan to an associate (Note)	**10,296**	10,296

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

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

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

The associate has a reporting date of 31 December.

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

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Total assets	**811,530**	769,748
Total liabilities	**(352,715)**	(353,065)
Net assets	**458,815**	416,683
Group's share of net assets of associate	**152,939**	138,894
Revenue	**51,429**	49,786
Profit for the year	**42,133**	26,653
Other comprehensive income for the year	**–**	16,493
Group's share of profits and other comprehensive income of associate for the year	**14,045**	14,382

There is no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

25. OTHER ASSETS

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Statutory and other deposits with exchanges and clearing houses	**14,006**	7,477
Deposits paid for the purchase of property for self-occupation (Note 44)	**23,014**	–
	37,020	7,477

The above deposits are non-interest bearing.

26. ACCOUNTS RECEIVABLE

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**40,050**	59,905
Cash clients	**313,212**	40,185
Margin clients	**270,160**	223,204
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**157**	148
Clearing houses, brokers and dealers	**294,796**	488,885
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**1,357**	859
Accounts receivable arising from the business of provision of corporate finance services	**300**	1,100
Accounts receivable arising from the business of provision of online game services	**595**	744
	920,627	815,030

26. ACCOUNTS RECEIVABLE (continued)

The credit quality of accounts receivable are summarised as follows:

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Neither past due nor impaired:		
– Margin clients	**270,160**	229,119
– Other non-margin clients	**299,461**	17,677
– Clearing houses, brokers and dealers	**304,109**	446,165
– Online game services customers	**595**	744
Past due but not impaired	**51,510**	127,070
Impaired	**2,316**	1,779
	928,151	822,554
Less: Allowance for impairment	**(7,524)**	(7,524)
	920,627	815,030

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

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

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

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

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

26. ACCOUNTS RECEIVABLE (continued)

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

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

The Group allows an average credit period of 30 days to its online game services customers. The accounts receivable with a carrying amount of approximately HK$595,000 (31 December 2011: HK$744,000) are aged within 30 days (from the trade date) which is neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are recoverable.

Included in the Group's accounts receivable are debtors (excluding margin clients), with a carrying amount of HK$51,510,000 (31 December 2011: HK$127,070,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality. The Group believes that the amounts are still considered recoverable given the substantial settlement after the reporting date.

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

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

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

Accounts receivable are netted off by allowance for bad and doubtful debts of HK$7,524,000 (31 December 2011: HK$7,524,000) in which included individual allowance of HK$2,316,000 (31 December 2011: HK$1,609,000) and collective allowance of HK$5,208,000 (31 December 2011: HK$5,915,000) respectively.

26. ACCOUNTS RECEIVABLE (continued)

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

Movement in the allowance for bad and doubtful debts:

	2012 & 2011
	HK$'000
Balance at the beginning and the end of the year	7,524

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

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

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

Name	**Balance at 1 January**	**Balance at 31 December**	**Maximum amount outstanding during the year**	**Market value of pledged securities at fair value at 31 December**
	HK$'000	HK$'000	HK$'000	HK$'000
Directors of the Company				
Mr Law Ping Wah Bernard and associates (Note (1))				
2011	–	–	12,336	–
2012	–	–	246	–
Mr Ng Kung Chit Raymond				
2011	–	–	1,373	–
2012	–	–	982	–

26. ACCOUNTS RECEIVABLE (continued)

Name	Balance at 1 January HK$'000	Balance at 31 December HK$'000	Maximum amount outstanding during the year HK$'000	Market value of pledged securities at fair value at 31 December HK$'000
A shareholder with significant influence over the Company (Note (2))				
Cash Guardian Limited				
2011	–	–	4,356	–
2012	–	–	–	–
Mr Kwan Pak Hoo Bankee and associates				
2011	–	–	3,202	–
2012	–	–	474	493

Notes:

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

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

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

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

27. LOANS RECEIVABLE

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Loans receivable denominated in Hong Kong dollars	**103,493**	76,789
Less: Allowance for bad and doubtful debts	**(41,997)**	(32,297)
	61,496	44,492

27. LOANS RECEIVABLE (continued)

The credit quality of loans receivable are summarised as follows:

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

Except for the loans receivable with the carrying amount of HK$9,497,000 (31 December 2011: HK$3,368,000) which was non-interest bearing, interest rates underlying the variable-rate loans receivable are Hong Kong Prime Rate plus a spread for both years.

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

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

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

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

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

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

27. LOANS RECEIVABLE (continued)

At the end of each reporting date, the Group's loans receivable were individually assessed for impairment. The Group encountered difficulties in collection of certain loans receivable and appropriate allowance for bad and doubtful debts has been made against these loans receivable. The individually impaired loans receivable are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific allowance for bad and doubtful debts was recognised. The above allowance for bad and doubtful debts of HK$41,997,000 (31 December 2011: HK$32,297,000) on the gross carrying amount of loans receivable amounting to HK$51,494,000 (31 December 2011: HK$45,187,000) were individually impaired up to the fair value of each client's pledged securities. The individually impaired short term loans receivable relate to customers that were in default or delinquency in repayments.

Apart from the exposures to the concentration of credit risk from the five highest borrowers of HK$63,173,000 (31 December 2011: HK$41,584,000) with specific allowance for bad and doubtful debts of HK$17,393,000 (31 December 2011: HK$13,909,000), the Group has no other significant concentration of credit risk.

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

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
On demand or within one year	**38,776**	40,880

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

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
On demand or within one year	**13,223**	244

28. INVESTMENTS HELD FOR TRADING

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Equity securities listed in Hong Kong (Note (a))	**72,380**	26,956
Equity securities listed outside Hong Kong (Note (a))	**4**	5
Debt securities listed in Hong Kong (Note (b))	**26,749**	–
Debt securities listed outside Hong Kong (Note (c))	**13,988**	–
Unlisted investment fund (Note (d))	**10,085**	–
	123,206	26,961

28. INVESTMENTS HELD FOR TRADING (continued)

Notes:

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

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

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

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

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

29. BANK DEPOSITS SUBJECT TO CONDITIONS

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Other bank deposits (Note (a))	**17,155**	17,145
Pledged bank deposits (Note (b))	**73,400**	62,895
	90,555	80,040

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

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15,000,000 (31 December 2011: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is expired.

(b) The Group's bank deposits of HK$73,400,000 (31 December 2011: HK$62,895,000) were pledged to secure the short-term bank borrowings.

30. OTHER FINANCIAL ASSETS

Prepayments, deposits and other receivables

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Prepayments	**4,948**	3,152
Deposits	**25,968**	25,177
Consideration receivable on disposal of investment properties	**6,458**	–
Other receivables	**5,977**	10,190
Consideration receivable from disposal of a subsidiary	**–**	17,296
	43,351	55,815

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

Bank balances – trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions (note 31). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

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

31. ACCOUNTS PAYABLE

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Accounts payable arising from the business of dealing in securities:		
Clearing houses	**257,383**	824
Cash clients	**577,656**	485,497
Margin clients	**102,065**	112,617
Accounts payable to clients arising from the business of dealing in futures and options	**487,256**	621,968
Trade creditors arising from retailing business	**166,400**	165,234
Accounts payable arising from the online game services	**615**	523
	1,591,375	1,386,663

31. ACCOUNTS PAYABLE (continued)

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

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. At 31 December 2012, the account payable to client of HK$69,534,000 (31 December 2011: HK$110,800,000) was related to the amount of HK$30,363,000 (31 December 2011: HK$102,173,000) maintained in MFG HK as disclosed in note 26. The required margin deposits are repayable upon the closure of the corresponding futures and options position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$782,293,000 (31 December 2011: HK$694,525,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

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

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

The accounts payable arising from online game services are aged with 30 days (from the trade date).

32. OTHER FINANCIAL LIABILITIES

Accrued liabilities and other payables

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Accrued liabilities		
– Salaries and commission payables	**36,430**	63,713
– Other accrued liabilities	**37,161**	61,433
Other payables	**36,748**	41,496
	110,339	166,642

Loan from a non-controlling shareholder of a subsidiary

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

33. OBLIGATIONS UNDER FINANCE LEASES

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Analysed for reporting purpose as:		
Current liabilities	**906**	906
Non-current liabilities	**50**	956
	956	1,862

It was the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term was three years for the year ended 31 December 2012. Interest rates underlying all obligations under finance leases were fixed from 3.35% to 5.4% (31 December 2011: 3.35% to 5.4%) per annum. No arrangements had been entered into for contingent rental payments.

33. OBLIGATIONS UNDER FINANCE LEASES (continued)

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (restated)
Amounts payable under finance leases				
Within one year	**926**	959	**906**	906
In more than one year but not more than two years	**50**	922	**50**	902
In more than two years but not more than five years	**–**	54	**–**	54
	976	1,935	**956**	1,862
Less: Future finance charges	**(20)**	(73)	**–**	–
Present value of lease obligations	**956**	1,862	**956**	1,862
Less: Amount due for settlement within one year (shown under current liabilities)			**(906)**	(906)
Amount due for settlement after one year			**50**	956

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

34. BORROWINGS

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Secured bank overdrafts	**14,007**	119
Secured bank borrowings	**302,701**	248,673
Secured other borrowings	**62,079**	78,892
Unsecured other borrowings	**27,394**	9,638
Trust receipt loans	**111,271**	110,775
	517,452	448,097
Carrying amount repayable based on scheduled repayment terms:		
Within one year	**254,357**	147,196
More than one year but not exceeding two years	**1,233**	80,315
More than two years but not exceeding five years	**3,981**	4,647
More than five years	**21,117**	26,770
	280,688	258,928
Carrying amount of borrowings (shown under current liabilities) contain a repayment on demand clause:		
– within one year	**172,069**	144,317
– in the second year	**37,177**	14,392
– in the third to fifth years	**9,785**	7,300
– more than fifth years	**17,733**	23,160
	517,452	448,097
Less: Amount due within one year shown under current liabilities	**(491,121)**	(336,365)
Amount shown under non-current liabilities	**26,331**	111,732

The other borrowings amounting to approximately HK$62,079,000 (31 December 2011: HK$78,892,000) was secured by the shares of Celestial Investment Group Limited, which is a wholly-owned subsidiary of the Company.

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

(a) corporate guarantees from CFSG for both years;

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

(c) marketable securities of the Group's clients of carrying value of HK$291,263,000 (31 December 2011: HK$308,104,000) (with client's consent);

(d) listed equity securities and listed debt securities of the Group for margin-financing provided by the bank as disclosed in note 28 with carrying value of HK$8,830,000 and HK$26,749,000 (31 December 2011: nil) respectively;

(e) investment properties of the Group as disclosed in note 20 with carrying amount of approximately HK$68,832,000 (31 December 2011: HK$85,952,000);

34. BORROWINGS (continued)

(f) pledged deposit of HK$73,400,000 (31 December 2011: HK$62,895,000) for sourcing short-term bank borrowings as disclosed in note 29; and

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

As at 31 December 2012, bank borrowings of approximately HK$44,733,000 (31 December 2011: HK$51,970,000) were secured by corporate guarantees from the Company and certain subsidiaries, investment property of the Group (which is classed as "assets classified as held for sale" as at 31 December 2012) with carrying amount of approximately HK$66,000,000 (31 December 2011: HK$99,532,000), as well as personal guarantee from Mr Kwan Pak Hoo Bankee (an executive director and shareholder with significant influence over the Company through his entire shareholding and control over Cash Guardian as explained in note 47). The borrowings were settled in February 2013 and pledge of investment property, corporate and personal guarantees were released upon settlement of borrowings.

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15,000,000 (31 December 2011: HK$15,000,000) with a bank as a pre-condition for an overdraft facility granted by the bank (see note 29).

As at 31 December 2012, bank loans amounting to approximately HK$302,701,000 (31 December 2011: HK$248,673,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Hong Kong Prime Rate plus a spread. The unsecured other borrowings amounting to approximately HK$27,394,000 (31 December 2011: HK$9,638,000) carry interest at Hong Kong Prime Rate plus 3% per annum. Secured other borrowings of approximately HK$62,079,000 (31 December 2011: HK$78,892,000) carry interest rate at HIBOR plus 6% per annum (31 December 2011: HIBOR plus 6% per annum). Bank overdrafts amounting to HK$14,007,000 (31 December 2011: HK$119,000) carried interest at Hong Kong Prime Rate. Trust receipts loans amounting to HK$111,271,000 (31 December 2011: HK$110,775,000) carry interest at Hong Kong Prime Rate.

The effective interest rates on the Group's borrowings ranged from 1.02% to 8% (31 December 2011: 2.4% to 8%) per annum.

35. CONVERTIBLE NOTES

During the year ended 31 December 2009, the Company issued 2% per annum convertible notes with a principal amount of HK$43,243,000 with maturity date on 31 December 2011 ("Convertible Notes") at 100% of principal amount to Cash Guardian ("Noteholder"), a related party of the Group (see details in note 47), in relation to the acquisition of subsidiaries. The Convertible Notes are denominated in HK$ and was redeemable at 100% of the principal amount upon maturity. The Company had the right to request the Noteholder to convert, and the Noteholder has the right to convert, the whole or any part (in an amount or integral multiple of HK$1,000,000) of the outstanding principal amount of the Convertible Notes into the ordinary shares of the Company of HK$0.10 each (adjusted to HK$0.0833 each after share subdivision and bonus issue during the year ended 31 December 2010) for the period commencing on the expiry of 6 months from the date of issue and ending on the maturity date ("Conversion Period") at initial conversion price of HK$1 per share (adjusted to HK$0.0833 per share after Share Subdivision and bonus issue), subject to antidilutive adjustments.

At the discretion of the Company only, the Convertible Notes would be redeemed in whole or in part of integral multiple of HK$1,000,000 of outstanding principal amount at any time during the Conversion Period by giving the Noteholder redemption request not less than 3 business days' notice if the redemption request is made within the period from 1 January 2011 to 31 December 2011, the Company may redeem the Convertible Notes at a redemption premium of 133% of the principal amount of the Convertible Notes outstanding less all the coupon interest paid to the Noteholder up to the date of redemption.

35. CONVERTIBLE NOTES (continued)

The Convertible Notes contain three components, liability component, embedded early redemption option and equity element. The equity element representing the conversion option of Noteholder that converts Convertible Notes into equity is included in equity of the Company (Convertible notes equity reserve).

In October 2011, the Company has exercised its redemption rights to Noteholder for the fully redemption of the remaining Convertible Notes at a consideration of HK$18,402,000 being the 133% of the principal amount of the Convertible Notes less all the coupon interest paid to the Noteholder up to the date of redemption and resulted a loss of HK$7,108,000.

The carrying values of the liability component of the Convertible Notes are as follow:

	HK$'000
As at 1 January 2011	18,733
Interest expenses	2,285
Interest paid	(321)
Conversion to ordinary shares (Note 36)	(9,403)
Early redemptions	(11,294)
As at 31 December 2011 and 31 December 2012	–

36. SHARE CAPITAL

	Notes	**Par value of each ordinary share** HK$	**Number of shares** '000	**Amount** HK$'000
Ordinary shares				
Authorised:				
At 1 January 2011 and 31 December 2011		0.01	30,000,000	300,000
Share consolidation	(f)		(27,000,000)	–
At 31 December 2012		0.1	3,000,000	300,000
Issued and fully paid:				
At 1 January 2011			3,090,223	30,902
Exercise of share options	(b)	0.01	61,200	612
Issue of top up shares	(c)	0.01	308,000	3,080
Shares issued upon conversion of Convertible Notes	(a)	0.01	156,062	1,561
Issue of consideration shares	(d)	0.01	95,802	958
Repurchase of share	(e)	0.01	(16,968)	(170)
At 31 December 2011			3,694,319	36,943
Share consolidation	(f)		(3,324,887)	–
At 31 December 2012		0.1	369,432	36,943

36. SHARE CAPITAL (continued)

Notes:

(a) On 15 April 2011, 27 April 2011 and 17 June 2011, respectively, 72,028,811, 36,014,405 and 48,019,207 new ordinary shares of the Company of HK$0.01 each were issued upon partial conversion of Convertible Notes with aggregate principal amount of HK$6,000,000, HK$3,000,000 and HK$4,000,000 respectively at a conversion price of HK$0.0833 each.

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

Date of issue of shares	Number of options exercised and resulting number of shares in issue	Exercise price per share	Total consideration (before expenses)
	'000	HK$	HK$'000
28.03.2011	25,200	0.0942	2,374
31.03.2011	36,000	0.0942	3,391
	61,200		5,765

(c) On 15 April 2011, 100,000,000 top up shares of HK$0.01 each were allotted to Cash Guardian, a related party of the Group (see details in note 47), at a top up price of HK$0.50 each.

On 13 June 2011, 107,000,000 and 101,000,000 top up shares of HK$0.01 each were allotted to Cash Guardian, a related party of the Group (see details in note 47) and Mr Law Ping Wah Bernard, an executive director of the Company respectively at a top up price of HK$0.51 each.

(d) On 26 April 2011 and 17 June 2011, respectively, 63,564,000 and 32,237,569 consideration shares of HK$0.01 each were issued as consideration for acquisition of Yole Wireless and Oberon Media (both defined and explained in note 37 respectively).

(e) Repurchase of shares

During the year ended 31 December 2011, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$'000
July 2011	10,338	0.210	0.196	2,092
September 2011	6,630	0.119	0.084	728

The repurchased shares were cancelled during the year ended 31 December 2011 and the issued share capital of the Company was reduced by the nominal value thereof.

The repurchases of the Company's shares during the year ended 31 December 2011 were effected by the Directors, pursuant to the repurchase mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

(f) Pursuant to a resolution passed at a special general meeting of the Company held on 5 October 2012, issued and unissued 10 ordinary shares of HK$0.01 each were consolidated into 1 consolidated ordinary shares of HK$0.10 each of the Company. The share consolidation was completed on 8 October 2012.

All the shares issued during the year ended 31 December 2011 rank pari passu in all respects with the other shares in issue.

37. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of Yole Wireless

On 11 January 2011, the Group entered into a sale and purchase agreement with independent third parties to acquire 51% equity interest of Yole Wireless for a total consideration of HK$80,865,000. The transaction was completed on 26 April 2011. This acquisition has been accounted for using the acquisition method. Yole Wireless is an investment holding company and its subsidiaries are engaged in the mobile digital business in the PRC.

Consideration transferred

	HK$'000
Cash	48,447
Equity instruments of the Company issued (Note)	32,418
Total	80,865

Note: As part of the consideration for the acquisition of Yole Wireless, 63,564,000 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of the ordinary shares of the Company, determined using the quoted market price available at the date of the acquisition amounted to approximately HK$32,418,000.

Acquisition-related costs amounting to approximately HK$447,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2011, within the other operating, administrative and selling expenses line item in the consolidated statement of comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property and equipment	1,057
Intangible assets (Note (1))	92,483
Accounts receivable (Note (2))	8,206
Prepayment, deposits and other receivables	7,329
Bank balances and cash	16,945
Accounts payable	(2,137)
Other payables and accrued charges	(6,261)
Deferred tax liabilities	(14,418)
	103,204

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	80,865
Plus: Non-controlling interests (49% in Yole Wireless) (Note (3))	50,570
Less: Net assets acquired	(103,204)
Goodwill arising on acquisition	28,231

37. ACQUISITION OF SUBSIDIARIES (continued)

(i) Acquisition of Yole Wireless (continued)

Notes:

(1) Amount represented the mobile digital related intellectual property and mobile digital related development cost of approximately HK$87,383,000 and HK$5,100,000 respectively, purchased as part of a business combination of Yole Wireless during the year ended 31 December 2011. The fair value is based on a valuation carried out by Royal Assets Appraisal Limited, an independent professional valuer not connected with the Group, by applying income approach.

(2) The fair value of accounts receivable at the date of acquisition amounted to approximately HK$8,206,000, which is the same as the gross contractual amounts of accounts receivable at the date of acquisition.

(3) The non-controlling interests are determined by proportionate share of assets acquired and liabilities recognised of Yole Wireless at the date of acquisition.

Goodwill arose in the acquisition of Yole Wireless because consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies between mobile digital business of Yole Wireless and existing online game business of the Group, revenue growth and future development in both online game market and mobile digital market in the PRC. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	48,447
Less: Bank balances and cash acquired	(16,945)
Total consideration	31,502

Included in the profit for the year ended 31 December 2011 for the discontinued operations is HK$1,407,000 attributable to Yole Wireless and its subsidiaries. Revenue for the year ended 31 December 2011 for the discontinued operation includes HK$32,432,000 generated Yole Wireless and its subsidiaries.

Had the acquisition been completed on 1 January 2011, total group revenue for the year ended 31 December 2011 from discontinued operation would have been HK$46,453,000, and profit of mobile digital business for the year ended 31 December 2011 from discontinued operation taken into account the amortisation of intangible assets after fair value adjustment would have been HK$993,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations 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.

In determining the 'pro-forma' revenue and profit of the Group had Yole Wireless been acquired at the beginning of the year ended 31 December 2011, the directors have calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination.

37. ACQUISITION OF SUBSIDIARIES (continued)

(ii) Acquisition of Oberon Media Asia Pacific Pte. Ltd. ("Oberon Media")

On 7 June 2011, the Group entered into a sale and purchase agreement with an independent third party (to supersede the sale and purchase agreement dated 12 February 2011) to acquire entire equity interest of Oberon Media. The transaction was completed on 17 June 2011. This acquisition has been accounted for using the acquisition method. Oberon Media is an investment holding company and its subsidiaries are engaged in the development, publishing and distribution of mobile games in the PRC.

Consideration transferred

	HK$'000
Equity instruments of the Company issued	17,731
Equity instruments of Moli Mobile Digital Entertainment Holdings Limited ("Moli Mobile Digital") issued	12,920
Total	30,651

As part of the consideration for the acquisition of Oberon Media, 32,237,569 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of the ordinary shares of the Company, determined using the quoted market price available at the date of the acquisition, amounted to approximately HK$17,731,000.

Also, part of the consideration is settled by issuance of 1,030 new ordinary shares of Moli Mobile Digital, a subsidiary of the Company, with par value of US$1.00 each. The fair value of equity interests issued by Moli Mobile Digital determined by reference to its fair value at the date of the acquisition amounted to approximately HK$12,920,000. Upon the completion of acquisition of Oberon Media, the Group's equity interest on Moli Mobile Digital is decreased from 100% to 89.7%. The difference between the fair value of 10.3% equity interest in Moli Mobile Digital of HK$12,920,000 and the proportionate share of net liabilities attributable to 10.3% equity interest of HK$16,946,000 totalling to HK$29,866,000 is recognised in other reserve and attributed to owners of the Company during the year ended 31 December 2011.

The fair value of Moli Mobile Digital is determined based on a valuation carried out by Royal Assets Appraisal Limited, an independent qualified professional valuer not connected with the Group by applying income approach. The following were the key model input used in determining the fair value:

- assumed discount rate of 20.4%;
- assumed long-term sustainable growth rate of 3%; and
- assumed 30% discount because of lack of marketability.

Acquisition-related costs amounting to approximately HK$2,000,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2011, within the other operating, administrative and selling expenses line item in the consolidated statement of comprehensive income.

37. ACQUISITION OF SUBSIDIARIES (continued)

(ii) Acquisition of Oberon Media Asia Pacific Pte. Ltd. ("Oberon Media") (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property and equipment	493
Intangible assets – gaming licenses (Note (1))	40,295
Prepayment, deposits and other receivables	146
Bank balances and cash	350
Other payables and accrued charges	(465)
Deferred tax liabilities	(6,649)
	34,170
Consideration transferred	30,651
Plus: non-controlling interests (10.3% equity interest of Oberon Media) (Note (2))	3,519
Less: Net assets acquired	(34,170)
	–

Notes:

(1) The fair value of gaming licenses of HK$40,295,000 is based on a valuation carried out by Royal Assets Appraisal Limited, an independent professional valuer not connected with the Group, by applying income approach covering a 7-year period and discount rate of 21.82%.

(2) The non-controlling interests are determined by proportionate share of assets acquired and liabilities recognised of Oberon Media at the date of acquisition.

Net cash inflow arising on acquisition:

	HK$'000
Bank balances and cash acquired	350

Included in the loss for the year ended 31 December 2011 from continuing operations is HK$1,824,000 attributable to Oberon Media and its subsidiaries. Revenue for the year ended 31 December 2011 from the continuing operations includes HK$4,000 generated from Oberon Media and its subsidiaries.

Had the acquisition been completed on 1 January 2011, total group revenue for the year ended 31 December 2011 from continuing operations would have been HK$1,344,688,000 (as restated), and loss for the year ended 31 December 2011 from continuing operations would have been HK$104,381,000 (as restated). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations 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.

In determining the 'pro-forma' revenue and profit of the Group had Oberon Media been acquired at the beginning of the year ended 31 December 2011, the directors have calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination.

38. DISPOSAL OF SUBSIDIARIES

As referred to in note 16, on 28 December 2011, the Group completed the disposal of its equity interests in Yole Wireless to an independent third party at a consideration of HK$50,000,000 by cash. The Group discontinued its mobile digital business upon the disposal of Yole Wireless.

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property and equipment	2,182
Intangible assets	85,241
Accounts receivable	10,106
Prepayment, deposits and other receivables	10,410
Bank balances and cash	19,380
Accounts payable	(2,502)
Other payables and accrued charges	(7,765)
Deferred tax liabilities	(12,496)
Net assets disposed of	104,556
Loss on disposal of subsidiaries:	
Cash consideration	50,000
Net assets disposed of	(104,556)
Non-controlling interests	51,233
Loss on disposal	(3,323)
Net cash inflow arising on disposal:	
Cash consideration	50,000
Consideration receivable (Note)	(17,296)
Less: Bank balances and cash disposed of	(19,380)
	13,324

Note: Consideration receivable of HK$17,296,000 is included in prepayments, deposits and other receivables as at 31 December 2011 and was settled fully during the year ended 31 December 2012.

The impact of Yole Wireless on the Group's results and cash flows for the year ended 31 December 2011 is disclosed in note 16.

39. RESERVES

Translation reserve

	2012 HK$'000	2011 HK$'000 (restated)
At 1 January	**10,421**	6,649
Exchange differences arising on translation to presentation currency	**492**	3,772
At 31 December	**10,913**	10,421

Properties revaluation reserve

	2012 HK$'000	2011 HK$'000 (restated)
At 1 January	**–**	20,249
Gain on revaluation of leasehold land and buildings	**–**	9,552
Deferred taxation arising on revaluation of leasehold land and buildings	**–**	(1,536)
Transfer to accumulated losses as a result of disposal of asset held for sale	**–**	(28,265)
At 31 December	**–**	–

40. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries	Share options reserve of subsidiaries	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2011, as originally stated	–	–	–
Effect in change in accounting policies	420,441	11,451	431,892
At 1 January 2011, as restated	420,441	11,451	431,892
Share of loss for the year	(19,452)	–	(19,452)
Gain on revaluation of leasehold land and buildings	13,030	–	13,030
Deferred taxation arising on revaluation of leasehold land and buildings	(2,095)	–	(2,095)
Share-based payments of CFSG	–	21,996	21,996
Change in shareholding of subsidiaries without losing control	(11,604)	(5,296)	(16,900)
Dividends paid by CFSG	(8,306)	–	(8,306)
Acquisition of subsidiaries	54,089	–	54,089
Disposal of subsidiaries	(51,233)	–	(51,233)
Exchange differences	5,327	–	5,327
At 31 December 2011, as restated	400,197	28,151	428,348
Share of loss for the year	(23,904)	–	(23,904)
Share-based payments of CFSG	–	562	562
Transfer to accumulated losses upon expiration of CFSG's share options	11,963	(20,899)	(8,936)
Dividends paid by CFSG	(4,250)	–	(4,250)
Change in shareholding in CFSG without losing control	(5,785)	–	(5,785)
At 31 December 2012	378,221	7,814	386,035

41. MAJOR NON-CASH TRANSACTIONS

For year ended 31 December 2011

(1) As detailed in note 37, part of the purchase consideration of 51% equity interest in Yole Wireless in 2011 was satisfied by the issue of 63,564,000 ordinary shares of the Company amounting to approximately HK$32,418,000.

(2) As detailed in note 37, part of the purchase consideration of entire interest in Oberon Media in 2011 was satisfied by the issue of 32,237,569 ordinary shares of the Company amounting to approximately HK$17,731,000 and 1,030 ordinary shares of Moli Mobile Digital amounting to approximately HK$12,920,000.

(3) The Group acquired a motor vehicle of approximately HK$1,737,000 under finance lease.

42. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2012

On 7 December 2012, the directors signed a provisional agreement with an independent third party to dispose its investment property in Hong Kong with a consideration of HK$66,000,000 by cash. The board considered that the disposal of its investment property is highly probable, thus such investment property is reclassified to assets classified as held for sale in accordance with HKFRS 5.

This transaction was approved by shareholders of the Company in special general meeting on 22 January 2013 and the disposal was completed in February 2013.

During the year ended 31 December 2011

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

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

	2011 HK$'000
At 1 January	–
Reclassified from property and equipment (Note 19)	91,100
Disposal	(91,100)
At 31 December	–

In October 2011, the Property has been disposed of to another independent third party with a consideration of HK$123,500,000 and resulting in a gain of approximately HK$32,400,000 (Note 10).

Upon completion of the disposal, the Group and the third party entered into leaseback arrangement at a monthly rent approximate to the market rent for 24 months. This sale and leaseback transaction results in an operating lease and the Group accounts for it accordingly.

43. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Within one year	**173,600**	181,965
In the second to fifth year inclusive	**180,532**	206,295
	354,132	388,260

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

44. CAPITAL COMMITMENTS

	31 December 2012 HK$'000	31 December 2011 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property (Note (a))	**207,128**	–
Acquisition of equity interests in an entity (Note (b))	**20,639**	–
	227,767	–

Notes:

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

(b) The Group, together with an independent third party, has entered into agreement with Infinity Equity Management Company Limited ("Infinity") to conditionally subscribe for 20% of the enlarged issued share capital of Infinity for a consideration of approximately USD2,670,000 (equivalent to approximately HK$20,639,000) on 3 December 2012. Infinity is engaged in the business of venture capital and private equity management in the PRC.

45. SHARE OPTION SCHEMES

(A) Share option scheme of the Company

(a) New Share Option Scheme

The Company's share option scheme ("New Share Option Scheme") was adopted pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 21 May 2012. The New Share Option Scheme, which replaces the Share Option Scheme (as defined below), took effect on 21 May 2012.

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

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Company, its subsidiaries and associates, including CFSG and its subsidiaries; or

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

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the Group.

(iii) The maximum number of shares in respect of which options might be granted under the New Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 36,943,185 shares, representing 10% of the issued share capital of the Company at 31 December 2012. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

45. SHARE OPTION SCHEMES (continued)

(A) Share option scheme of the Company (continued)

(a) New Share Option Scheme (continued)

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

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

(ix) The life of the New Share Option Scheme is effective for 10 years from the date of adoption until 20 May 2022.

(b) Share Option Scheme

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002. The Share Option Scheme was expired and terminated on 19 February 2012 and was replaced by the New Share Option Scheme. The major terms of the Share Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Group; or
- attract potential candidates to serve the Group for the benefit of the development of the Group.

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the Group.

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

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

45. SHARE OPTION SCHEMES (continued)

(A) Share option scheme of the Company (continued)

(b) Share Option Scheme (continued)

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

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

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

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

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

(ix) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

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

45. SHARE OPTION SCHEMES (continued)

(A) Share option scheme of the Company (continued)

The following table discloses details of the Company's share options held by the directors of the Company, the employees and consultants of the Group and movements in such holdings:

				Number of share options							
Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	outstanding as at 1 January 2011	granted in 2011	exercised in 2011 (Note (1))	lapsed in 2011	outstanding as at 31 December 2011 and 1.1.2012	granted in 2012	lapsed in 2012 (Note (4))	outstanding as at 31 December 2012
Directors											
Share Option Scheme	13.3.2009	0.0942	13.3.2009–31.3.2011	7,200,000	–	(7,200,000)	–	–	–	–	–
	3.6.2010	0.1667	3.6.2010–31.5.2012	60,000,000	–	–	–	60,000,000	–	(60,000,000)	–
	25.3.2011 (Note (2))	0.5920	25.3.2011–24.3.2013	–	60,000,000	–	(60,000,000)	–	–	–	–
New Share Option Scheme	11.10.2012 (Note (3))	0.7020	11.10.2012–31.10.2014	–	–	–	–	–	12,800,000	–	12,800,000
				67,200,000	60,000,000	(7,200,000)	(60,000,000)	60,000,000	12,800,000	(60,000,000)	12,800,000
Employees											
Share Option Scheme	13.3.2009	0.0942	13.3.2009–31.3.2011	54,000,000	–	(54,000,000)	–	–	–	–	–
	3.6.2010	0.1667	3.6.2010–31.5.2012	96,000,000	–	–	–	96,000,000	–	(96,000,000)	–
New Share Option Scheme	11.10.2012 (Note (3))	0.7020	11.10.2012–31.10.2014	–	–	–	–	–	8,000,000	–	8,000,000
				150,000,000	–	(54,000,000)	–	96,000,000	8,000,000	(96,000,000)	8,000,000
Consultants											
Share Option Scheme	29.11.2010 (Note (4))	0.8600	29.11.2010–30.11.2013	30,000,000	–	–	–	30,000,000	–	(30,000,000)	–
New Share Option Scheme	11.10.2012 (Note (3))	0.7020	11.10.2012–31.10.2014	–	–	–	–	–	9,000,000	–	9,000,000
				30,000,000	–	–	–	30,000,000	9,000,000	(30,000,000)	9,000,000
				247,200,000	60,000,000	(61,200,000)	(60,000,000)	186,000,000	29,800,000	(186,000,000)	29,800,000

Notes:

(1) In respect of the share options exercised during the year ended 31 December 2011, the weighted average share price at the dates of exercise is HK$0.68.

(2) For options granted to a director of the Company on 25 March 2011, the options are vested only if the individual performance and/or corporate performance can be achieved on or before 31 August 2011. Fair value of share options at the date of grant is estimated and assumptions are disclosed below. As specific target has not been met, the options were not vested. The recognised share-based payment was reversed and nil amount is recognised for these share options in 2011. The closing price of the share immediate before the date of grant of options was HK$0.61.

(3) During the year ended 31 December 2012, the options were granted to directors, employees and consultants of the Group on 11 October 2012 for the provision of services to the Group. The options will be vested upon achievement of performance target (based on non-market condition) for the period up to 31 October 2014. Fair value of share options at the date of grant is estimated and assumptions are disclosed below. The options must be exercised within one month from the date the Board approves of the vesting of the options. As at 31 December 2012, the directors of the Company considered that the performance target is not probable to be achieved by the grantees and thus no share-based compensation expense was recognised in the financial year ended 31 December 2012. The closing price of the share immediate before the date of grant of options was HK$0.67.

(4) The options of 30,000,000 were granted to the consultants of the Group on 29 November 2010 for the provision of consultancy services to the Group. The option will not be vested upon achievement of performance target (based on non-market condition) for the period up to 30 June 2012. As specific target has not been met, the option have not vested and lapsed on 30 June 2012.

The options of 156,000,000 granted to directors and employees were lapsed in 2012 upon its expiry.

45. SHARE OPTION SCHEMES (continued)

(A) Share option scheme of the Company (continued)

No adjustment to the number or exercise price of share options here made in 2012 as no share option have outstanding as at the date of the share consolidated of the Company.

These fair values are calculated using the Black-Scholes pricing model ("B-Model"). The variables and assumptions used in computing the fair value of the share options are based on the best estimation of the Directors of the Company. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

	Share options grant date	
	11 October 2012	25 March 2011
Share price on date of grant	**HK$0.702**	HK$0.59
Exercise price	**HK$0.702**	HK$0.59
Expected volatility	**128%**	58%
Expected life	**2 years**	2 years
Risk-free rate	**0.5%**	0.7%
Expected dividend yield	**Nil**	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 256 trading days.

The Group recognised the total expenses of approximately HK$6,980,000 for the year ended 31 December 2011 (2012: nil) in relation to share options granted by the Company.

(B) Share option scheme of CFSG

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

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

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Company and its subsidiaries and associates, including CFSG; or
- attract potential candidates to serve the Group for the benefit of the development of the Group.

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

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

45. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

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

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

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

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

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

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

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

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

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

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

45. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

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

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

Notes:

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

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

45. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

Notes: (continued)

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

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

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

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

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

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

The fair values of share options granted during the years ended 31 December 2011 were determined using the B-Model.

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

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

45. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

Notes:

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

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

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

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

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

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

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

(C) Share option scheme of Netfield Technology Limited ("Netfield"), the wholly-owned subsidiary of the Group

The Netfield share option scheme ("Netfield Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 6 June 2008. During the years ended 31 December 2012 and 2011, no option has been granted or remained outstanding under the Netfield Share Option Scheme. The major terms of the Netfield Share Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to Netfield and its subsidiaries ("Netfield Group"); or
- attract potential candidates to serve the Netfield Group for the benefit of the development of the Netfield Group.

(ii) The participants included any employee, executive, officer, consultant, adviser or agent of any member of the Netfield Group.

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

45. SHARE OPTION SCHEMES (continued)

(C) Share option scheme of Netfield Technology Limited ("Netfield"), the wholly-owned subsidiary of the Group (continued)

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

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

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

(vii) The acceptance of a share option, if accepted, must be made within 25 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to Netfield.

(viii) The exercise price of a share option shall be such price as the board of directors of Netfield at its absolute discretion shall determine, save that such price must not always be less than the nominal value of Netfield's share, which is currently of HK$0.10 each.

(ix) The exercise price of a share option granted at any time after Netfield has resolved to seek a separate listing of Netfield and up to the listing date or during the period commencing 6 months before the lodgement of listing application and up to the listing date, shall not be less than the new issue price at listing.

(x) After the Netfield's share have been listed, the exercise price of a share option must be the highest of:

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

(xi) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 5 June 2018.

46. RETIREMENT BENEFITS SCHEMES

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

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

46. RETIREMENT BENEFITS SCHEMES (continued)

The employer's contribution to the MPF Schemes and various benefits schemes in the PRC is disclosed in note 15 for continuing operations and note 16 for discontinued operation.

47. RELATED PARTY TRANSACTIONS

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

	Notes	**2012** **HK$'000**	2011 HK$'000 (restated)
Commission and interest income received from the following major shareholders of the Company with significant influences over the Company			
Cash Guardian	(a)	**–**	274
Mr Kwan Pak Hoo Bankee and associates		**–**	104
		–	378
Commission and interest income received from the following directors of the Company and CFSG	(b)		
Mr Law Ping Wah Bernard and associates		**10**	91
Mr Chan Yau Ching Bob and associates		**13**	21
Mr Ng Kung Chit Raymond and associates		**7**	10
		30	122
Interest expenses on Convertible Notes paid to Cash Guardian	(a)	**–**	321
Rental expenses paid to an associate	(c)	**7,167**	11,686

Notes:

(a) Cash Guardian has significant influence over the Company. 31.91% (2011: 31.91%) equity interest of the Company is held by Cash Guardian at 31 December 2012. Cash Guardian is controlled by Mr Kwan Pak Hoo Bankee, an executive director of the Company.

(b) During the year ended 31 December 2012, the Group received commission and interest from margin financing of approximately HK$30,000 (2011: HK$122,000) from certain directors of the Company.

(c) During the year ended 31 December 2012, the Group paid rental expenses of approximately HK$7,167,000 (2011: HK$11,686,000) to an associate of the Group.

Compensation of key management personnel

The remuneration of directors and key executives which is disclosed in note 13 is determined by the remuneration committee having regard to the performance of individuals and market trends.

48. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2012, the Group entered the following events after the reporting period:

On 3 December 2012, the Group, together with an independent third party, has entered into agreement with Infinity to subscribe for 20% of the enlarged issued share capital of Infinity for a consideration of approximately USD2,670,000 (equivalent to approximately HK$20,639,000). The transaction was completed on 3 January 2013 upon fulfilment of precedent conditions set out in the agreement (see note 44). The Group is able to exercise 20% of voting rights on the shareholder's meeting pursuant to the shareholder agreement. The Group is in the process of ascertaining the financial impact to the Group.

The disposal of an investment property in Hong Kong (as disclosed in note 42) was approved by shareholders of the Company in special general meeting on 22 January 2013 and the disposal was completed in February 2013.

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 **HK$'000**	2011 HK$'000
Assets		
Amounts due from subsidiaries	**523,479**	886,042
Other receivables and payables	**55**	55
Bank balance and cash	**299**	1,348
Liabilities		
Other payables and accruals	**(841)**	(705)
Net assets	**522,992**	886,740
Capital and reserves		
Share capital	**36,943**	36,943
Reserves	**486,049**	849,797
Total equity	**522,992**	886,740

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Share premium	Contributed surplus	Share-based payment reserve	Convertible notes equity reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	264,430	149,719	3,490	6,884	236,340	660,863
Loss and total comprehensive expense for the year	–	–	–	–	(18,539)	(18,539)
Issue of new shares	153,000	–	–	–	–	153,000
Share-based compensation	–	–	6,980	–	–	6,980
Transfer upon exercise of share options	506	–	(506)	–	–	–
Dividends recognised as distribution	–	–	–	–	(6,846)	(6,846)
Share repurchased and cancelled	(2,650)	–	–	–	–	(2,650)
Lapsed upon early redemption of convertible notes	–	–	–	(3,287)	3,287	–
Issue of new shares upon acquisition of subsidiaries	49,191	–	–	–	–	49,191
Share issued upon conversion of convertible notes	11,439	–	–	(3,597)	–	7,842
Exercise of share options	5,153	–	–	–	–	5,153
Transaction costs attributable to issue of new shares	(5,197)	–	–	–	–	(5,197)
At 31 December 2011	475,872	149,719	9,964	–	214,242	849,797
Loss and total comprehensive expense for the year	–	–	–	–	(363,748)	(363,748)
Transfer to accumulated losses upon expiration of share options	–	–	(9,964)	–	9,964	–
At 31 December 2012	475,872	149,719	–	–	(139,542)	486,049

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Year 2012 and 2011

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company 2012 %	2011 %	Principal activities
CASH Group Limited	BVI	US$1	**100**	100	Investment holding
Celestial Investment Group Limited	BVI	US$10,000	**100**	100	Investment holding
摩力游(上海)信息科技有限公司# (translated as MOLI China Information Technology Limited)	PRC	US$10,000,000	**89.7***	89.7*	Online game developer
上海摩力游數字娛樂有限公司## (translated as Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB10,000,000	**89.7***	89.7*	Online game operator
Libra Capital Management (HK) Limited	BVI	US$1	**100**	100	Trading of securities
Praise Joy Limited	BVI	US$1	**100**	100	Investment holding
Wealthy View Investment Limited	BVI	US$10	**100**	100	Investment holding
Subsidiaries of CFSG					
CASH Asset Management Limited	Hong Kong	Ordinary HK$10,000,000	**42.75**	42.3	Provision of asset management services
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	**42.75**	42.3	Provision of management services for group companies
CASH Wealth Management Limited	Hong Kong	Ordinary HK$10,000,000	**42.75**	42.3	Financial advisory consultancy
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	**42.75**	42.3	Provision of payment gateway services
Celestial Asset Management Limited	Hong Kong	Ordinary HK$4,000,100	**42.75**	42.3	Provision of treasury management functions
Celestial Capital Limited	Hong Kong	Ordinary HK$30,000,000	**42.75**	42.3	Provision of corporate finance, investment and financial advisory services
Celestial Commodities Limited	Hong Kong	Ordinary HK$12,000,000	**42.75**	42.3	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$10,000,000	**42.75**	42.3	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK$140,000,000	**42.75**	42.3	Securities, equity options broking and trading, leveraged foreign exchange contracts

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

Year 2012 and 2011 (continued)

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company 2012 %	2011 %	Principal activities
Pricerite Stores Limited	Hong Kong	Ordinary HK$200,000,000	**42.75**	42.3	Retailing of furniture and household goods
icoupon Limited	British Virgin Islands	Ordinary US$1	**42.75**	42.3	Investment holding and trading
Think Right Investments Limited	British Virgin Islands	Ordinary US$1	**42.75**	42.3	Properties holding
CASH Retail Management (HK) Limited	British Virgin Islands	Ordinary US$100	**42.75**	42.3	Investment holding
Celestial Financial Services Limited	British Virgin Islands	Ordinary US$10,000	**42.75**	42.3	Investment holding

Wholly-owned foreign enterprise established in the PRC.

Domestic enterprise with limited liabilities established in the PRC. 上海摩力游數字娛樂有限公司 is indirectly held by the Company through the declarations of trust executed by 魏麗 (Wei Li) and 譚靜琳 (Tan Jing Lin) who hold the interest in 上海摩力游數字娛樂有限公司 of 80% and 20% respectively.

* Being subsidiaries of Moli Mobile Digital whereby the Group's equity interest thereon dropped to 89.7% at 31 December 2011 and 2012. Details are set out in note 37(ii).

All the subsidiaries shown above are indirectly held by the Company. In the opinion of the Directors of the Company, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or net assets of the Group.

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

Year 2012 and 2011 (continued)

A majority of these subsidiaries operate in Hong Kong and the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2012	2011
Financial services	Hong Kong	**10**	10
	The PRC	**1**	1
Retailing	Hong Kong	**2**	2
	The PRC	**1**	1
Online game services	The PRC	**5**	5
		19	19

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2012	2011	Loss allocated to non-controlling interests 2012 HK$'000	2011 HK$'000	Accumulated non-controlling interests 2012 HK$'000	2011 HK$'000
CFSG	Hong Kong	**57.25%**	57.7%	**22,155**	23,932	**387,386**	403,701

CFSG is listed on the Stock Exchange. The Group's shareholding of CFSG varied between 41.55% and 42.75% throughout the relevant reporting periods. The directors examined all the relevant facts and circumstances, including the Group's dominant voting interest in CFSG, dispersion of holding of other vote holders, rights arising from other contractual arrangements, participation rates of shareholders and voting patterns in previous shareholders' meetings and concluded that the Group has the control over CFSG and recognised CFSG as a subsidiary throughout the relevant reporting periods. Details of the control over CFSG are disclosed in notes 2 and 4, respectively.

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

Summarised financial information in respect of CFSG that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2012 HK$'000	2011 HK$'000
Non-current assets	**714,913**	719,309
Current assets	**2,367,504**	2,170,392
Non-current liabilities	**(82,172)**	(88,642)
Current liabilities	**(2,078,832)**	(1,839,965)
	921,413	961,094
Less: non-controlling interests of CFSG's subsidiaries	**(34,288)**	(33,363)
Equity attributable to owners of CFSG	**887,125**	927,731
Proportion of ownership interests held by non-controlling interests of CFSG	**57.25%**	57.7%
Equity interest of CFSG attributable to non-controlling interests of CFSG before intragroup eliminations	**507,879**	535,301
Equity interest of CFSG attributable to non-controlling interests of CFSG after intragroup eliminations	**387,386**	403,701
Note: The intragroup eliminations primarily represent the elimination of fair value adjustments on trademark and related deferred taxation arising from acquisition of subsidiaries by CFSG from the Company's wholly owned subsidiaries		
Revenue	**1,281,129**	1,334,440
Expenses	**(1,314,653)**	(1,366,404)
Loss for the year	**(33,524)**	(31,964)
Loss for the year attributable to		
– the owners of the Company	**(16,544)**	(17,158)
– non-controlling interests of CFSG	**(22,155)**	(23,932)
– non-controlling interests of CFSG's subsidiaries	**5,175**	9,126
Loss for the year	**(33,524)**	(31,964)
Other comprehensive income for the year attributable to		
– the owners of the Company	**80**	10,511
– non-controlling interests of CFSG	**–**	14,338
– non-controlling interests of CFSG's subsidiaries	**–**	1,924
Other comprehensive income for the year	**80**	26,773
Total comprehensive income for the year attributable to		
– the owners of the Company	**(16,464)**	(6,647)
– non-controlling interests of CFSG	**(22,155)**	(9,594)
– non-controlling interests of CFSG's subsidiaries	**5,175**	11,050
Total comprehensive income for the year	**(33,444)**	(5,191)
Net cash (outflow) inflow from operating activities	**(118,719)**	157,142
Net cash (outflow) inflow from investing activities	**(60,725)**	72,610
Net cash inflow (outflow) from financing activities	**58,283**	(150,856)
Net cash (outflow) inflow	**(121,161)**	78,896
Dividend paid to non-controlling interests of CFSG	**4,250**	8,306

There are no significant restrictions on the ability of CFSG to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

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

Change in ownership interest in a subsidiary

Year ended 31 December 2012

During the year, the Group's equity interest in CFSG was increased from 42.3% to 42.75% upon the share repurchases by CFSG with total proceeds of HK$2,549,000. The difference of HK$3,236,000 between the decreasing in the non-controlling interests, being the proportionate share of the carrying amount of net assets of CFSG amounting to HK$5,785,000 and the proceeds paid for share repurchases has been credited to other reserve.

Year ended 31 December 2011

During the year, the Group acquired entire equity interest in Oberon Media by issuance of shares of the Company and Moli Mobile Digitals. Details are disclosed in note 37(ii). The shareholding on Moli Mobile Digitals is decreased from 100% to 89.7%. The transaction resulted in an amount of HK$29,866,000 representing the difference between fair value of 10.3% interest in Moli Mobile Digitals of HK$12,920,000 and the proportionate share of net liabilities attributable to 10.3% equity interest in Moli Mobile Digital of HK$16,946,000 being credited to other reserve.

Also, there is a deemed disposal of partial interest in a subsidiary, CASH Dynamic Opportunities Investment Limited ("DOI"), held by CFSG due to capital contribution from a non-controlling shareholder of HK$2,000,000. The equity interest in that subsidiary held by CFSG decreased from 90% to 50%. The Group retains control over the DOI because according to the agreement, the Group can appoint up to 3 directors out of the total 4 directors and the Group control the financial and operating policy of DOI. Accordingly, DOI remained as a subsidiary of the Company after the disposal.

During the year, the Group's equity interest in CFSG was increased from 42.13% to 42.30% due to the issuance of new shares and share repurchases by CFSG with total proceeds of HK$5,597,000 and HK$4,099,000 respectively. The difference of HK$3,452,000 between the proportionate share of the carrying amount of net assets of CFSG relating to the decrease in the non-controlling interests amounting to HK$1,954,000 and net amount of the contribution from non-controlling shareholders of CFSG upon the issuance of new shares and share repurchase by CFSG of HK$1,498,000 has been credited to other reserve.

Appendix I – Investment Properties

Held as at 31 December 2012

Location	Approximate gross floor area*/ saleable area** (sq. ft.)	Land use
Room 1606 (also known as 19G), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	891*	The property is vacant
Room 1607 (also known as 19A), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	1,593*	The property is vacant
Room 1806 (also known as 21G), Li Jing Yuan, Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	891*	The property is vacant
Room 902 on Level 8, Maison des artiste, No. 17 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	1,160*	The property is vacant
Room 2002 on Level 17, Maison des artiste, No. 17 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	2,469*	The property is vacant
Room 2102 on Level 18, Maison des artiste, No.18 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC	2,469*	The property has been rented out
Flat B on 3rd Floor and Car Parking Space No. 25 on Ground Floor, Rose Gardens, No. 9 Magazine Gap Road, The Peak, Hong Kong	2,235**	The property is vacant

Appendix II – Five-Year Financial Summary

The summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements as appropriate, is set out below. The five-year financial summary has been restated due to adoption of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011), HKAS 28 (revised 2011) and of amendments to HKAS 12.

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
RESULTS					
Revenue					
Continuing operations	**1,290,314**	1,343,858	1,308,026	1,129,142	1,312,746
Discontinued operations	**–**	32,432	–	–	–
	1,290,314	1,376,290	1,308,026	1,129,142	1,312,746
(Loss) profit before taxation:					
Continuing operations	**(243,687)**	(108,845)	(56,307)	23,247	(385,693)
Discontinued operations	**–**	(30,104)	–	–	–
	(243,687)	(138,949)	(56,307)	23,247	(385,693)
Taxation charge	**(8,769)**	(7,002)	(11,337)	(19,174)	(9,425)
(Loss) profit for the year	**(252,456)**	(145,951)	(67,644)	4,073	(395,118)
Attributable to:					
Equity holders of the Company	**(228,552)**	(126,499)	(28,908)	20,823	(356,725)
Non-controlling interests	**(23,904)**	(19,452)	(38,736)	(16,750)	(38,393)
	(252,456)	(145,951)	(67,644)	4,073	(395,118)

Appendix II – Five-Year Financial Summary (continued)

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
ASSETS AND LIABILITIES					
Property and equipment	**84,297**	124,589	202,044	221,818	204,219
Investment property	**68,832**	185,484	185,777	163,712	–
Goodwill	**62,710**	146,071	146,071	146,071	192,547
Interest in an associate	**152,939**	138,894	124,512	116,931	111,684
Intangible assets	**96,600**	141,028	73,512	50,790	55,929
Other non-current assets	**88,107**	59,670	54,206	48,283	83,685
Current assets	**2,479,802**	2,274,554	2,052,653	1,798,084	1,486,146
Total assets	**3,033,287**	3,070,290	2,838,775	2,545,689	2,134,210
Current liabilities	**2,235,261**	1,925,508	1,888,611	1,778,450	1,353,062
Long term borrowings	**26,331**	111,732	52,520	62,772	128,271
Other non-current liabilities	**16,187**	19,341	20,843	49,556	10,371
Total liabilities	**2,277,779**	2,056,581	1,961,974	1,890,778	1,491,704
Net assets	**755,508**	1,013,709	876,801	654,911	642,506
Equity attributable to equity holders of the Company	**369,473**	585,361	444,909	360,589	272,182
Non-controlling interests	**386,035**	428,348	431,892	294,322	370,324
	755,508	1,013,709	876,801	654,911	642,506

Definitions

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

"AGM(s)"	the annual general meeting(s) of the Company
"Audit Committee"	the audit committee of the Company established pursuant to the CG Code of the Listing Rules
"Board"	the board of Directors
"CASH Asset Management"	CASH Asset Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CFSG, and currently a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in type 9 (asset management) regulated activity
"CASH Companies"	Libra Capital Management (HK) Limited and Cashflow Credit Limited, being wholly-owned subsidiaries of the Company, are connected persons of CFSG
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial Shareholder of the Company and an associate of Mr Kwan Pak Hoo Bankee
"CASH Wealth Management"	CASH Wealth Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CFSG, and currently a non-wholly-owned of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities), 4 (advising on securities) and type 9 (asset management) regulated activity
"Celestial Capital"	Celestial Capital Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CFSG, and currently a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities
"Celestial Commodities"	Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CFSG, and currently a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity
"Celestial Securities"	Celestial Securities Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CFSG, and currently a non-wholly-owned subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is engaged in type 1 (dealing in securities) regulated activity
"CEO"	the chief executive officer of the Company
"CFO"	the chief financial officer of the Company
"CFSG"	CASH Financial Services Group Limited (stock code on Main Board: 510), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board. CFSG is currently a subsidiary of the Company
"CFSG Group"	CFSG and its subsidiaries
"CFSG Option Scheme"	the share option scheme adopted by CFSG pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 22 February 2008, which took effect on 3 March 2008
"CG Code"	the Corporate Governance Code as contained in the Listing Rules, including the revised code provisions which became effective on 1 April 2012
"CG Report"	the corporate governance report of the Company covering the year ended 31 December 2012 as required to be included in this annual report under the Listing Rules
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of the Company. It is the substantial shareholder of CFSG
"Company" or "CASH"	Celestial Asia Securities Holdings Limited (formerly known as Net2Gather (China) Holdings Limited) (stock code: 1049), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board
"Company Secretary"	the company secretary of the Company

Definitions (continued)

"Connected Clients"	Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard (executive directors of each of the Company and CFSG), Mr Chan Chi Ming Benson, Mr Cheng Man Pan Ben and Ms Cheng Pui Lai Majone (executive directors of CFSG), Mr Chan Yau Ching Bob, Mr Ng Kung Chit Raymond (executive Directors of the Company), Cash Guardian (a substantial Shareholder), and CASH Companies (wholly-owned subsidiaries of the Company and the substantial shareholders of CFSG)
"COO"	the chief operating officer of the Company
"CRMG" or "CRMG Group"	CASH Retail Management (HK) Limited ("CRMG", together with its subsidiaries "CRMG Group"), a company incorporated in the British Virgin Islands with limited liability, and the holding company of the CRMG Group. CRMG Group are mainly engage in retail business in Hong Kong and China. CRMG is currently a wholly-owned subsidiary of CFSG, an a non-wholly-owned subsidiary of the Company
"Directors"	the directors of the Company
"ED(s)"	the executive Director(s) of the Company
"Group" or "CASH Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s) of the Company
"Infinity"	Infinity Equity Management Company Limited, a company incorporated in Hong Kong with limited liability, which is engaged in business of venture capital and private equity management in the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Management"	the management team of the Company
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"Moli Mobile Digital"	Moli Mobile Digital Entertainment Holdings Limited, a company incorporated in British Virgin Islands with limited liability, is a subsidiary of the Group. It is joint venture holding company of Moliyo Group
"Moliyo Group"	Netfield and its subsidiaries, which mainly operate online games business in the PRC, are wholly-owned subsidiaries of the Company
"NED(s)"	the non-executive Director(s) of the Company
"Netfield"	Netfield Technology Limited, a company incorporated in Bermuda with limited liability. It is a wholly-owned subsidiary of the Company and the holding company of the Moliyo Group
"New Margin Financing Arrangement"	the grant of margin financing facilities by CFSG to the Connected Clients for each of the three financial years ending on 31 December 2015, details of which are disclosed under the section headed "Continuing connected transactions" in the Directors' report
"New Share Option Scheme"	the existing share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 21 May 2012. The New Share Option Scheme, which replaces the Share Option Scheme, took effect on 21 May 2012
"PRC"	the People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM(s)"	the special general meeting(s) of the Company
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company

Definitions (continued)

"Share Option Scheme"	the previous share option scheme of the Company adopted by the Shareholders at the special general meeting held on 19 February 2002. The Share Option Scheme was expired and terminated on 19 February 2012 and was replaced by the New Share Option Scheme
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$" or "USD"	United States dollar(s), the lawful currency of the United States

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