時富金融 CFSG

AT THE FOREFRONT OF FINTECH

# CASH Financial Services Group Limited

(Stock Code: 510)

2015 Annual Report

時富金融
CFSG

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# COMPANY PROFILE

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

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

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


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

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

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive:**
KWAN Pak Hoo Bankee (Chairman)
LAW Ping Wah Bernard (CFO)
CHENG Pui Lai Majone (CEO)
NG Kung Chit Raymond
LAM Man Michael

**Independent Non-executive:**
CHENG Shu Shing Raymond
LO Kwok Hung John
LO Ming Chi Charles

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## COMPANY SECRETARY

LUKE Wing Sheung Suzanne, *FCIS, FCS*

## AUTHORISED REPRESENTATIVES

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

## PRINCIPAL BANKERS

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

## AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

## SOLICITORS

Sidley Austin

## REGISTERED OFFICE

Clarendon House
2 Church Street, Hamilton HM 11, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## WEBSITE

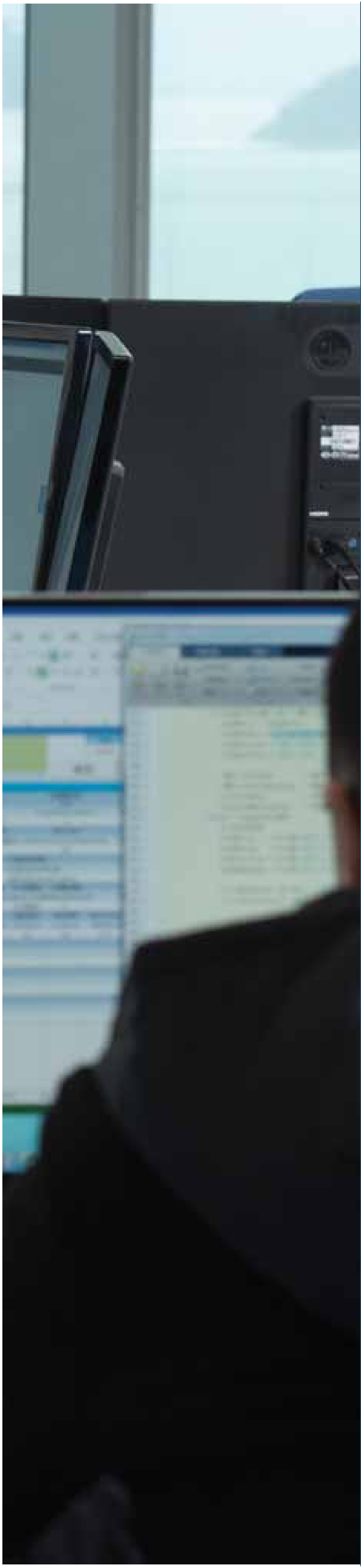
www.cashon-line.com

## STOCK CODE ON MAIN BOARD

510

## CONTACTS

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



# FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded revenue of HK$252.3 million, an increase of 27.4% as compared with HK$198.1 million in 2014.

The local security market of 2015 was pretty much like riding on a roller-coaster. During the first half of the year, Hang Seng Index kept going upwards as the southbound flow of money from the mainland investors was put into Hong Kong stocks, putting up trading turnover to recent highs. Investors were optimistic with the market and expected the trend could maintain throughout the year. The local stock market saw a twofold increase in turnover for the first six months of 2015 to HK$15,166.1 million from HK$7,614.8 million during the same period in 2014.

However, China's economy seemed losing its momentum soon after the mainland stock market rose to its peak in mid-June as negative news and disappointing economic indicators then prevailing on the mainland triggered investors' concerns that recession of China economy had started off. One of the most prominent indicators showing the tough economic environments was the 6.9% GDP growth rate which had for the first time dropped below 7% since 1990. In addition, the collapse of China's security markets since June as well as the decision of the People's Bank of China to devalue RMB by 4.4% in August further weakened the confidence of investors in China's economy. The Group's brokerage business was inevitably affected by this global market rout and posted less desirable results with revenue dropped by 29.7% in the second half of 2015 when compared to the performance in the first half of the same year.


Overall, due to the sharp increase in trading turnovers in both local and global markets over this extremely turbulent year under review, the Group's brokerage business recorded a yearly growth of 32.8%. This aligned with the local market turnover increment trend.

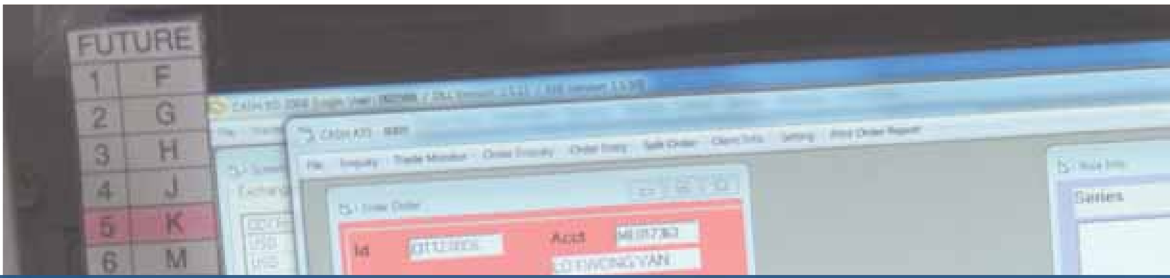
In order to lessen investors' liquidity concerns and to stabilise the existing tumbling equity market, the PRC Government temporarily suspended the listing of IPOs in China since July 2015. The measure drove a portion of the mainland enterprises to Hong Kong for their equity fund-raising activities. The Group was able to chase the opportunities under this circumstance to further grow its IPO sponsoring business and therefore obtained an adorable income growth for more than 1.5 times.

As a result of the above, the Group recorded a net profit attributable to owners of the Company of HK$13.6 million (after taking account of (1) a gain on disposal of certain subsidiaries of approximately HK$11.9 million; and (2) a gain on disposal of available-for-sale financial assets of approximately HK$14.4 million) during the year as compared with HK$32.7 million in 2014 (which had already included (1) a gain on disposal of a commercial property in Hong Kong of approximately HK$18.0 million; (2) an increase in fair value on its investment properties amounting to HK$37.1 million; and (3) a share of profit of an associate of HK$60.5 million on the disposal of its entire registered shares of its subsidiary which owned and managed an investment property in the PRC).

### Liquidity and Financial Resources

The Group's total equity amounted to HK$595.6 million as at 31 December 2015 as compared to HK$596.3 million as at 31 December 2014. The minor decrease in the total equity was mainly due to the combined result of (1) the reported profit for the year under review; (2) the issue of shares upon exercise of share options; and (3) the purchase of non-controlling interest of a non-wholly owned subsidiary during the year.

As at 31 December 2015, the Group had total outstanding bank borrowings of approximately HK$199.8 million, comprising bank loans and overdraft of HK$132.1 million and mortgage loans of HK$67.7 million. The aggregate amount of bank loans and overdrafts of HK$75.0 million was collateralised by its margin clients' securities pledged to the Group. Mortgage loans in total of HK$67.7 million were secured by the Group's investment properties with a total carrying amount of approximately HK$188.6 million. The remaining bank loans and overdrafts in total of HK$57.1 million were secured by corporate guarantees from the Company. All of the Group's borrowings are made in Hong Kong dollars. Bank borrowings were variable-rate borrowings which carry interest with reference to HIBOR or Hong Kong Prime Rate.




In previous years, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Upon the expiration of such facility during the year, the bank deposit was no longer held for this purpose.

As at 31 December 2015, our cash and bank balances including the trust and segregated accounts totalled HK$1,317.3 million which had significantly increased as compared to HK$981.4 million as at 31 December 2014. The increase in cash and bank balances was mainly due to the decrease in margin loans granted to our clients for their investment needs amid the weak investor sentiment at the year-end date. For the same reason, the balances of our clients' money which were kept in the trust and segregated accounts had also increased on the same date. The Group derives its revenue and maintains its house fund mainly in HK dollars. Bank balances in our house accounts amounting to HK$305.1 million and HK$65.4 million as at 31 December were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts are denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2015 remained healthy at 1.28 times as compared with 1.29 times as at 31 December 2014.

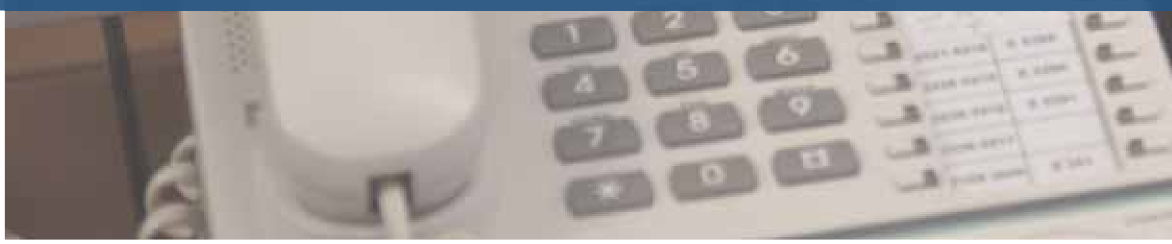
The gearing ratio as at 31 December 2015, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 33.5% from 44.1% as at 31 December 2014. The drop in gearing ratio was mainly due to the significant reduction in the borrowings during the year under review. On the other hand, we have no material contingent liabilities at the end of the year.

The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been duly complied.

### Foreign Exchange Risks

A foreign currency financial asset designated at fair value through profit or loss of approximately RMB11.2 million (equivalent to approximately HK$13.2 million) was held as at 31 December 2015 which had been hedged by a return swap contract of the same amount issued by the Group to an independent third party during the year.

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



### Material Acquisitions and Disposals

In March 2015, CASH (the holding company of the Company) signed a sale and purchase agreement with an independent third party relating to the proposed disposal of around 40% shareholding interest in the Company at a purchase price of HK$0.37 per Share, which triggered a possible mandatory conditional cash offers for the Shares. The resolution for approving the agreement was not passed at the SGM held in May 2015, and the transaction was terminated on 15 May 2015.

In June 2015, the algorithmic trading and alternative trading business was disposed of by the Company to CASH at a consideration of HK$1.55 million as determined based on the unaudited net asset value of the business unit as at 30 April 2015.

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

### Capital Commitments

The Group did not have any material outstanding capital commitments at the end of the year.

### Material Investments

As at 31 December 2015, the market values of a portfolio of investments held for trading amounted to approximately HK$18.9 million. The net gain derived from investments held for trading of HK$105.4 million was recorded for the year. In addition, a gain on disposal of an available-for-sale financial assets amounted to approximately HK$14.4 million during the year.

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

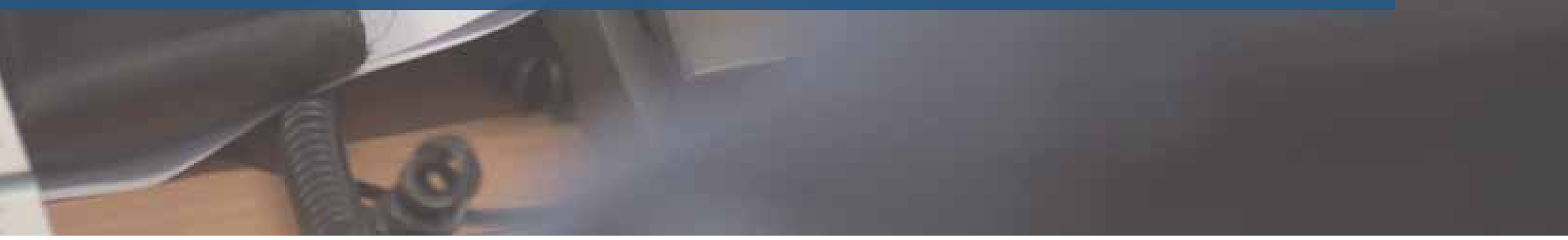
## FINANCIAL AND OPERATIONAL HIGHLIGHTS

### Revenue

| (HK$'m) | 2015 | 2014 | % change |
|---|---|---|---|
| Brokerage Income | **225.7** | 169.9 | 32.8% |
| Non Brokerage Income | **26.6** | 28.2 | (5.7%) |
| Group Total | **252.3** | 198.1 | 27.4% |

### Key Financial Metrics

| | 2015 | 2014 | % change |
|---|---|---|---|
| Net Profit Attributable to Shareholders (HK$'m) | **13.6** | 32.7 | (58.4%) |
| Earnings per Share (HK cents) | **0.33** | 0.83 | (60.2%) |
| Total Assets (HK$'m) | **2,302.7** | 2,086.7 | 10.4% |
| Cash on Hand (HK$'m) | **1,317.3** | 981.4 | 34.2% |
| Bank Borrowings (HK$'m) | **199.8** | 263.3 | (24.1%) |
| Brokerage Commission per Active Client (HK$'000) | **73.7** | 56.4 | 30.7% |



# MANAGEMENT DISCUSSION AND ANALYSIS


## INDUSTRY AND BUSINESS REVIEW

### Industry Review

World economy continued to slow from 2.6% in 2014 to 2.4% in 2015. Chronic deflation, financial markets catching in a tail-spin, together with Mainland China's record cooling economy have all been worrying investors. Locally, Hong Kong's economy remained resilient at 2.4%, but downward pressure was intensifying as the investment atmosphere became warier, and inbound tourism and retail sales slackened.

The Hong Kong stock market experienced a remarkable increase in trading volume in the second quarter of 2015, followed by a plummet in the second half of the year as concerns over global and Mainland China's economic prospects were mounting. Market capitalisation was HK$24.7 trillion at the end of 2015, a 2% decrease over the same period last year, with Hang Seng Index (HSI) closing 7% lower than the previous year. The robust market movement in the first half of the year resulted in an upsurge in average market daily turnover by 52%.

Business Review

With RMB's inclusion in IMF's Special Drawing Rights basket, the "One Belt One Road" initiative and the imminent QDII2 scheme launch, the China and world markets integration will further gather momentum, accelerating two-way capital flows and the RMB internationalization plan. CFSG, as a financial technology (FinTech) pioneer in Hong Kong, is building on the strong foundations in our trading platforms and capabilities to reap the opportunities ahead. 2015 has been a year when we gained further strength in pursuing our well-defined strategy in the technology-driven financial services market.

Broking

Thanks to the strong market turnover in the first half of 2015, our broking income increased by 27% to HK$215.8 million as compared to the same period last year, while interest income from margin financing remained resilient.

As the financial market remains challenging, CFSG will continue to lead the technology-based innovations to bring new products and services to institutional, corporate and individual clients via our direct market access (DMA) and mobile trading platforms.

Investment Banking

Our Investment Banking Group offers premier corporate finance and capital markets services, and is dedicated to providing innovative and customised financial solutions to our clients. During the year, we continued our strategy to maintain a balanced focus on IPOs and corporate transactions.

In IPO markets, we have positioned ourselves as a specialist of small-to-medium sized offerings of growth companies with unique market positioning. Our clients

mainly comprise Hong Kong, Mainland China and Asian enterprises across different industries. In particular, we acted as the Sole Sponsor, Sole Bookrunner and Sole Lead Manager of the new listings of Top Dynamic International Holdings Limited, a discrete semiconductor manufacturer focusing on smart products applications, and Feishang Non-metal Materials Technology Limited, a bentonite mining company in the PRC. We also acted as the Sole Bookrunner and Sole Lead Manager of the new listing of Guru Online (Holdings) Limited, an integrated digital marketing service provider. All these new listings on the Hong Kong Stock Exchange (HKEX) received favourable market responses and were successfully completed during the year. In addition, we participated in several capital raising transactions, including IPO syndication, follow-on placement and underwriting, rights issue.

For corporate advisory services, we are a transaction expert possessing profound knowledge and experience in handling a wide variety of corporate deals. During the year, we advised a number of sizeable listed companies on various corporate finance transactions, including issue of securities, whitewash applications and proposed connected transactions. We have also been acting as a long-term financial adviser or compliance adviser to several Hong Kong listed companies.


Leveraging on our fund raising capability as well as financial advisory expertise, we will continue to provide full-fledged investment banking services to assist our clients to capture different capital markets and corporate finance opportunities.

Asset Management

Despite market setbacks, the amount of Asset Under Management (AUM) remained fairly unabated and our performance outrun the HSI and the H-share index. Looking forward, Mainland China is gradually transforming from an export-led economy to a more self-sustaining growth driven by domestic consumption, with 2016 GDP to be around 6.5% growth. The continuous downward trend of RMB will make investors avoid investing in China's stocks. The Hong Kong stock market may have a chance to test a lower supporting level in the first half of 2016. However, the current valuation is undemanding for long-term investors. Shenzhen-Hong Kong Stock Connect is expected to commence in the second half of 2016 and the potential inclusion of A-share in MSCI index may improve market sentiment in the second half of the year. We anticipate a tough year ahead amidst such a challenging environment, but we are confident in our performance benchmarked against the general market especially when the stock market sentiment improves.

Wealth Management

The traditional independent financial advisory market has been facing tough challenges in 2015. The Investment Linked Assurance Scheme (ILAS) market has seen drastic changes in its fundamental business model against the backdrop of the more stringent disclosure requirements. As such, suppliers delayed launching new products while frontline staff opted for working with insurance companies. In light of the changes, we had proactively taken business diversification strategies and to further expand our business exposure. We strengthened the co-operation with our business partners in Mainland China and Asia Pacific. All these have been driving our growth momentum.

In Mainland China, due to the increase in personal wealth and improvement in living quality, the consumer behaviour of high-net-worth individuals has been changing, which was best manifested in making investment decisions. Given the restricted range of traditional wealth management products, investors have limited means to compare and invest in different investment markets and diversify their asset classes. Professional financial advisory institutions which can provide customised services and products are strongly sought after. CFSG, taking advantage of our competitive edges in DMA and algo trading, will further enhance our wealth management business by developing a technology-based financial services platform

to develop fund products that address the mounting wealth management needs for genuine products offering stable risk-adjusted returns, and achieving investors' goal of preserving capital with growth.

Direct Market Access (DMA)

Leveraging on the Group's unmatched information and communications technology (ICT) capabilities and backed by a team of world-class professionals, CFSG brings extra values to professional traders, proprietary firms and hedge funds with customised DMA services and tailored solutions. With the real-time market and portfolio information, clients can monitor execution quality and improve trading decisions and performance from pre-trade through post-trade. To date, CFSG is the first and only Hong Kong FinTech house that offers direct connectivity to CME, Börse Frankfurt, SGX and HKEX. We aim to aggressively capture the business opportunities in this aspect. The opening of the new branch office in Seoul in the first quarter of 2016 with an experienced DMA team will further strengthen our development of DMA services.

Mobile Trading

In 2015, we continued to enhance our mobile trading platform with more innovative features catering for the technology-focused needs of our clients. In addition to Hong Kong securities and futures trading, we are also adding Shanghai A-share trading and bond quotes in our mobile portfolio. On the other hand, we are expanding our mobile infrastructure to include wealth management products, offering our clients the ease in buying and selling fund product on mobile devices. We expect to launch this new feature in the second half of 2016.

## Outlook and Corporate Strategy

The 2016 world economy is precariously balanced between continued recovery and a third leg of the global financial crisis. Uncertainties amid fears of a slowdown in Mainland China's economy, plunging commodity prices and the pace of the US interest rate-hike cycle are all clouding the global economic outlook. Nevertheless, the world economy is likely to stay on rails, albeit with some difficulties. Asia will continue to lead the growth. Despite a slowing Mainland China economy, its fundamental remains strong and it is rebalancing towards consumer spending. This sustainable model will continue to power Mainland's growth at 6.5-7% in the coming years, making it a key contributor to the world economy.

Looking ahead, CFSG will take a cautious yet proactive approach in developing our technology-driven financial services business. Quantitative-easing measures adopted by major central banks have been flooding global markets with cash and driving asset bubbles. The asset allocation function of the market has also been crippled by the long-term low interest rate environment. While central banks in major economies are further driving rates below zero, the risk pricing is even blurred. Coupled with the fact that currencies are under increasing devaluation pressure, investors are becoming more wary about preserving their capital while looking for disciplinary opportunities to grow their assets on a risk-adjusted basis. On the other hand, disruptive technological changes are gradually altering the financial landscape. CFSG as a pioneer in financial technology (FinTech) has been among the first in Asia to develop the FinTech investment platform. Taking advantage of the global boom in FinTech, we offer our clients direct market access (DMA) in world major exchanges with speedy execution, big data analysis, and real time and rigorous risk management tools. Our aim is to provide our clients with a suite of FinTech investment and wealth management solutions amidst the ever-changing global economy.

Taking the first mover advantage and building on our heritage to develop a multi-product and multi-channel trading platform, we aim to expand our business model across equities, commodities, and wealth management products – becoming a truly multi-asset and multi-channel platform that connects Mainland China and the world major markets via Hong Kong as a hub.


時富金融
CFSG

# EMPLOYEE INFORMATION

As at 31 December 2015, the Group had 197 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK$146.8 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, listing rules 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

Bankee P. Kwan, JP
Chairman

## EXECUTIVE DIRECTORS

### Bankee Pak-hoo KWAN, JP

**Chairman**
*MBA, BBA, FFA, FHKSI, CPM(HK), MHKIM*
Mr Kwan, aged 56, joined the Board on 11 August 2000. He is responsible for the overall business strategy of the Group. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Mr Kwan is also a fellow of the Institute of Financial Accountants, UK and the Hong Kong Securities and Investment 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; a member of the Court of City University of Hong Kong; an honorary fellow of The Open University of Hong Kong; a trustee of New Asia College of The Chinese University of Hong Kong; and an advisory professor 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, and a Justice of Peace (JP) of the HKSAR; 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 a member of the Minimum Wage Commission; the Small and Medium Enterprises Committee (SMEC), Trade and Industry Department; the Corporate Advisory Council of Hong Kong Securities Institute and the Business Facilitation Advisory Committee (BFAC). He is also the Convenor of the Wholesale and Retail Task Force (WRTF) of the BFAC. Mr Kwan is also an honorary advisor of the CEPA Business Opportunities Development Alliance and The Hong Kong Institute of Education Foundation, and a member of the Organising Committee of the HKMA/TVB awards for Marketing Excellence.

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 the chairman of CASH. He is a member of the Remuneration Committee, as well as a member of the remuneration committee of CASH.

Mr Bernard Law
CFO

Ms Majone Cheng
CEO

Mr Raymond Ng
Executive Director

Mr Michael Lam
Executive Director

### Bernard Ping-wah LAW

**CFO**
*MBA, FCCA, FCPA, FHKSI*
Mr Law, aged 57, joined the Board on 11 August 2000. He is in charge of the Group's overall financial and accounting management. Mr Law has extensive experience in financial management and accountancy. He received a Master of Business Administration Degree from The University of Warwick, UK. He is a fellow member of The Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Securities and Investment Institute. Mr Law is also an executive director and chief financial officer of CASH.

### Majone Pui-lai CHENG

**Chief Executive Officer**
*MSc, BEcon, MHKSI*
Ms Cheng, aged 43, joined the Board on 1 June 2011. She oversees the Group's business development and management of the Group. Ms Cheng has extensive relevant experiences in the financial services industry. She received a Master of Science Degree in Financial Management from The University of London, UK and a Bachelor of Economics Degree from The University of Hong Kong. She is a member of the Hong Kong Securities and Investment Institute. Ms Cheng is a responsible officer of Celestial Securities and Celestial Commodities respectively.

### Raymond Kung-chit NG

**Executive Director**
*M Mgmt, B Comm, MHKSI*
Mr Ng, aged 47, joined the Board on 1 May 2014. He is in charge of the Group's corporate management and operation control. Mr Ng has extensive management experience in corporate management and operation control. He received a Master of Management Degree from Macquarie University, Australia, and a Bachelor of Commerce Degree from the University of Toronto, Canada. He is a member of the Hong Kong Securities and Investment Institute.

### Michael Man LAM

**Executive Director**
*BA, MHKSI*
Mr Lam, aged 39, joined the Board on 2 November 2015. He is also the managing director and head of investment banking and is in charge of the Group's investment banking business. Mr Lam also assists in the Group's strategic planning and corporate development. He possesses extensive experience in corporate finance and capital markets. Mr Lam received a Bachelor of Arts (Hons) Degree in Business Studies from The City University of Hong Kong and is a member of the Hong Kong Securities and Investment Institute. He is also a responsible officer of Celestial Capital. In 2016, Mr Lam was awarded "Head of Investment Banking of the Year" in the IAIR Awards, as organised by International Alternative Investment Review.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Raymond Shu-shing CHENG

**INED**

Mr Cheng, aged 60, joined the Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. He is an honorary fellow of The Professional Validation Centre of Hong Kong Business Sector and a member of Young Industrialists Council Ltd. Mr Cheng was the winner of The Young Industrialist Awards for the year 1992, a member of The Watches and Clocks Advisory Committee of Hong Kong Trade Development Council, the president of the Lions Club of Tuen Mun and the President of Love U All Charitable Foundation. He was the chairman of The Federation of Hong Kong Watch Trades and Industries Limited and is currently an advisor of the Federation. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee.

### John Kwok-hung LO

**INED**

*MBA, LL.B, FCCA*

Mr Lo, aged 57, joined the Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance field. He received a Master of Business Administration Degree from The Oklahoma City University, US and a Bachelor of Laws Degree (LLB) from The University of London, UK. Mr Lo is a fellow of The Association of Chartered Certified Accountants. Mr Lo is also a member of the Audit Committee.

### Charles Ming-chi LO

**INED**

*CPA, FFSI*

Mr Lo, aged 66, joined the Board on 27 October 2008. Mr Lo has extensive professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He is a Certified Practising Accountant of the CPA, Australia, and a fellow member of the Financial Services Institute of Australasia. Mr Lo is also a member of the Audit Committee and the Remuneration Committee.

## SENIOR MANAGEMENT

### Connie Wai-yin SHUM

**Chief Operating Officer**

*MAcc, BBA, MHKSI*

Ms Shum, aged 41, joined the Group in March 1999. She is in charge of the Group's overall operations. She has extensive experience in compliance, risk management and credit control, and operations. Ms Shum received a Master of Professional Accounting Degree from the Hong Kong Polytechnic University and a Bachelor of Business Administration (Hons) Degree in Finance from the Hong Kong Baptist University. She is a member of the Hong Kong Securities and Investment Institute.

### Suzanne Wing-sheung LUKE

**Company Secretary**

*FCIS, FCS*

Ms Luke, aged 47, joined the Group in May 2000. She has extensive listed company secretarial experience. She is a fellow of The Institute of Chartered Secretaries and Administrators, UK and The Hong Kong Institute of Chartered Secretaries. In addition to taking the role as company secretary of the Company, Ms Luke is also the company secretary of CASH.

### Wallace Hon-ming WONG

**Financial Controller**

*BA, CPA*

Mr Wong, aged 49, joined the Group in March 2000. He has extensive experiences in the field of accounting and auditing. Mr Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Wong received a Bachelor of Arts Degree in Accountancy from The City University of Hong Kong.

### Susanna Siu-fei CHAN

**Deputy Chief Operating Officer**

*BBS*

Ms Chan, aged 43, joined the Group in February 1998. She assumes the overall responsibility for the operation of the retail brokerage services. She has extensive experience in business operations of the securities brokerage industry. Ms Chan received a Bachelor of Business Studies Degree in Management from the National University of Ireland. She is the sister-in-law of Mr Kwan Pak Hoo Bankee (the Chairman of the Group).

### Rozina Lok-sze CHO

**Head of Strategic Development**

*BCom*

Ms Cho, aged 40, joined the Group in August 1997. She is responsible for the electronic trading and strategic businesses of the Group, who oversees the business units of direct market access, mobile trading and wealth management. She has extensive financial services experience in electronic trading, marketing, compliance and operations. Ms Cho received a Bachelor of Commerce Degree from McGill University in Canada majoring in marketing.

### Cody Ka-ming LEUNG

**Head of Broking Services**
*MA, BBA*
Mr Leung, aged 39, joined the Group in August 2010. He is in charge of the Group's brokerage business. He has extensive experience in managing the brokerage business with premium services to all concerned parties. Mr Leung received a Master of Arts Degree in Chinese Studies and a Bachelor of Business Administration Degree in Finance from The Hong Kong University of Science and Technology. He is a responsible officer of CASH Asset Management and CASH Wealth Management.

### Winky Wing-hang YAN

**Head of Information Technology**
*BEng*
Mr Yan, aged 39, joined the Group in September 1998. He is responsible for all computer system and operation issues of the Group. He has extensive experience in computer and information technology in the financial services industry. Mr Yan received a Bachelor of Engineering Degree in Computer Science from The Hong Kong University of Science and Technology.

### Don Dong-wan NAM

**Head of Direct Market Access**
*BBA*
Mr Nam, aged 43, joined the Group in January 2016. He oversees the Group's global trading solutions and direct market access (DMA) business for delivering customized services and tailored solutions to global institution clients. He has extensive experience in state of low latency in DMA services for high frequency tradings. Mr Nam received a Bachelor of Business Administration Degree from Yonsei University in Korea.

### Hilda Ying-ying HUANG

**Head of Mobile Trading Services**
*MSc, BSc*
Ms Huang, aged 31, joined the Group in May 2011. She is responsible for the mobile trading platform and business of the Group. She has extensive experience in mobile trading and mobile technology. Ms Huang received a Master of Science Degree in Electronic Business Management from the University of Warwick and a Bachelor of Science Degree in Business Management and Business Information Technology from the University of Gloucestershire.

### Patrick Ho-yin YIU

**Head of Asset Management**
*BEcon*
Mr Yiu, aged 42, joined the Group in April 2006. He is in charge of the Group's asset management services. He has extensive relevant experience in the financial services field. Mr Yiu received a Bachelor of Economics Degree from The Chinese University of Hong Kong. He is a responsible officer of CASH Asset Management and CASH Wealth Management.

### Elsa Pak-suet WONG

**Head of Premium Investment Services**
*MA, BA*
Ms Wong, aged 42, joined the Group in November 1998. She is in charge of the Group's Hong Kong brokerage business and investment services for premium clients. She has extensive experience in the financial services field. Ms Wong received a Master of Arts Degree and a Bachelor of Arts Degree in Economics from the University of Saskatchewan.

**William Hon-kei CHAN**

**Head of Greater China Development**

*MBA, BSc*

Mr Chan, aged 31, joined the Group in December 2007. He is in charge of the Group's overall development in the Greater China region. He has extensive experience in brokerage service and wealth management field. Mr Chan received a Master of Business Administration Degree from Cheung Kong Graduate School of Business and a Bachelor of Science Degree in Biochemistry from The Hong Kong University of Science and Technology. He is a responsible officer of CASH Wealth Management.

**Lennix Chi-hoi LAI**

**Head of Global Trading Solutions**

*BA*

Mr Lai, aged 31, joined the Group in August 2009. He is responsible for the Group's direct market access architecture and business development on institutional clients. He has extensive experience in electronic trading in respect of trading infrastructure, market access and connectivity, compliance, operation, and risk management. Mr Lai received a Bachelor of Administration in Management Concentration from Athabasca University. He is a responsible officer of Celestial Securities.

**Roy King-yip LAU**

**Head of Legal and Compliance**

*BEng*

Mr Lau, aged 35, joined the Group in January 2016. He is in charge of the legal and compliance issues of the Group. He has extensive experience in the compliance field. Mr Lau received a Bachelor of Engineering Degree in Electronic Engineering from The Hong Kong University of Science and Technology.

# 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 under Appendix 14 of the Listing Rules. For the year ended 31 December 2015, the Company has complied with all the code provisions of the CG Code, except for the deviations that 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.

## THE BOARD COMPOSITION

As at the date of this report, the Board comprised eight Directors (five EDs and three INEDs) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The INEDs will also share their valuable impartial view on matters to be discussed at the board meetings. The biographies of the Directors are set out from pages 17 to 20 of this annual report under the "Board of Directors and Senior Management" section.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

# CORPORATE GOVERNANCE REPORT

## 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 the Shareholders' approval
- Capital restructuring
- Joint venture with outside party involving substantial capital commitment from the Group that requires notification by announcement
- Financial assistance to the 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 THE DIRECTORS

All the 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, all the 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 the Directors** | **Topics on training covered** *(Notes)* |
|---|---|
| Kwan Pak Hoo Bankee | (a) to (e) |
| Law Ping Wah Bernard | (a) to (e) |
| Cheng Pui Lai Majone | (a), (b), (d) |
| Ng Kung Chit Raymond | (a), (b), (d) |
| Lam Man Michael (was appointed on 2 November 2015) | (a), (b) |
| Cheng Shu Shing Raymond | (b) |
| Lo Kwok Hung John | (b) |
| Lo Ming Chi Charles | (a), (b) |

Notes:

(a) Global and local financial market, investment and business environment

(b) Regulatory and corporate governance

(c) Finance, law and taxation

(d) Leadership, management and language skills

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

There is a procedure agreed by the Board to ensure the 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 during the year.

## DIRECTORS' INSURANCE

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

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' ATTENDANCE AND TIME COMMITMENT

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

| | Meetings attended/held | | | | | |
|---|---|---|---|---|---|---|
| **Name of Directors** | **Executive Committee Meeting** | **Full Board Meeting** | **Audit Committee Meeting** | **Remuneration Committee Meeting** | **Annual General Meeting** | **Special General Meeting** |
| ***EDs*** | | | | | | |
| Kwan Pak Hoo Bankee | 9/9 | 9/9 | N/A | 2/2 | 1/1 | 3/3 |
| Law Ping Wah Bernard | 9/9 | 9/9 | N/A | N/A | 1/1 | 3/3 |
| Cheng Pui Lai Majone | 9/9 | 9/9 | N/A | N/A | 1/1 | 3/3 |
| Ng Kung Chit Raymond | 9/9 | 9/9 | N/A | N/A | 1/1 | 2/3 |
| Lam Man Michael (was appointed on 2 November 2015) | 1/1 | 2/2 | N/A | N/A | N/A | 2/2 |
| ***INEDs*** | | | | | | |
| Cheng Shu Shing Raymond | N/A | 9/9 | 4/4 | 2/2 | 1/1 | 3/3 |
| Lo Kwok Hung John | N/A | 9/9 | 4/4 | N/A | 0/1 | 1/3 |
| Lo Ming Chi Charles | N/A | 9/9 | 4/4 | 2/2 | 0/1 | 2/3 |
| **Total number of meetings held:** | 9 | 9 | 4 | 2 | 1 | 3 |

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 is 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 opened for inspection at any reasonable time on reasonable notice by any Director.

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

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

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

The specific written terms of reference of the Audit Committee was revised on 17 November 2015 and 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, risk management and internal control procedures. The Audit Committee held four 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, and the quarterly business operation and development of the Group;

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 and the effectiveness of the audit process;

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

iv. annual review of the non-exempt continuing connected transactions of the Group; and

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

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

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

The specific written terms of reference of the Remuneration Committee as re-adopted on 7 February 2012 is available on the Company's website. Pursuant to model B.1.2(c)(ii) and the 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 10 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.

# CORPORATE GOVERNANCE REPORT

## NOMINATION POLICY FOR THE DIRECTORS

### Nomination of the Directors

The Company had adopted a nomination policy incorporating the diversity policy for the criteria, procedures, and process of the appointment and removal of the Directors. The criteria to select candidates for directorship is based on a range of diversity perspectives, including gender, age, culture and educational background, professional skill, experience in relevant areas, personal qualities, and whether the candidate can demonstrate his commitment, competence and integrity required for the position of the 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 continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for our business model and specific needs from time to time. 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 appointment of an ED of the Company.

### Remuneration policy of the Directors

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

Under the remuneration policy, the 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 the NEDs (if any) and the 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 10 to the consolidated financial statements in this annual report.

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

## CORPORATE GOVERNANCE FUNCTIONS

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

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

## SECURITIES TRANSACTIONS OF DIRECTORS

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

## ACCOUNTABILITY AND AUDIT

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

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

## INTERNAL CONTROLS

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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 briefings and media interviews from time to time; and (iv) the upkeeping of the latest information of the Group on the Company's website at http://www.cashon-line.com. The Shareholders and investors are welcome to visit such website.

In order to protect the environment and save costs for the benefit of the Shareholders, the Company has introduced electronic means for receiving corporate communication materials by the Shareholders. The Shareholders may choose to receive printed or electronic copies. In line with our social caring policies, the Shareholders are encouraged to access corporate communication materials of the Company through the Company's website.

Separate resolutions are proposed at each general meetings of the Company. The Company's notice to the Shareholders for the AGM was sent to Shareholders at least 20 clear business days before the meeting and notices of the SGMs (if any) were sent to shareholders at least 10 clear business days before such meetings in year 2015.

## CONSTITUTIONAL DOCUMENTS

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

## SHAREHOLDERS' RIGHTS

### Convening a SGM and putting forward proposals at general meetings

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

The written requisition (i) must state the object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or tel: (852) 2980 1333 or email: cfsg510@cash.com.hk.

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

## AUDITOR'S INDEPENDENCE AND REMUNERATION

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

| **Services rendered** | **Fees paid/payable**<br>HK$ |
|---|---|
| Audit services | 1,825,000 |
| Non-audit services: | |
| Review of continuing connected transactions | 25,000 |
| Review of the preliminary results announcement | 70,000 |
| | 1,920,000 |

On behalf of the Board
**Bankee P. Kwan, JP**
*Chairman*

Hong Kong, 17 March 2016

# 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 2015.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this annual report.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: Nil).

## BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the section of "Financial Review" and "Management Discussion and Analysis" of this annual report, and in note 40 to the consolidated financial statements.

The financial risk management objectives and policies of the Group are shown in note 40 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the section of "Financial Review" of this annual report.

There is no important event effecting the Group that have occurred since the end of the financial year ended 31 December 2015.

## RELATIONSHIPS WITH STAKEHOLDERS

We fully understand that our business is built on the long-term well-being of the "people" in our service areas at large. Throughout the course of our business development, we care about the needs of our key stakeholders, inter alia, our shareholders, our employees, our customers, our suppliers and our community. As such, we strive to become a "Total Caring Organisation" to embrace the all-round needs of our key stakeholders.

The Group upholds the "People-oriented" principle as our core belief and this forms the essence of our corporate culture. We respect the various needs of these "people" as our stakeholders and we strive to balance the different spectrum of interests for the development of a better future.

Our five core values namely "People", "Customers", "Quality", "Teamwork" and "Change" serve as the guiding principles for the whole team to move ahead.

We are dedicated to creating an enjoyable work environment to highly engage our employees so as to maximise their potential, meeting the needs of our customers with quality products and innovative services and enhancing cooperation with our suppliers so as to provide high-quality products and services to our customers so as to ensure our sustainable development.

### Employees

Our staff is regarded as the most important resource of the Group. We offer a competitive remuneration package and great opportunities for career advancement based on performance-linked appraisal system. Our passion in fostering a learning culture is recognized. CFSG has been honoured as "Manpower Developer" at this year's Employees Retraining Board ("ERB") Manpower Developer Award Scheme in recognition of the Group's efforts and commitment to training and development. We also provide our staff with regular trainings, including internal trainings and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market, industry and various businesses.

The Group is committed to the well-being of our employees as we believe that a healthy body and soul will have a positive impact on people's professional and personal lives.

Along with initiatives designed to improve the health, safety and well-being of our employees, the Group also offers recreational and educational activities in different topics such as professional growth, work-life balance, health and safety, rewards and recognitions, employees' families, amazing occasions to help staff to pursue their interests, explore their full potential and recharge after work.

We sincerely care about our employees' retirement needs and have gone the extra mile to provide additional retirement benefits for them. We have been awarded the accolade of "Good MPF Employer Award" by the Mandatory Provident Fund Schemes Authority (MPFA).

### Customers

We value the customers' interests as the first priority. It is our mission to provide customers with a meaningful experience when utilising our services.

We value the feedback from customers and always try to understand their thoughts through Internet, daily communication, customers services and after-sale services etc.. In addition, we also set up website, e-portal, email, facebook and customer service hotline to respond to the feedback of customers.

### Suppliers

We firmly believe that our suppliers are equally important in building high-quality businesses. We proactively communicate with our suppliers to ensure they are committed to delivering high-quality and sustainable products and services.

### Community

The Group is devoted to supporting the community in which we operate through donation, education, volunteering and encourage others to give.

Over the past 10 years, we show our care about the community with unsparing support for wide-ranging community services and charities. We have also been encouraging our employees and their family members to take part in voluntary services after work and serve the disadvantaged in the community.

We have been awarded the accolade of "10 Years Plus Caring Company" by the Hong Kong Council of Social Service (HKCSS) in recognition of our achievements in "Caring for the Community", "Caring for the Employee" and "Caring for the Environment". It serves as recognition for our contribution to community services and commitment to employee engagement.

## ENVIRONMENTAL POLICY AND PERFORMANCE

As a total caring organization, the Group is dedicated to keeping the environmental impact of our operations to a minimum, balancing business needs with conservation.

The Group adopted "Green Office Policy" with various measures regarding minimization of energy and paper consumption and recycling being implemented. We also execute different types of "Green Office Campaign" in our office to enhance staff awareness and participation for environmental protection.

Over the years, the Group has participated in various environmental protection programmes and campaigns organized by reputable institutions and have been recognized with awards. In year 2015, we received certificate of merit awards at Hong Kong Awards for Environmental Excellence (Servicing and Trading) and HSBC Living Business in Green Achievement respectively, and Hong Kong Green Organisation of Wastewi$e Certificate (Excellence Level) in Environmental Campaign Committee.

## COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. During the year, the Group has complied with the relevant laws and regulations on corporate level as well as those that have a significant impact on the operations of the Group namely, among other things, the Listing Rules, the Companies Ordinance, Cap. 622 of the laws of Hong Kong, the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 of the laws of Hong Kong.

## 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 2015 is set out on page 138 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 44 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 35 to the consolidated financial statements.

## RESERVES AND DISTRIBUTABLE RESERVES

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

Details of movements in the reserves of the Company during the year are set out in note 46 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## CONTINUING CONNECTED TRANSACTIONS

(A) Continuing connected transactions for financial year ended 31 December 2015

(1) Margin Financing Arrangement for two/three financial years up to 31 December 2015

Celestial Securities (a wholly-owned subsidiary of the Group) entered into the following margin financing agreements with each of the connected clients:

(i) Margin financing agreements all dated 14 December 2012 (as disclosed in the Company's announcement dated 14 December 2012 and circular dated 2 January 2013, and was approved by the independent Shareholders at a SGM held on 22 January 2013)

(a) Mr Kwan Pak Hoo Bankee

(b) Mr Law Ping Wah Bernard

(c) Ms Cheng Pui Lai Majone

(d) Mr Ng Kung Chit Raymond

(e) Mr Chan Chi Ming Benson

(f) Mr Cheng Man Pan Ben

(g) Dr Chan Yau Ching Bob

(h) Cash Guardian

(i) Libra Capital Management (HK) Limited

(j) Cashflow Credit Limited

(ii) Margin financing agreements all dated 27 March 2014 (as disclosed in the Company's announcement dated 27 March 2014 and circular dated 17 April 2014, and was approved by the independent Shareholders at an AGM held on 26 May 2014)

(a) Mr Ng Hin Sing Derek

(b) Mr Kwan Pak Leung Horace

(c) Ms Chan Siu Fei Susanna

(d) Mr Tsui Wing Cheong Sammy

Pursuant to the respective margin financing agreements, Celestial Securities granted margin financing facilities to each of 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) for each of the three financial years (for (i) above) and for each of the two financial years (for (ii) above) ending 31 December 2015. Each of the margin financing facilities granted to the connected client was a stand alone facility and will not be aggregated. The terms and rates of the margin financing agreements 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.

As at the date of the respective margin financing agreements, the above connected clients were either directors or substantial shareholder of the Group and/or CASH Group and/or their respective associates, and were connected persons of the Company (as defined under the Listing Rules). The granting of margin financing facilities by the Group under the margin financing arrangements constituted continuing connected transactions relating to financial assistance for the Company under the Listing Rules.

As at 31 December 2015, Mr Chan Chi Ming Benson, Mr Cheng Man Pan Ben, Dr Chan Yau Ching Bob and Mr Tsui Wing Cheong Sammy (items (i)(e) to (g) and (ii)(d) above) had resigned as directors of the Group and/or CASH Group, and all of them (save as Mr Chan Chi Ming Benson and Mr Tsui Wing Cheong Sammy who were still remained as connected persons of the Group within 12 months of their respective resignation) had ceased as connected persons of the Group as defined under the Listing Rules during the year under review.

During the year ended 31 December 2015, the maximum amount of margin financing facilities utilised by each of the above connected clients did not exceed the annual cap of HK$30 million. Details of the maximum amounts of the margin financing facilities granted to the above connected clients during the year under review are set out in note 29 to the consolidated financial statements. The commission and interest income received from the above connected clients during the year under review are disclosed in note 42 to the consolidated financial statements.

All the margin financing agreements as disclosed in (i) and (ii) above were expired after 31 December 2015. Accordingly, Celestial Securities has renewed new margin financing agreements with certain connected clients who are the existing directors or substantial shareholder of the Group and/or CASH Group, details of which are disclosed in (B)(1) below.

(2) Provision of brokerage services from 30 June 2015 to 31 December 2015

Celestial Securities and Celestial Commodities (being wholly-owned subsidiaries of the Company) have been providing brokerage services to the Confident Profits Group for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges. The Confident Profits Group was a subsidiary of the Company prior to its transfer to CASH Group on 30 June 2015. The Confident Profits Group has become a subsidiary of CASH held under CIGL (a wholly-owned subsidiary of CASH), being the substantial Shareholder directly since 30 June 2015, and is a connected person of the Company (as defined under the Listing Rules). The continuous provision of the brokerage services by the Group to the Confident Profits Group since 30 June 2015 constituted a continuing connected transaction of the Company under the Listing Rules. The brokerage fees was charged on normal commercial terms and at market rates, which would not be more favorable than those available to independent third party clients of the Group. Details of the transactions were disclosed in the Company's announcement dated 15 September 2015.

During the year ended 31 December 2015, the brokerage fees received by the Group from the Confident Profits Group for the continuing connected transaction since 30 June 2015 and up to 31 December 2015 was HK$8.4 million, details of which are set out in note 42 to the consolidated financial statements.

On 23 October 2015, Celestial Securities and Celestial Commodities have entered into brokerage services agreement with Confident Profits relating to provision of the brokerage services subsequent to the financial year under review for three years from 1 January 2016 to 31 December 2018, details of which are disclosed in (B)(2) below.

The aforesaid continuing connected transactions of the Company for the financial year ended 31 December 2015 have been reviewed by the INEDs. The INEDs have confirmed that the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the aforesaid Group's continuing connected transactions of the Company for the financial year ended 31 December 2015 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the auditor and the Company to the Stock Exchange.

(B) Continuing connected transactions subsequent to the year under review

(1) Margin Financing Arrangement for three financial years ending 31 December 2018

Reference was made to item (A)(1) above. Celestial Securities entered into the following margin financing agreements with each of the connected clients:

(i) Margin financing agreements all dated 24 November 2015 with each of the following connected persons

(a) Mr Kwan Pak Hoo Bankee

(b) Mr Law Ping Wah Bernard

(c) Ms Cheng Pui Lai Majone

(d) Mr Ng Kung Chit Raymond

(e) Mr Lam Man Michael

(f) Mr Law Ka Kin Eugene

(g) Mr Ng Hin Sing Derek

(h) Mr Kwan Pak Leung Horace

(i) Ms Chan Siu Fei Susanna

(j) Cash Guardian

(k) Libra Capital Management (HK) Limited

(l) Cashflow Credit Limited

(ii) Margin financing agreement dated 23 October 2015 with Confident Profits relating to provision of margin financing facilities to the Confident Profits Group

Pursuant to the respective margin financing agreements above, Celestial Securities granted margin financing facilities to each of the above 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) for each of the three financial years starting from 1 January 2016 and ending 31 December 2018. Each of the margin financing facilities granted to the connected client was a stand alone facility and will not be aggregated. The interest rates charged are in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services.

The above connected clients are either existing directors of the Group and/or CASH Group or substantial shareholders of the Group or their respective associates or family members and are connected persons (as defined under the Listing Rules) of the Company. The granting of the new margin financing arrangement by the Company constituted continuing connected transaction relating to financial assistance for the Company under the Listing Rules.

The margin financing agreements for each of Mr Kwan Pak Hoo Bankee, Cash Guardian and family members (namely Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna), and Libra Capital Management (HK) Limited and Cashflow Credit Limited were approved by the independent Shareholders at a SGM held on 31 December 2015. Details of the transactions were disclosed in the Company's announcement dated 23 October 2015, 24 November 2015 and circular dated 15 December 2015.

(2) Provision of brokerage services for the three financial year ending 31 December 2018

Reference was made to the item (A)(2) above. On 23 October 2015, Celestial Securities and Celestial Commodities as service providers and Confident Profits as client entered into the brokerage services agreement relating to the provision of brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges at predetermined brokerage fees (as more particularly set out in the Company's circular dated 13 November 2015) for three financial years ending 31 December 2018. The brokerage fees would be charged on normal commercial terms and at market rates, which would not be more favorable than those available to independent third party clients of the Group.

The annual caps of the brokerage fees will be:

(i) a sum of up to HK$100 million for the year ending 31 December 2016;

(ii) a sum of up to HK$200 million for the year ending 31 December 2017; and

(iii) a sum of up to HK$300 million for the year ending 31 December 2018.

As at the date of the brokerage services agreement, the Confident Profits Group was a subsidiary of CASH held under CIGL (a wholly-owned subsidiary of CASH), being the substantial Shareholder, and was a connected person of the Company (as defined under the Listing Rules). The provision of brokerage services by the Group to the Confident Profits Group under the brokerage services agreement constituted continuing connected transaction for the Company under the Listing Rules.

The brokerage services agreement was approved by the independent Shareholders at a SGM held on 2 December 2015. Details of the transaction were disclosed in the Company's announcement dated 23 October 2015 and circular dated 13 November 2015.

The aforesaid continuing connected transactions of the Company would be subject to annual review requirements pursuant to rule 14A.55 of the Listing Rules for the three financial years from 1 January 2016 to 31 December 2018.

# DIRECTORS' REPORT

## RELATED PARTIES TRANSACTIONS

The Group has entered into related party transactions under the applicable accounting standards as disclosed in note 42 to the consolidated financial statements. Such related party transactions were either (i) not connected transaction of the Group; or (ii) related to the continuing connected transactions of the Group as disclosed in the above section; or (iii) connected transactions exempted from reporting, announcement, annual review and independent shareholders' approval requirements of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

## RAISING OF FUNDS AND USE OF PROCEEDS

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

## MAJOR CUSTOMERS AND SUPPLIERS

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

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

## DIRECTORS

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

**Executive Directors:**

Kwan Pak Hoo Bankee
Law Ping Wah Bernard
Cheng Pui Lai Majone
Ng Kung Chit Raymond
Lam Man Michael (was appointed on 2 November 2015)

**Independent Non-executive Directors:**

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

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM:

(i) Mr Lam Man Michael, being newly appointed ED, shall retire at the AGM in accordance with the Company's bye-laws; and

(ii) Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the AGM in each year in accordance with their terms of office of directorship.

## DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the margin financing arrangements as disclosed under the heading of "Continuing Connected Transactions" in this section above, no Director had a material interest in, either directly or indirectly, any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the financial year under review.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2015, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### A. The Company

#### (a) Long positions in the Shares

| Name | Capacity | Personal *(Number of Shares)* | Corporate Interest *(Number of Shares)* | Shareholding (%) |
|---|---|---|---|---|
| Kwan Pak Hoo Bankee | Interest in a controlled corporation | — | 1,667,821,069* | 40.34 |
| Lo Kwok Hung John | Beneficial owner | 1,255,500 | — | 0.03 |
| | | 1,255,500 | 1,667,821,069 | 40.37 |

* The Shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the holding company of the Company)). Pursuant to the SFO, Mr Kwan Pak Hoo Bankee ("Mr Kwan") was interested in a total of 34.41% shareholding interest in CASH, details of which are disclosed in the heading of "substantial Shareholders" below. Mr Kwan was deemed to be interested in all these Shares held by CIGL as a result of his interests in CASH.

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

| Name | Date of grant | Option period | Note | Exercise price per share (HK$) | Number of options: outstanding as at 1 January 2015 | Number of options: granted during the year (Notes (3)&(4)) | Number of options: outstanding as at 31 December 2015 | Percentage to issued shares as at 31 December 2015 (%) |
|---|---|---|---|---|---|---|---|---|
| Kwan Pak Hoo Bankee | 03/12/2015 | 03/12/2015–31/12/2019 | (1) | 0.315 | — | 40,000,000 | 40,000,000 | 0.96 |
| Law Ping Wah Bernard | 03/12/2015 | 03/12/2015–31/12/2019 | (1) | 0.315 | — | 40,000,000 | 40,000,000 | 0.96 |
| Cheng Pui Lai Majone | 03/12/2015 | 03/12/2015–31/12/2019 | (1) | 0.315 | — | 40,000,000 | 40,000,000 | 0.96 |
| Ng Kung Chit Raymond | 03/12/2015 | 03/12/2015–31/12/2019 | (1) | 0.315 | — | 28,000,000 | 28,000,000 | 0.67 |
| Lam Man Michael (Note (2)) | 03/12/2015 | 03/12/2015–31/12/2019 | (1) | 0.315 | N/A | 28,000,000 | 28,000,000 | 0.67 |
| | | | | | — | 176,000,000 | 176,000,000 | 4.22 |

Notes:

(1) The options are vested in 4 tranches as to 25% each exercisable from 3 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively, and is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the Board. The options must be exercised within one month from the date on which the Board's approval of the vesting of the options.

(2) Mr Lam Man Michael was appointed as Director of the Company during the year.

(3) The closing price of the share immediately before the date of grant of options on 3 December 2015 was HK$0.305.

(4) The options were granted on 3 December 2015 for the provision of services to the Group but are subject to approval from the Board and also subject to the achievement of performance target for the financial years ending 31 December 2016 to 2019. At 31 December 2015, approval from the Board has not been obtained and neither have any performance target been established and thus no share-based compensation expense was recognised in the financial year ended 31 December 2015.

(5) No option was exercised, lapsed or cancelled during the year.

(6) The options were held by the directors of the Company in the capacity of beneficial owners.

## B. Associated corporation (within the meaning of SFO)

**CASH**

*(a) Long positions in the ordinary shares of HK$0.10 each*

| **Name** | **Capacity** | **Personal** *(Number of shares)* | **Corporate Interest** *(Number of shares)* | **Shareholding** (%) |
|---|---|---|---|---|
| Kwan Pak Hoo Bankee | Beneficial owner and interest in a controlled corporation | 4,260,000 | 281,767,807* | 34.41 |
| Law Ping Wah Bernard | Beneficial owner | 27,345,312 | – | 3.29 |
| | | 31,605,312 | 281,767,807 | 37.70 |

* The shares were held by Cash Guardian, which was 100% beneficially owned by Mr Kwan. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian.

*(b) Long positions in the underlying shares – options under share option schemes*

| Name | Date of grant | Option period | Exercise price per share (HK$) | Notes | Number of options: outstanding as at 1 January 2015 | adjusted during the year (Note (6)) | granted during the year (Notes (7)&(8)) | outstanding as at 31 December 2015 | Percentage to issued shares as at 31 December 2015 (%) |
|---|---|---|---|---|---|---|---|---|---|
| Kwan Pak Hoo Bankee | 02/09/2014 | 02/09/2014–31/08/2018 | 0.478 | (1)&(4) | 5,000,000 | 1,480,000 | — | 6,480,000 | 0.77 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (1),(3)&(4) | — | — | 8,000,000 | 8,000,000 | 0.96 |
| Law Ping Wah Bernard | 02/09/2014 | 02/09/2014–31/08/2018 | 0.478 | (4) | 5,000,000 | 1,480,000 | — | 6,480,000 | 0.77 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (3)&(4) | — | — | 4,800,000 | 4,800,000 | 0.57 |
| Cheng Pui Lai Majone | 02/09/2014 | 02/09/2014–31/08/2018 | 0.478 | (2)&(4) | 2,300,000 | 682,000 | — | 2,982,000 | 0.35 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (3)&(4) | — | — | 4,000,000 | 4,000,000 | 0.48 |
| Ng Kung Chit Raymond | 02/09/2014 | 02/09/2014–31/08/2018 | 0.478 | (2)&(4) | 2,300,000 | 682,000 | — | 2,982,000 | 0.35 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (3)&(4) | — | — | 2,800,000 | 2,800,000 | 0.33 |
| Lam Man Michael (Note (5)) | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (3)&(4) | N/A | — | 2,800,000 | 2,800,000 | 0.33 |
| | | | | | 14,600,000 | 4,324,000 | 22,400,000 | 41,324,000 | 4.91 |

Notes:

(1) Mr Kwan is also the substantial shareholder of CASH.

(2) The options are vested in 4 tranches as to 25% each exercisable from 2 September 2014 (the date of grant), 1 September 2015, 1 September 2016 and 1 September 2017 respectively and is subject to the vesting conditions as set out in (4) below.

(3) The options are vested in 4 tranches as to 25% each exercisable from 18 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively and is subject to the vesting conditions as set out in (4) below.

(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 of directors of CASH. The options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(5) Mr Lam Man Michael was appointed as Director of the Company during the year.

(6) The exercise price and the number of share options have been adjusted due to 2-for-1 rights issue of CASH during the year. The exercise price per share was adjusted from HK$0.620 to HK$0.478.

(7) The closing price of the share immediately before the date of grant of option on 18 December 2015 was HK$0.440.

(8) The options were granted on 18 December 2015 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 financial year ending 31 December 2016 and thus no share-based compensation expense was recognised in the financial year ended 31 December 2015.

(9) No option was exercised, lapsed or cancelled during the year.

(10) The options are held by the directors of CASH in the capacity of beneficial owners.

Save as disclosed above, as at 31 December 2015, none of the Directors, chief executive 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).

## SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to an ordinary resolution passed at a SGM of the Company held on 22 February 2008, which took effect on 3 March 2008. Particulars of the terms of the Share Option Scheme are set out in note 41 to the consolidated financial statements. The following table discloses details of the Company's share options granted under the Share Option Scheme held by the Directors and the employees of the Group and movements in such holdings during the year ended 31 December 2015.

| Name of scheme | Date of grant | Option period | Exercise price per share HK$ | Notes | Number of options: outstanding as at 1 January 2015 | cancelled during the year (Note (5)) | exercised during the year (Note (6)) | granted during the year (Notes (7)&(8)) | outstanding as at 31 December 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| The Share Option Scheme | 03/12/2015 | 03/12/2015 - 31/12/2019 | 0.315 | (1) | — | — | — | 176,000,000 | 176,000,000 |
| **Employees and consultants** | | | | | | | | | |
| The Share Option Scheme | 11/4/2014 | 11/4/2014 - 31/12/2017 | 0.097 | (3)&(4) | 75,000,000 | (50,500,000) | (24,500,000) | — | — |
| | 22/5/2014 | 22/5/2014 - 31/12/2017 | 0.091 | (3)&(4) | 46,000,000 | (8,000,000) | (38,000,000) | — | — |
| | 03/12/2015 | 03/12/2015 - 31/12/2019 | 0.315 | (2)&(3) | — | — | — | 132,000,000 | 132,000,000 |
| | 03/12/2015 | 03/12/2015 - 31/12/2019 | 0.315 | (4) | — | — | — | 30,000,000 | 30,000,000 |
| | | | | | 121,000,000 | (58,500,000) | (62,500,000) | 162,000,000 | 162,000,000 |
| | | | | | 121,000,000 | (58,500,000) | (62,500,000) | 338,000,000 | 338,000,000 |

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 4 tranches as to 25% each exercisable from 3 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively and is subject to vesting conditions as set out in (3) below.

(3) 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.

(4) The options must be exercised within one month from the date on which the Board's approval of the vesting of the options and upon satisfactory delivery of services.

(5) A total of 50,500,000 options at an exercise price of HK$0.097 and 8,000,000 options at an exercise price of HK$0.091 were cancelled during the year.

(6) During the year, the following options held by participants of members of the Group were exercised:

| Date of exercise | Number of Options | Exercise price per share (HK$) | Weighted average closing price of shares immediately before the date of exercise (HK$) |
|---|---|---|---|
| 11 March 2015 | 38,000,000 | 0.091 | 0.43 |
| 11 March 2015 | 24,500,000 | 0.097 | 0.43 |
| Total | 62,500,000 | | |

(7) The closing price of the share immediately before the date of grant of options on 3 December 2015 was HK$0.305.

(8) For the options granted on 3 December 2015, approval from the Board has not been obtained and neither have any performance target been established as at 31 December 2015, and thus no share-based compensation expense was recognised in the financial year ended 31 December 2015.

(9) No option was lapsed upon expiry during the year.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, so far as is known to the Directors and chief executive of the Company, the persons/companies (other than a Director or chief executive of the Company) who had, or were deemed or taken to have an interest or short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

| Name | Capacity | Number of Shares | Shareholding (%) |
|---|---|---|---|
| Hobart Assets Limited *(Note)* | Interest in a controlled corporation | 1,667,821,069 | 40.34 |
| Cash Guardian *(Note)* | Interest in a controlled corporation | 1,667,821,069 | 40.34 |
| CASH *(Note)* | Interest in a controlled corporation | 1,667,821,069 | 40.34 |
| Praise Joy Limited *(Note)* | Interest in a controlled corporation | 1,667,821,069 | 40.34 |
| CIGL *(Note)* | Beneficial owner | 1,667,821,069 | 40.34 |

*Note:* This refers to the same number of 1,667,821,069 Shares held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the holding company of the Company)). CASH was owned as to a total of approximately 34.41% by Mr Kwan, being approximately 33.90% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan) and approximately 0.51% by Mr Kwan in his personal name. Pursuant to the SFO, Mr Kwan, Hobart Assets Limited and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH. The above interest has already been disclosed as corporate interest of Mr Kwan in the section headed "Directors' interests in securities" above.

Save as disclosed above, as at 31 December 2015, the Directors and chief executive of the Company were not aware of any other parties or corporation (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, any interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

# DIRECTORS' REPORT

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## 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.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2015.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the financial year.

## DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$1,077,600.

## 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

There have been no changes of auditor in the preceding three years.

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

On behalf of the Board
**Bankee P. Kwan, JP**
*Chairman*

Hong Kong, 17 March 2016

# Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of CASH Financial Services Group Limited ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 136, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the Consolidated Financial Statements**

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

**Auditor's responsibility**

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

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

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

# Independent Auditor's Report (continued)

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong
17 March 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

| | NOTES | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| Revenue | 5 | **252,290** | 198,063 |
| Other income | 7 | **3,807** | 6,238 |
| Other gains and (losses) | 8 | **130,533** | 84,706 |
| Salaries, commission and related benefits | 9 | **(231,983)** | (174,622) |
| Depreciation | | **(11,955)** | (11,702) |
| Finance costs | 12 | **(8,630)** | (13,579) |
| Other operating and administrative expenses | | **(120,676)** | (115,695) |
| Change in fair value of investment properties | 20 | **(1,726)** | 37,088 |
| Share of profit of an associate | 27 | **95** | 60,463 |
| Profit before taxation | | **11,755** | 70,960 |
| Income tax credit (expense) | 14 | **1,655** | (16,633) |
| **Profit for the year** | 17 | **13,410** | 54,327 |
| **Other comprehensive expense** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **(3,665)** | (2,772) |
| Reclassification of translation reserve upon disposal of subsidiaries | 15 | **(10,941)** | — |
| **Other comprehensive expense for the year** | | **(14,606)** | (2,772) |
| **Total comprehensive (expense) income for the year** | | **(1,196)** | 51,555 |
| **Profit (loss) for the year attributable to:** | | | |
| Owners of the Company | | **13,606** | 32,675 |
| Non-controlling interests | | **(196)** | 21,652 |
| | | **13,410** | 54,327 |
| **Total comprehensive (expense) income attributable to:** | | | |
| Owners of the Company | | **(1,000)** | 30,770 |
| Non-controlling interests | | **(196)** | 20,785 |
| | | **(1,196)** | 51,555 |
| **Earnings per share for profit attributable to the owners of the Company during the year** | 18 | | |
| — Basic (HK cents) | | **0.33** | 0.83 |
| — Diluted (HK cents) | | **0.33** | 0.80 |

# Consolidated Statement of Financial Position

At 31 December 2015

| | NOTES | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 19 | **19,445** | 38,136 |
| Investment properties | 20 | **188,583** | 213,666 |
| Goodwill | 21 | **—** | — |
| Intangible assets | 22 | **9,752** | 9,752 |
| Other assets | 24 | **5,039** | 4,792 |
| Rental and utility deposits | | **612** | 2,088 |
| Available-for-sale financial assets | 25 | **8,415** | 21,031 |
| Interest in an associate | 27 | **—** | 1,434 |
| | | **231,846** | 290,899 |
| **Current assets** | | | |
| Accounts receivable | 29 | **696,502** | 706,440 |
| Loans receivable | 26 | **1,831** | 42,561 |
| Other assets | 24 | **5,240** | 7,317 |
| Prepayments, deposits and other receivables | 34 | **17,930** | 13,579 |
| Tax recoverable | | **29** | 16 |
| Investments held for trading | 30 | **18,872** | 44,545 |
| Financial asset designated at fair value through profit or loss | 38 | **13,161** | — |
| Bank deposits subject to conditions | 31 | **—** | 17,155 |
| Bank balances — trust and segregated accounts | 28 | **946,810** | 792,117 |
| Bank balances (general accounts) and cash | 28 | **370,467** | 172,100 |
| | | **2,070,842** | 1,795,830 |
| **Current liabilities** | | | |
| Accounts payable | 32 | **1,429,827** | 1,108,306 |
| Accrued liabilities and other payables | 36 | **53,719** | 67,103 |
| Taxation payable | | **3,039** | 16,478 |
| Bank borrowings — amount due within one year | 33 | **121,340** | 171,734 |
| Amount due to a fellow subsidiary | 28 | **1,829** | 26,350 |
| Financial liabilities held for trading | 37 | **—** | 1,055 |
| Financial liabilities designated at fair value through profit or loss | 38 | **13,161** | — |
| | | **1,622,915** | 1,391,026 |
| **Net current assets** | | **447,927** | 404,804 |
| **Total assets less current liabilities** | | **679,773** | 695,703 |

# Consolidated Statement of Financial Position (continued)

At 31 December 2015

| | NOTES | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 16 | **5,786** | 7,860 |
| Bank borrowings — amount due after one year | 33 | **78,412** | 91,516 |
| | | **84,198** | 99,376 |
| **Net assets** | | **595,575** | 596,327 |
| **Capital and reserves** | | | |
| Share capital | 35 | **82,687** | 81,437 |
| Reserves | | **512,888** | 509,304 |
| Equity attributable to owners of the Company | | **595,575** | 590,741 |
| Non-controlling interests | | **—** | 5,586 |
| **Total equity** | | **595,575** | 596,327 |

The consolidated financial statements on pages 51 to 136 were approved and authorised for issue by the Board of Directors on 17 March 2016 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 2015

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 (Note) | Share-based payment reserve HK$'000 | Translation reserve HK$'000 | (Accumulated losses) retained earning HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 January 2014 | 77,558 | 359,940 | 117,788 | — | 16,511 | (45,713) | 526,084 | 36,114 | 562,198 |
| Profit for the year | — | — | — | — | — | 32,675 | 32,675 | 21,652 | 54,327 |
| Exchange differences arising on translation of foreign operations | — | — | — | — | (1,905) | — | (1,905) | (867) | (2,772) |
| Other comprehensive expense for the year | — | — | — | — | (1,905) | — | (1,905) | (867) | (2,772) |
| Total comprehensive income (expense) for the year | — | — | — | — | (1,905) | 32,675 | 30,770 | 20,785 | 51,555 |
| Recognition of equity-settled share based payments | — | — | — | 15,335 | — | — | 15,335 | — | 15,335 |
| Issue of ordinary shares upon exercise of share options (note 41) | 3,879 | 22,639 | — | (7,966) | — | — | 18,552 | — | 18,552 |
| Effect of lapsed share options | — | — | — | (1,518) | — | 1,518 | — | — | — |
| Dividend paid to non-controlling shareholders | — | — | — | — | — | — | — | (51,313) | (51,313) |
| At 31 December 2014 | 81,437 | 382,579 | 117,788 | 5,851 | 14,606 | (11,520) | 590,741 | 5,586 | 596,327 |
| Profit (loss) for the year | — | — | — | — | — | 13,606 | 13,606 | (196) | 13,410 |
| Exchange differences arising on translation of foreign operations | — | — | — | — | (3,665) | — | (3,665) | — | (3,665) |
| Reclassification upon disposal of subsidiaries (note 15) | — | — | — | — | (10,941) | — | (10,941) | — | (10,941) |
| Other comprehensive expense for the year | — | — | — | — | (14,606) | — | (14,606) | — | (14,606) |
| Total comprehensive (expense) income for the year | — | — | — | — | (14,606) | 13,606 | (1,000) | (196) | (1,196) |
| Issue of ordinary shares upon exercise of share options (note 41) | 1,250 | 7,522 | — | (2,938) | — | — | 5,834 | — | 5,834 |
| Effect of cancelled share options | — | — | — | (2,913) | — | 2,913 | — | — | — |
| Purchase of non-controlling interest | — | — | — | — | — | — | — | (4,855) | (4,855) |
| Derecognition upon disposal of a non-wholly owned subsidiary | — | — | — | — | — | — | — | (535) | (535) |
| **At 31 December 2015** | **82,687** | **390,101** | **117,788** | **—** | **—** | **4,999** | **595,575** | **—** | **595,575** |

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

| | NOTES | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before taxation | | **11,755** | 70,960 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 19 | **11,955** | 11,702 |
| Interest expense | | **8,630** | 13,579 |
| Change in fair value of investment properties | | **1,726** | (37,088) |
| Loss on disposal/written off of property and equipment | | **—** | 467 |
| Write back of bad and doubtful loans receivable, net | 26 | **(4,519)** | (2,700) |
| Share-based payment expenses | | **—** | 15,335 |
| Allowance (write back) of bad and doubtful accounts receivable, net | 29 | **1,431** | (2,631) |
| Gain on disposal of an investment property/ a commercial property | | **(1,881)** | (18,002) |
| Gain on disposal of available-for-sale financial assets | | **(14,381)** | — |
| Gain on disposal of subsidiaries | 15 | **(11,909)** | — |
| Impairment of goodwill | 21 | **—** | 2,661 |
| Share of profit of an associate | 27 | **(95)** | (60,463) |
| Operating cash flows before movements in working capital | | **2,712** | (6,180) |
| Decrease in rental and utility deposits | | **1,476** | 2,179 |
| Increase in accounts receivable | | **(224,246)** | (95,485) |
| Decrease (increase) in loans receivable | | **45,249** | (14,430) |
| (Increase) decrease in prepayments, deposits and other receivables | | **(5,886)** | 33,510 |
| Decrease in investments held for trading | | **21,266** | 10,190 |
| Increase in financial assets designated at fair value through profit or loss | | **(13,161)** | — |
| Decrease in bank deposits subject to conditions | | **17,155** | — |
| Increase in bank balances — trust and segregated accounts | | **(154,693)** | (7,413) |
| Increase (decrease) in financial liabilities held for trading | | **1,073** | (18,646) |
| Increase in accounts payable | | **321,521** | 75,918 |
| Increase (decrease) in accrued liabilities and other payables | | **96,374** | (24,096) |
| Increase in financial liabilities designated at fair value through profit or loss | | **13,161** | — |
| Cash from (used in) operations | | **122,001** | (44,453) |
| Income taxes refunded | | **—** | 3,426 |
| Income taxes paid | | **(434)** | (120) |
| Net cash generated from (used in) operating activities | | **121,567** | (41,147) |
| **Investing activities** | | | |
| Refund of statutory and other deposits | | **1,830** | 4,602 |
| Purchase of property and equipment | | **(3,988)** | (16,547) |
| Proceeds on disposal of an investment property/a commercial property | | **22,961** | 133,592 |
| Proceeds on disposal of property and equipment | | **—** | 97 |
| Net proceeds on disposal of available-for-sale financial assets | | **26,997** | — |
| Purchase of investment properties | | **—** | (96,844) |
| Purchase of a commercial property | | **—** | (92,253) |
| Capital distributed from an associate | | **1,529** | 214,704 |
| Repayment of loan to an associate | | **—** | 10,296 |
| Net cash outflow from disposal of subsidiaries | 15 | **(10,186)** | — |
| Net cash generated from investing activities | | **39,143** | 157,647 |

# Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2015

| | NOTES | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds on issue of shares | | **5,834** | 18,552 |
| (Decrease) increase in bank borrowings | | **(63,498)** | 7,050 |
| Advance from loan payable | | **—** | 14,014 |
| Repayment of loan payable | | **(14,014)** | (38,100) |
| Advance from (repayment to) a fellow subsidiary | | **124,368** | (21,271) |
| Purchase of non-controlling interest | | **(4,855)** | — |
| Dividends paid to non-controlling shareholders | | **—** | (51,313) |
| Interest paid on bank borrowings | | **(7,396)** | (8,533) |
| Interest paid to other borrowings | | **(1,234)** | (5,046) |
| Repayment of loan from non-controlling shareholder | | **—** | (27,437) |
| Repayment of obligations under finance lease | | **(160)** | — |
| Net cash generated from (used in) financing activities | | **39,045** | (112,084) |
| Net increase in cash and cash equivalents | | **199,755** | 4,416 |
| Cash and cash equivalents at beginning of year | | **172,100** | 167,505 |
| Effect of change in foreign exchange rate | | **(1,388)** | 179 |
| Cash and cash equivalents at end of year | | **370,467** | 172,100 |
| Bank balances (general accounts) and cash | | **370,467** | 172,100 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 1. GENERAL

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

As at 31 December 2015, Celestial Investment Group Limited ("CIGL"), a wholly owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH"), which is regarded by the directors of the Company as the ultimate holding company of the Company and is incorporated in Bermuda and its shares are also listed on the Main Board of the Stock Exchange, owns 40.34% (2014: 40.71%) of ordinary shares of the Company and holds the same percentage of voting rights in the Company. Taking into account the relevant facts and circumstances, particularly the size of the CIGL's holding of voting rights relative to the size and dispersion of holdings of other vote holders, the directors of the Company regard the Company as a subsidiary of CIGL and CASH under the definition of control and the related guidance set out in Hong Kong Financial Reporting Standards ("HKFRS") 10 "Consolidated financial statements".

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

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

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

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

The Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective, which may be related to the Group.

| | |
|---|---|
| HKFRS 9 | Financial instruments[1] |
| HKFRS 15 | Revenue from contracts with customers[1] |
| Amendments to HKAS 1 | Disclosure initiative[2] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture[3] |
| Amendments to HKFRS 10, HKFRS12 and HKAS 28 | Investment entities: Applying the consolidation exception[2] |
| Amendments to HKFRS 11 | Accounting for acquisitions of interests in joint operations[2] |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2012–2014 cycle[1] |

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

**HKFRS 9 Financial instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

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

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

**HKFRS 9 Financial instruments (continued)**

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may affect the classification and measurement of the Group's financial assets and financial liabilities (e.g. the Group's unlisted investments in equity securities that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company do not expect to early adopt HKFRS 9 before its effective date.

**HKFRS 15 Revenue from contracts with customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

**HKFRS 15 Revenue from contracts with customers (continued)**

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except for the above, the directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the consolidated financial statements of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at 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 for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. For non-financial assets, the Group takes into account the Group's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another parties that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group 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. When the Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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)**

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item 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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the 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.

## 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 assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree 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 reassessment, 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 HKFRS.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Business combinations (continued)**

***Goodwill***

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, 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 on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. 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.

**Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that 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 of disposal) 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.

## 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 or income arising from financial services are recognised on the following basis:

- 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.

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.

The net increase or decrease in fair value of trading investments is recognised directly in net profit or loss.

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

**Property and equipment**

Property and equipment held for use in the production or supply of goods and services, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Leasing**

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

***The Group as lessee***

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

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

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

***Leasehold land and building***

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

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

**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 recognised 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Foreign currencies (continued)**

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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.

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

**Retirement benefits costs**

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

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

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

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

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

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

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

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.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets

***Intangible assets acquired separately***

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

***Intangible assets acquired in a business combination***

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

Subsequent to initial recognition, intangible assets acquired in a business combination 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).

***Investment properties***

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in 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.

### Financial instruments

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

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

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 are classified as at FVTPL when (i) the financial asset is held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

***Financial assets (continued)***

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Group's financial assets at FVTPL comprise investments held for trading and financial assets designated at fair value through profit or loss. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income' line item.

*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, other receivables, bank balances and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

*AFS financial assets*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at FVTPL or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

***Financial assets (continued)***

*AFS financial assets (continued)*

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

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

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

***Impairment of financial assets (continued)***

For financial assets carried at cost, including AFS equity investments, carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

***Financial liabilities and equity instruments***

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

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

***Financial liabilities and equity instruments (continued)***

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when (i) the financial liability is held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

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

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

Obligations to deliver financial assets borrowed by the Group arising from short selling are classified as financial liabilities held for trading.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the 'other gains and losses' line item.

*Other financial liabilities*

Financial liabilities (including accounts payable, other payables, bank borrowings and amount due to a fellow subsidiary) are subsequently measured at amortised cost, using the effective interest method.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

***Financial liabilities and equity instruments (continued)***

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Derivative financial instruments*

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

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

## 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. Service 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 condition are to be satisfied, with a corresponding increase in equity (share-based payments 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 estimates, with a corresponding adjustment to the share-based payments reserve.

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

***Share options granted to consultants***

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the counterparties render services, unless the services qualify for recognition as assets.

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

**Critical judgements in applying 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 Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

***Deferred taxation on investment properties***

For the purposes of measuring deferred taxation liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties at 31 December 2015 and 31 December 2014 are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining deferred taxation on investment properties, the directors of the Company have determined that the presumption set out in HKAS12 "Income taxes" that investment properties measured using the fair value model are recovered through sale is rebutted. Thus, the Group has estimated the deferred tax liability taking into account the Hong Kong Profits Tax and enterprise income tax in the PRC.

**Key sources of estimation uncertainty**

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

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

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

***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 2015, the aggregate carrying amount of accounts and loans receivable is HK$698,333,000 (2014: HK$749,001,000) (net of allowance for bad and doubtful debts amounting to HK$3,497,000 (2014: HK$33,227,000)).

***Income taxes***

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the remaining estimated unused tax losses of approximately HK$158,441,000 (2014: HK$304,729,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

***Estimated impairment of property and equipment and trading rights***

Assessing impairment requires estimation of recoverable amounts of the relevant property and equipment and trading rights or the respective cash generating units ("CGUs") in which the property and equipment as well as trading rights belong, which is the higher of value in use and fair value less cost of disposal. If there is any indication that an asset may be impaired, the Group estimates the recoverable amount for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the respective recoverable amounts of the CGUs of corporate finance and broking of securities to which the trading rights as well as property and equipment belong.

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 CGU for which the future cash flows estimates have not been adjusted. Where the actual future cash flows are less than expected or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2015, the carrying amounts of trading rights and property and equipment amounted to HK$9,092,000 (2014: HK$9,092,000) and HK$19,445,000 (2014: HK$38,136,000), respectively.

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

**Estimated impairment of accounts receivable from a broker**

As described in note 29, the directors of the Company, based on the best information available as at 31 December 2015, assessed the provision for estimated compensation on potential uncollectable amount of an account balance held on behalf of its client of HK$6,147,000 (2014: HK$6,147,000) maintained in MF Global Hong Kong Limited ("MFG HK") which is in the process of liquidation. The directors are of the view that the Group will recover the carrying amount within the next 12 months from the end of the reporting period. In case where the development of this matter suggests outcome is worse than expected, an impairment may be recognised in the consolidated statement of profit or loss and other comprehensive income for the period when such event takes place.

## 5. REVENUE

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Fees and commission income | **225,651** | 169,891 |
| Interest income | **26,639** | 28,172 |
| | **252,290** | 198,063 |

## 6. SEGMENT INFORMATION

**Reportable and operating segment**

The Chief Executive Officer of the Company, who is also the chief executive of the brokerage business, being the chief operating decision maker ("CODM"), regularly reviews the financial performance of the financial services business as a whole to make decisions about resources allocation. Accordingly, the Group has only one operating segment.

***Segment revenue and result***

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) incurred by the segment before gain on disposal of available-for-sale financial assets, gain on disposal of subsidiaries, gain on disposal of an investment property/a commercial property, change in fair value of investment properties, share of result of an associate and unallocated expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

## 6. SEGMENT INFORMATION (continued)

**Reportable and operating segment (continued)**

***Segment revenue and result (continued)***

**For the year ended 31 December 2015**

| | Financial services HK$'000 | Total HK$'000 |
|---|---|---|
| Revenue | **252,290** | **252,290** |
| RESULT | | |
| Segment profit | **18,088** | **18,088** |
| Gain on disposal of available-for-sale financial assets | | **14,381** |
| Change in fair value of investment properties | | **(1,726)** |
| Share of profit of an associate | | **95** |
| Gain on disposal of an investment property | | **1,881** |
| Gain on disposal of subsidiaries | | **11,909** |
| Unallocated expenses | | **(32,873)** |
| Profit before taxation | | **11,755** |

For the year ended 31 December 2014

| | Financial services HK$'000 | Total HK$'000 |
|---|---|---|
| Revenue | 198,063 | 198,063 |
| RESULT | | |
| Segment loss | (15,040) | (15,040) |
| Gain on disposal of a commercial property | | 18,002 |
| Change in fair value of investment properties | | 37,088 |
| Share of profit of an associate | | 60,463 |
| Unallocated expenses | | (29,553) |
| Profit before taxation | | 70,960 |

All the segment revenue is derived from external customers.

## 6. SEGMENT INFORMATION (continued)

**Reportable and operating segment (continued)**

***Segment assets and liabilities***

All assets are allocated to the operating segment other than interest in an associate, investment properties and other unallocated property and equipment and other assets. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All liabilities are allocated to the operating segment other than deferred tax liabilities, amount due to a fellow subsidiary and unallocated bank borrowings and accrued liabilities. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

**As at 31 December 2015**

| | Financial services HK$'000 | Total HK$'000 |
|---|---|---|
| ASSETS | | |
| Segment assets | 2,074,530 | 2,074,530 |
| Other assets | | 10,279 |
| Investment properties | | 188,583 |
| Other unallocated assets | | 29,296 |
| Consolidated total assets | | 2,302,688 |
| LIABILITIES | | |
| Segment liabilities | 1,615,678 | 1,615,678 |
| Deferred tax liabilities | | 5,786 |
| Amount due to a fellow subsidiary | | 1,829 |
| Other unallocated liabilities | | 83,820 |
| Consolidated total liabilities | | 1,707,113 |

## 6. SEGMENT INFORMATION (continued)

**Reportable and operating segment (continued)**

***Segment assets and liabilities (continued)***

As at 31 December 2014

| | Financial services HK$'000 | Total HK$'000 |
|---|---|---|
| ASSETS | | |
| Segment assets | 1,828,848 | 1,828,848 |
| Interest in an associate | | 1,434 |
| Other assets | | 12,109 |
| Investment properties | | 213,666 |
| Other unallocated assets | | 30,672 |
| Consolidated total assets | | 2,086,729 |
| LIABILITIES | | |
| Segment liabilities | 1,378,308 | 1,378,308 |
| Deferred tax liabilities | | 7,860 |
| Amount due to a fellow subsidiary | | 26,350 |
| Other unallocated liabilities | | 77,884 |
| Consolidated total liabilities | | 1,490,402 |

## 6. SEGMENT INFORMATION (continued)

**Other information**

**For the year ended 31 December 2015**

| | **Financial services HK$000** | **Unallocated amount HK$000** | **Total HK$000** |
|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | |
| Addition to non-current assets | **5,411** | **—** | **5,411** |
| Interest income | **26,639** | **—** | **26,639** |
| Depreciation | **(11,951)** | **(4)** | **(11,955)** |
| Finance costs | **(6,765)** | **(1,865)** | **(8,630)** |
| Net gain on investments held for trading | **105,392** | **—** | **105,392** |
| Allowance for bad and doubtful accounts receivable, net | **(1,431)** | **—** | **(1,431)** |
| Write back of bad and doubtful loan receivables, net | **4,519** | **—** | **4,519** |
| Net foreign exchange loss | **(2,324)** | **(3,794)** | **(6,118)** |

For the year ended 31 December 2014

| | Financial services HK$000 | Unallocated amount HK$000 | Total HK$000 |
|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | |
| Addition to non-current assets | 16,547 | 119,932 | 136,479 |
| Interest income | 28,172 | — | 28,172 |
| Depreciation | (11,471) | (231) | (11,702) |
| Finance costs | (10,960) | (2,619) | (13,579) |
| Net gain on investments held for trading | 66,174 | — | 66,174 |
| Write back of bad debt on accounts receivable, net | 2,631 | — | 2,631 |
| Write back of bad debt on loan receivables, net | 2,700 | — | 2,700 |
| Net foreign exchange (loss) gain | (1,795) | 122 | (1,673) |
| Impairment on goodwill | (2,661) | — | (2,661) |

## 6. SEGMENT INFORMATION (continued)

**Entity-wide disclosures**

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

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

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong (Place of domicile) | **252,290** | 198,063 | **189,845** | 209,421 |
| PRC | **—** | — | **33,586** | 60,447 |
| Total | **252,290** | 198,063 | **223,431** | 269,868 |

There were no customers for the years ended 31 December 2015 and 2014, contributing over 10% of the Group's total revenue.

## 7. OTHER INCOME

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Dividends from listed investments held for trading | **1,117** | 1,821 |
| Consulting fee income | **526** | 2,345 |
| Sundry income | **2,164** | 2,072 |
| | **3,807** | 6,238 |

## 8. OTHER GAINS AND (LOSSES)

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Net gain on investments held for trading | **105,392** | 66,174 |
| Loss on disposal/written off of property and equipment | **—** | (467) |
| Net foreign exchange loss | **(6,118)** | (1,673) |
| (Allowance) write back of bad and doubtful accounts receivable, net | **(1,431)** | 2,631 |
| Write back of bad and doubtful loans receivable, net | **4,519** | 2,700 |
| Impairment of goodwill | **—** | (2,661) |
| Gain on disposal of an investment property/ a commercial property (note) | **1,881** | 18,002 |
| Gain on disposal of subsidiaries (Note 15) | **11,909** | — |
| Gain on disposal of available-for-sale financial assets | **14,381** | — |
| | **130,533** | 84,706 |

Note: In 2013, the Group entered into a provisional sale and purchase agreement with an independent third party for the disposal of a commercial property which was under construction and for which the Group had not yet completed the purchase thereof. The transaction was completed in January 2014 upon delivery of the property.

## 9. SALARIES, COMMISSION AND RELATED BENEFITS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Salaries, allowances and commission represent the amounts paid and payable to the directors of the Company and employees and account executives and comprise: | | |
| Salaries and allowances | **143,598** | 97,184 |
| Sales commission | **85,163** | 58,245 |
| Share-based compensation | **—** | 15,335 |
| Contributions to retirement benefits schemes | **3,222** | 3,858 |
| | **231,983** | 174,622 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

| | Kwan Pak Hoo Bankee HK$'000 | Law Ping Wah Bernard HK$'000 | Chief Executive Cheng Pui Lai Majone HK$'000 | Ng Kung Chit Raymond HK$'000 | Lam Man Michael HK$'000 | Total 2015 HK$'000 |
|---|---|---|---|---|---|---|
| (A) EXECUTIVE DIRECTORS | | | | | | |
| Fees | — | — | — | — | — | — |
| Other emoluments: | | | | | | |
| Salaries and allowances | 1,200 | 960 | 1,800 | 1,512 | 260 | 5,732 |
| Performance related bonuses* | 15,000 | — | — | — | — | 15,000 |
| Retirement benefits | 60 | 48 | 90 | 76 | 13 | 287 |
| Sub-total | 16,260 | 1,008 | 1,890 | 1,588 | 273 | 21,019 |

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

| | Lo Kwok Hung John HK$'000 | Lo Ming Chi Charles HK$'000 | Cheng Shu Shing Raymond HK$'000 | Total 2015 HK$'000 |
|---|---|---|---|---|
| (B) INDEPENDENT NON-EXECUTIVE DIRECTORS | | | | |
| Fees | 150 | 150 | 150 | 450 |
| Sub-total | 150 | 150 | 150 | 450 |

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

| | |
|---|---|
| Total | 21,469 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

| | Kwan Pak Hoo Bankee HK$'000 | Chief Executive Chan Chi Ming Benson HK$'000 | Law Ping Wah Bernard HK$'000 | Cheng Pui Lai Majone HK$'000 | Ng Kung Chit Raymond HK$'000 | Total 2014 HK$'000 |
|---|---|---|---|---|---|---|
| (A) EXECUTIVE DIRECTORS | | | | | | |
| Fees | — | — | — | — | — | — |
| Other emoluments: | | | | | | |
| Salaries and allowances | 1,213 | 782 | 813 | 1,421 | 660 | 4,889 |
| Equity-settled share option expense | 1,518 | — | 1,518 | 1,518 | 1,518 | 6,072 |
| Retirement benefits | 61 | 31 | 41 | 59 | 33 | 225 |
| Sub-total | 2,792 | 813 | 2,372 | 2,998 | 2,211 | 11,186 |

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

| | Lo Kwok Hung John HK$'000 | Lo Ming Chi Charles HK$'000 | Cheng Shu Shing Raymond HK$'000 | Total 2014 HK$'000 |
|---|---|---|---|---|
| (B) INDEPENDENT NON-EXECUTIVE DIRECTORS | | | | |
| Fees | 150 | 150 | 150 | 450 |
| Sub-total | 150 | 150 | 150 | 450 |

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

| | |
|---|---|
| Total | 11,636 |

* An executive director of the Company is entitled to bonus payments which are determined based on the achievement of performance target.

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Ms Cheng Pui Lai Majone is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

During the year ended 31 December 2015, Mr Lam Man Michael was appointed as Director of the Company.

During the year ended 31 December 2014, Mr Chan Chi Ming Benson resigned as an executive director and chief executive of the Company.

During the year ended 31 December 2014, Mr Ng Kung Chit Raymond was appointed as an executive director of the Company.

During the years ended 31 December 2015 and 2014, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the years ended 31 December 2015 and 2014.

## 11. EMPLOYEES' REMUNERATION

Three (2014: three) of the five individuals with the highest emoluments in the Group were directors of the Company for the years ended 31 December 2015 and 2014. Details of these directors' emolument are included in the disclosures in note 10 above. The emoluments of the remaining two (2014: two) individuals were as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and allowances | **2,562** | 4,291 |
| Contributions to retirement benefit scheme | **137** | 215 |
| Performance related incentive payments (note) | **236** | 2,598 |
| | **2,935** | 7,104 |

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

The remuneration of the two (2014: two) individuals (other than directors) were within the following bands:

| | **Number of employees** | |
|---|---|---|
| | **2015** | 2014 |
| HK$1,000,001 to HK$1,500,000 | **1** | — |
| HK$1,500,001 to HK$2,000,000 | **1** | — |
| HK$2,500,001 to HK$3,000,000 | **—** | 1 |
| HK$4,000,001 to HK$4,500,000 | **—** | 1 |
| | **2** | 2 |

During the years ended 31 December 2015 and 2014, no remuneration was paid by the Group to the remaining two (2014: two) individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 12. FINANCE COSTS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Interest on: | | |
| Bank overdrafts and borrowings | **7,396** | 8,533 |
| Others | **1,234** | 5,046 |
| | **8,630** | 13,579 |

## 13. DIVIDENDS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Dividends recognised as distribution during the year | **—** | — |

The directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2015 (2014: HK$Nil).

## 14. INCOME TAX (CREDIT) EXPENSE

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Current tax:** | | |
| — Hong Kong Profits Tax | **441** | 7,665 |
| (Over)under provision in prior years | **(22)** | 1,677 |
| Deferred tax (Note 16) | **(2,074)** | 7,291 |
| | **(1,655)** | 16,633 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit or adjusted losses for 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 applicable to the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC income tax has been made as they incurred tax losses in both years.

## 14. INCOME TAX (CREDIT) EXPENSE (continued)

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit before taxation | **11,755** | 70,960 |
| Taxation at income tax rate of 16.5% | **1,940** | 11,708 |
| Tax effect of share of profit of an associate | **(16)** | (9,976) |
| (Over)under provision in respect of prior year | **(22)** | 1,677 |
| Tax effect of expenses not deductible for tax purpose | **1,262** | 5,543 |
| Tax effect of income not taxable for tax purpose | **(5,096)** | (438) |
| Tax effect of utilisation of estimated tax losses previously not recognised | **(2,819)** | (988) |
| Tax effect of estimated tax losses not recognised | **7,093** | 7,294 |
| Others | **(3,997)** | 1,813 |
| Income tax (credit) expense | **(1,655)** | 16,633 |

## 15. DISPOSAL OF SUBSIDIARIES

On 30 June 2015, the Group completed the disposal of its wholly-owned subsidiary, Confident Profits Limited, and its subsidiaries to CIGL at a cash consideration of HK$1,549,000. The consolidated net assets of Confident Profits Limited at the date of disposal were as follows:

| | HK$'000 |
|---|---|
| Consideration received: | |
| Total cash consideration received | 1,549 |
| Analysis of assets and liabilities over which control was lost: | |
| Property and equipment | 12,147 |
| Investments held for trading | 4,407 |
| Accounts receivable | 232,753 |
| Amount due from immediate holding company | 809 |
| Prepayments, deposits and other receivable | 1,535 |
| Financial liabilities held for trading | (2,128) |
| Bank balances and cash | 11,735 |
| Accrued liabilities and other payables | (95,744) |
| Amount due to a fellow subsidiary | (149,698) |
| Tax payable | (13,437) |
| Finance lease payable | (1,263) |
| | 1,116 |
| Less: Non-controlling interest | (535) |
| Net assets disposed of | 581 |

## 15. DISPOSAL OF SUBSIDIARIES (continued)

| | HK$'000 |
|---|---|
| Consideration received | 1,549 |
| Net assets disposed of | (581) |
| | 968 |
| Reclassification of translation reserve upon disposal of subsidiaries | 10,941 |
| Gain on disposal (Note 8) | 11,909 |
| Net cash outflow arising on disposal: | |
| Cash consideration | 1,549 |
| Less: bank balances and cash disposed of | (11,735) |
| | (10,186) |

## 16. DEFERRED TAX

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

**Deferred tax assets**

| | **Decelerated tax depreciation** HK$'000 |
|---|---|
| At 1 January 2014 | 1,000 |
| Charge to profit or loss for the year | (1,000) |
| At 31 December 2014 and 31 December 2015 | — |

## 16. DEFERRED TAX (continued)

**Deferred tax liabilities**

| | **Revaluation of investment properties** HK$'000 |
|---|---|
| At 1 January 2014 | (1,569) |
| Charge to profit or loss for the year | (6,291) |
| At 31 December 2014 | (7,860) |
| Credit to profit or loss for the year | 2,074 |
| At 31 December 2015 | (5,786) |

At 31 December 2015, the Group has estimated unused tax losses of approximately HK$158,441,000 (31 December 2014: HK$304,729,000), while HK$172,191,000 of estimated unused tax losses was reduced due to disposal of subsidiaries during the year ended 31 December 2015. No deferred tax asset has been recognised as at 31 December 2015 and 2014 in respect of these estimated unused tax losses as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

Unrecognised estimated tax losses of HK$9,334,000 (2014: HK$84,111,000) incurred by certain subsidiaries operating in PRC are subject to expiry periods of five years from the year in which the tax losses arose under the current tax legislation. The remaining estimated unused tax losses have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department.

## 17. PROFIT FOR THE YEAR

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging: | | |
| Auditor's remuneration | **1,920** | 1,800 |
| Depreciation of property and equipment | **11,955** | 11,702 |
| Operating lease rentals | **25,673** | 28,713 |
| Handling expenses for securities dealing | **23,625** | 18,134 |
| Advertising and promotion expenses | **6,031** | 11,653 |
| Telecommunication expenses | **22,956** | 22,959 |
| Legal and professional fees | **11,990** | 9,086 |

## 18. EARNINGS PER SHARE

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share | **13,606** | 32,675 |

| | **2015** | 2014 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **4,122,544,520** | 3,946,226,711 |
| Effect of dilutive potential ordinary shares: Share options of the Company | **13,024,510** | 137,408,543 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **4,135,569,030** | 4,083,635,254 |

Note: The computation of dilutive earnings per share assumed the exercise of the Company's outstanding share options with the exercise price lower than the average market price during the years ended 31 December 2015 and 31 December 2014.

## 19. PROPERTY AND EQUIPMENT

| | Leasehold improvements | Furniture and fixtures | Computer and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **COST OR VALUATION** | | | | | |
| At 1 January 2014 | 29,794 | 7,197 | 55,269 | 1,992 | 94,252 |
| Exchange adjustments | — | (10) | — | — | (10) |
| Additions | 8,945 | 227 | 7,375 | — | 16,547 |
| Disposal/written off | (13,786) | (799) | (2,093) | — | (16,678) |
| At 31 December 2014 | 24,953 | 6,615 | 60,551 | 1,992 | 94,111 |
| Exchange adjustments | — | (34) | — | — | (34) |
| Additions | 1,308 | 296 | 2,384 | 1,423 | 5,411 |
| Derecognised on disposal of subsidiaries | (7,509) | (1,373) | (4,156) | (3,415) | (16,453) |
| At 31 December 2015 | 18,752 | 5,504 | 58,779 | — | 83,035 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | |
| At 1 January 2014 | 21,762 | 2,016 | 34,949 | 1,665 | 60,392 |
| Exchange adjustments | — | (5) | — | — | (5) |
| Provided for the year | 3,698 | 448 | 7,360 | 196 | 11,702 |
| Eliminated on disposal/written off | (13,266) | (755) | (2,093) | — | (16,114) |
| At 31 December 2014 | 12,194 | 1,704 | 40,216 | 1,861 | 55,975 |
| Exchange adjustments | — | (34) | — | — | (34) |
| Provided for the year | 4,330 | 311 | 7,192 | 122 | 11,955 |
| Eliminated on disposal of subsidiaries | (778) | (822) | (723) | (1,983) | (4,306) |
| **At 31 December 2015** | 15,746 | 1,159 | 46,685 | — | 63,590 |
| **CARRYING VALUES** | | | | | |
| **At 31 December 2015** | 3,006 | 4,345 | 12,094 | — | 19,445 |
| At 31 December 2014 | 12,759 | 4,911 | 20,335 | 131 | 38,136 |

## 19. PROPERTY AND EQUIPMENT (continued)

The above property and equipment are depreciated on a straight-line basis over the following years:

| | |
|---|---|
| Leasehold improvements | Over the shorter of the lease terms and 5 years |
| Furniture and fixtures | 5 years |
| Computer and equipment | 5 years |
| Motor vehicles | 3 years |

## 20. INVESTMENT PROPERTIES

| | HK$'000 |
|---|---|
| FAIR VALUE | |
| At 1 January 2014 | 57,112 |
| Additions | 119,932 |
| Net increase in fair value recognised in profit or loss | 37,088 |
| Exchange adjustments | (466) |
| At 31 December 2014 | 213,666 |
| Disposal | (21,080) |
| Net decrease in fair value recognised in profit or loss | (1,726) |
| Exchange adjustments | (2,277) |
| **At 31 December 2015** | 188,583 |
| Unrealised (loss) gain on property revaluation included in "change in fair value of investment properties" | |
| For the year ended 31 December 2015 | (1,726) |
| For the year ended 31 December 2014 | 37,088 |

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 are classified and accounted for as investment properties.

## 20. INVESTMENT PROPERTIES (continued)

The investment properties of the Group are situated:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| In Hong Kong | **155,000** | 155,000 |
| Outside Hong Kong | **33,583** | 58,666 |
| | **188,583** | 213,666 |

**Fair value measurement of the Group's investment properties**

The fair value of the Group's investment properties as at 31 December 2015 and 2014 has been arrived at on the basis of a valuation carried out on the respective dates by CS Surveyors Limited for Hong Kong property and Peak Vision Appraisals Limited for PRC properties, independent qualified professional valuers not connected to the Group who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair value of properties, which are all classified as Level 3 fair value hierarchy, was determined based on the direct comparison approach assuming sale of the property interest in its existing state with the benefit of vacant procession and by making reference to recent comparable sales evidence as available in the relevant market.

## 20. INVESTMENT PROPERTIES (continued)

**Fair value measurement of the Group's investment properties (continued)**

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

| Investment properties held by the Group | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| **At 31 December 2015 and 2014** | | | | |
| Residential and commercial property units | Level 3 | Direct comparison method based on market observable transactions of the same building and adjusted to reflect the conditions and locations of the subject properties<br><br>The key inputs are:<br><br>(1) Level adjustment<br>(2) View adjustment | Level adjustment on individual floors of the property concluding with a range of 0.4% to 3%<br><br>View adjustment on the site view of the property concluding with an adjustment of 3% | The higher level, the higher the fair value<br><br>The better view, the higher the fair value |

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

In estimating the fair value of the investment properties, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management's findings to the Board of Directors of the Company every half year to explain the cause of fluctuations in the fair value of the investment properties.

## 21. GOODWILL

| | HK$'000 |
|---|---|
| COST | |
| At 1 January 2014, 31 December 2014 and 31 December 2015 | 5,380 |
| IMPAIRMENT | |
| At 1 January 2014 | 2,719 |
| Impairment during the year | 2,661 |
| At 31 December 2014 | 5,380 |
| Impairment during the year | — |
| At 31 December 2015 | 5,380 |
| CARRYING VALUE | |
| At 31 December 2015 | — |
| At 31 December 2014 | — |

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

## 22. INTANGIBLE ASSETS

| | **Trading rights** HK$'000 (Note a) | **Club memberships** HK$'000 (Note b) | **Total** HK$'000 |
|---|---|---|---|
| COST AND CARRYING VALUES | | | |
| At 31 December 2014 and 31 December 2015 | 9,092 | 660 | 9,752 |

Notes:

(a) At 31 December 2015, intangible assets amounting to HK$9,092,000 (2014: 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. 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 was considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful life are determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

(b) At 31 December 2015, intangible assets amounting to HK$660,000 (2014: 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 of disposal. The fair value is determined based on the second-hand market price. During the years ended 31 December 2015 and 2014, 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.

## 23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

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

| | Goodwill | | Trading rights |
|---|---|---|---|
| | **2015** | **2014** | **2015 & 2014** |
| | HK$'000 | HK$'000 | HK$'000 |
| Financial service — Broking of securities | — | — | 9,092 |
| Financial service — Corporate finance | — | — | — |
| | — | — | 9,092 |

During the years ended 31 December 2015 and 31 December 2014, management of the Group determines that there is no impairment of any of its CGUs containing trading rights while full impairment of HK$2,661,000 was made in 2014 for goodwill allocated to certain corporate finance CGU which had been closed down in 2014.

The recoverable amount of the CGU of broking of securities 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 one-year period, and discount rate of 8% (2014: one-year period, and discount rate of 8%). 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 Group's development and is not expected to exceed the average long-term growth rate for the relevant industry.

Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

## 24. OTHER ASSETS

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Statutory and other deposits with exchanges and clearing houses | | |
| — current portion | **5,240** | 7,317 |
| — non-current portion | **5,039** | 4,792 |
| | **10,279** | 12,109 |

The above deposits are non-interest bearing.

## 25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Unlisted investment | | |
| — equity securities (at cost) | **8,415** | 21,031 |

At 31 December 2015 and 31 December 2014, the unlisted investment represents equity interest in Infinity Equity Management Company Limited ("Infinity"), a private entity incorporated in Hong Kong. Infinity is engaged in the business of venture capital and private equity management in PRC. At the date of acquisition in 2013, the Group obtained 20% equity interest in Infinity. The Board of Directors of Infinity, which directs all the relevant financing and operating decisions relating to daily investment activities for the venture capital and private equity management business by simple majority of votes, comprises 7 members, of which one is appointed by the Group and another 5 appointed by a shareholder who is the founder of Infinity. At the date of acquisition, the Group signed an agreement with Infinity under which the Group surrendered its rights to vote at both meetings of shareholders and directors relating to financial and operating decisions of Infinity. Against this background, the directors of the Company consider that the Group does not have significant influence on Infinity as the board of directors of Infinity is dominated by the founder, and the Group has merely had protective rights in attending the board meetings to oversee the daily investment activities carried out by Infinity. In December 2013, the Group's equity interest was diluted to 18% as a result of capital injection of a new third party investor to Infinity. On 3 February 2015, the 18% shareholding in Infinity was swapped into shares of a new holding company of Infinity, namely Infinity Investment Holding Group ("Infinity Holding"), a company incorporated in Cayman Islands, pursuant to a group restructuring. In June 2015, the Group's equity interest in Infinity Holding dropped to 7.2% as a result of disposal of 10.8% equity interest in Infinity Holding at a consideration of HK$26,997,000 resulting in a gain on disposal of HK$14,381,000.

The unlisted investment is measured at cost at 31 December 2015 and 31 December 2014 because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair value cannot be measured reliably.

## 26. LOANS RECEIVABLE

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Loans receivable denominated in Hong Kong dollars | **1,831** | 73,156 |
| Less: Allowance for bad and doubtful debts | **—** | (30,595) |
| | **1,831** | 42,561 |

## 26. LOANS RECEIVABLE (continued)

The credit quality of loans receivable are summarised as follows:

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| Neither past due nor impaired | **1,430** | 31,794 |
| Past due but not impaired | **401** | 6,737 |
| Impaired | **—** | 34,625 |
| | **1,831** | 73,156 |
| Less: Allowance for impairment | **—** | (30,595) |
| | **1,831** | 42,561 |

Interest rates on the fixed-rate loans receivable with the carrying amount of HK$12,000,000 as at 31 December 2014 is at 4.25% per annum. The effective interest rate was equal to the contractual interest rate. There are no fixed-rate loans receivable as at 31 December 2015.

Except for the fixed-rate loans receivable and loans receivable with the carrying amount of HK$Nil (2014: HK$10,767,000) which is non-interest bearing, the loans receivable bear variable-rate interest of Hong Kong Prime Rate plus a spread for both years.

The Group has a policy for assessing the impairment on loans receivable that are unsecured, those that are secured but without sufficient collateral and those with default or delinquency in interest or principal payment, on an individual basis. The assessment also includes evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness, collateral and the past collection history of each client.

Movements in the allowance for bad and doubtful debts are as follows:

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| Balance at the beginning of the year | **30,595** | 42,997 |
| Amount written back during the year | **(4,519)** | (2,700) |
| Amount written off during the year | **(22,376)** | (9,702) |
| Derecognised upon disposal of subsidiaries | **(3,700)** | — |
| Balance at the end of the year | **—** | 30,595 |

## 26. LOANS RECEIVABLE (continued)

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

The loans receivable included a total carrying amount of HK$1,430,000 (2014: HK$31,794,000) which are neither past due nor impaired at the reporting date, for which the Group believes that the amounts are considered recoverable. An amount of HK$545,000 (2014: HK$14,080,000) is fully secured by a residential property at a fair value of approximately HK$2,100,000 (2014: HK$43,300,000) and the remaining amount of HK$885,000 (2014: HK$17,714,000) are unsecured and due from borrowers with no recent history of default.

At the end of each reporting date, the Group's loans receivable were individually assessed for impairment. The Group encountered difficulties in collection of certain loans receivable and appropriate allowance for bad and doubtful debts has been made against these loans receivable. The individually impaired loans receivable are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific allowance for bad and doubtful debts was recognised. As at 31 December 2014, the allowance for bad and doubtful debts of HK$30,595,000 was in respect of loans receivable with a gross carrying amount of HK$34,625,000 which were individually impaired up to the fair value of each client's pledged securities with the fair value of HK$4,405,000. The individually impaired loans receivable relate to customers that were in default or delinquent in repayments.

The Group has concentration of credit risk from five highest borrowers of HK$1,804,000 (2014: HK$43,575,000) in total at 31 December 2015. The balance includes an amount of HK$1,403,000 (2014: HK$26,496,000) which is neither past due nor impaired, of which HK$545,000 (2014: HK$14,080,000) is fully secured by a residential property. As at 31 December 2014, the balance includes an amount of HK$6,737,000 which is past due at the reporting date for which the Group has not provided any impairment as the balance is secured by listed securities amounting to HK$7,569,000. The Group believes that the amount is still considered recoverable given the collateral is sufficient to cover the entire balance. The remaining balance of HK$401,000 as at 31 December 2015 is past due but not impaired based on the assessment of the management. At 31 December 2014, the remaining balance of HK$10,342,000, net of allowance for bad debt of HK$9,302,000, is past due and impaired up to the fair value of the collateral.

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| On demand or within one year | **1,831** | 19,794 |

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| On demand or within one year | **—** | 12,000 |

## 27. INTEREST IN AN ASSOCIATE

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Cost of investment in an associate | | |
| Unlisted shares | **1,434** | 67,833 |
| Share of post-acquisition profits and other comprehensive income | **95** | 148,305 |
| | **1,529** | 216,138 |
| Capital distribution from associate | **(1,529)** | (214,704) |
| | **—** | 1,434 |

As at 31 December, 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 % 2015 | Proportion of nominal value of issued capital held by the Group % 2014 | Proportion of voting power held % 2015 | Proportion of voting power held % 2014 | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| China Able Limited | Incorporated | British Virgin Islands ("BVI") 23 May 2007 | PRC | Ordinary | — | 33.33 | — | 33.33 | Investment holding with its subsidiaries involved in property investment in Shanghai up to the disposal of its subsidiaries in 2014 and became inactive thereafter |

## 27. INTEREST IN AN ASSOCIATE (continued)

**Summarised financial information of associate**

Summarised financial information from 1 January 2015 up to the date of disposal is not disclosed as it is not material to the Group.

Summarised financial information in respect of the Group's associate for the year ended 31 December 2014 is set out below. The summarised financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs.

The associate has a reporting date of 31 December and is accounted for using the equity method in these consolidated financial statements.

***China Able Limited***

| | 2014<br>HK$'000 |
|---|---|
| Non-current assets | — |
| Current assets | 8,794 |
| Current liabilities | (4,492) |
| non-current liabilities | — |

| | HK$'000 |
|---|---|
| Revenue | 15,048 |
| Gain on disposal of a subsidiary | 220,962 |
| Profit for the year | 181,389 |
| Capital distribution from associate | 214,704 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

| | 2014<br>HK$'000 |
|---|---|
| Net assets | 4,302 |
| Proportion of the Group's ownership interest | 33.33% |
| Carrying amount of the Group's interest | 1,434 |

## 28. OTHER FINANCIAL ASSETS AND LIABILITIES

**Bank balances — trust and segregated accounts**

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

**Bank balances (general accounts) and cash**

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

**Amount due to a fellow subsidiary**

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

## 29. ACCOUNTS RECEIVABLE

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Accounts receivable arising from the business of dealing in securities: | | |
| Clearing houses, brokers and dealers | **270,173** | 84,844 |
| Cash clients | **55,373** | 57,949 |
| Margin clients | **170,624** | 283,423 |
| Accounts receivable arising from the business of dealing in futures and options: | | |
| Clients | **159** | 139 |
| Clearing houses, brokers and dealers | **196,880** | 274,998 |
| Commission receivable from brokerage of mutual funds and insurance-linked investment products | **2,247** | 4,697 |
| Accounts receivable arising from the business of provision of corporate finance services | **1,046** | 390 |
| | **696,502** | 706,440 |

## 29. ACCOUNTS RECEIVABLE (continued)

The credit quality of accounts receivable are summarised as follows:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Neither past due nor impaired: | | |
| — Margin clients | **170,624** | 283,423 |
| — Other non-margin clients | **32,849** | 44,142 |
| — Clearing houses, brokers and dealers | **460,906** | 353,695 |
| Past due but not impaired | **32,123** | 25,180 |
| Impaired | **3,497** | 2,632 |
| | **699,999** | 709,072 |
| Less: Allowance for impairment | **(3,497)** | (2,632) |
| | **696,502** | 706,440 |

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.

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

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balance and intends either to settle on a net basis, or to realise the balances simultaneously. Details are set out in note 40.

In respect of the commission receivable 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) of such receivables is as follows:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| 0–30 days | **1,969** | 3,873 |
| 31–60 days | **126** | 134 |
| 61–90 days | **274** | 51 |
| Over 90 days | **924** | 1,029 |
| | **3,293** | 5,087 |

## 29. ACCOUNTS RECEIVABLE (continued)

For accounts receivable due from margin clients that are included in "Neither past due nor impaired" category as at 31 December 2015 and 2014, 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$3,497,000 (2014: HK$2,632,000) which are fully impaired and not secured by any clients' listed securities, are included in "Impaired" category as at 31 December 2015 and 2014.

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 to margin clients are repayable on demand and bear interest at commercial rates.

Included in the Group's accounts receivable are debtors (excluding margin clients), with a carrying amount of HK$32,123,000 (2014: HK$25,180,000) which are past due at the reporting date for which the Group has not provided for impairment as there has not been a significant change in credit quality. The Group believes that the amounts are still considered recoverable given the substantial settlement after the reporting date.

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0–30 days | **14,060** | 12,903 |
| 31–60 days | **10,560** | 4,911 |
| 61–90 days | **274** | 51 |
| Over 90 days | **7,229** | 7,315 |
| | **32,123** | 25,180 |

As at 31 December 2015, in connection with the business of dealing in futures and options, an amount of HK$6,147,000 (2014: HK$6,147,000) is held with MFG HK on behalf of a client. The directors of the Company have been in contact with the liquidators of MFG HK appointed since 2 November 2011 following the filing for bankruptcy protection by MF Global UK Limited (its ultimate parent company) in the United States of America on 31 October 2011, for the return of the account balance to the Group with no subsequent partial settlement (2014: HK$9,221,000) during the year ended 31 December 2015. The Group expects to recover the remaining amount within the next 12 months from the end of the reporting period. Therefore, the directors of the Company believe no allowance for bad and doubtful debts is necessary.

## 29. ACCOUNTS RECEIVABLE (continued)

Accounts receivable are netted off by allowance for bad and doubtful debts of HK$3,497,000 (2014: HK$2,632,000) which included individual allowance of HK$3,126,000 (2014: HK$2,268,000) and collective allowance of HK$371,000 (2014: HK$364,000) respectively.

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

Movements in the allowance for bad and doubtful debts are as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Balance at the beginning of the year | **2,632** | 5,476 |
| Charge for the year | **1,431** | 1,829 |
| Amounts written off during the year | **(566)** | (213) |
| Amounts written back during the year | **—** | (4,460) |
| Balance at the end of the year | **3,497** | 2,632 |

In addition to the individually assessed allowance for bad and doubtful debts, the Group has also provided, on a collective basis, margin loan impairment allowance for accounts receivable arising from the business of dealing in securities, futures and options that are individually insignificant or accounts receivable where no impairment has been identified individually. Objective evidence of the collective impairment includes 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 no further impairment for bad and doubtful debts is required.

## 29. ACCOUNTS RECEIVABLE (continued)

Included in accounts receivable from margin clients arising from the business of dealing in securities are amounts due from certain related parties and connected 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 Kwan Pak Hoo Bankee and associates (Note 1 and Note 2) | | | | |
| 2014 | — | — | 259 | — |
| 2015 | — | — | 2,345 | — |
| Mr Law Ping Wah Bernard and associates (Note 2) | | | | |
| 2014 | — | — | 10,109 | — |
| 2015 | — | — | 18,036 | — |
| Ms Cheng Pui Lai Majone and associates | | | | |
| 2014 | — | — | 22,545 | — |
| 2015 | — | — | 26,197 | — |
| Mr Ng Kung Chit Raymond and associates (Note 4) | | | | |
| 2014 | — | — | 6,110 | — |
| 2015 | — | — | 18,200 | — |
| **Director of CASH** | | | | |
| Mr Ng Hin Sing Derek and associates | | | | |
| 2014 | — | — | 10,109 | — |
| 2015 | — | — | 16,546 | — |

## 29. 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 CASH (Note 3)** | | | | |
| Cash Guardian Limited | | | | |
| 2014 | — | — | 840 | — |
| 2015 | — | — | 4,058 | — |
| **Wholly owned subsidiary of CASH** | | | | |
| Libra Capital Management (HK) Limited | | | | |
| 2014 | 214 | — | 218 | — |
| 2015 | — | — | 2,041 | — |
| **Other connected clients** | | | | |
| Mr Kwan Pak Leung Horace and associates (Note 5) | | | | |
| 2014 | — | — | 7,779 | — |
| 2015 | — | — | 24,818 | — |
| Ms Chan Siu Fei Susanna and associates (Note 5) | | | | |
| 2014 | — | — | 7,582 | — |
| 2015 | — | — | 16,559 | — |

Notes:

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

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

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

(4) During the year ended 31 December 2014, Mr Ng Kung Chit Raymond was appointed as an executive director of the Company.

(5) Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna are associates of Mr Kwan Pak Hoo Bankee.

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

## 30. INVESTMENTS HELD FOR TRADING

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Equity securities listed in Hong Kong (Note (a)) | **6,703** | 41,583 |
| Equity securities listed outside Hong Kong (Note (a)) | **—** | 2,962 |
| Unlisted investment fund (Note (b)) | **12,169** | — |
| | **18,872** | 44,545 |

Notes:

(a) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

(b) The fair value of the unlisted investment fund is determined based on brokers' quotes, which reflect the Group's share of fair value of the net asset value of the fund, which is price that the fund will be willing to pay to redeem the units in the fund at 31 December 2015.

## 31. BANK DEPOSITS SUBJECT TO CONDITIONS

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Other bank deposits | **—** | 17,155 |

The bank deposits subject to conditions carried floating rate at prevailing market rate per annum, which was the effective interest rate on the Group's bank deposits. All the deposits were pledged to secure short-term loan or short-term undrawn facilities, and were therefore classified as current assets. The facilities expired during the year ended 31 December 2015.

## 32. ACCOUNTS PAYABLE

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Accounts payable arising from the business of dealing in securities: | | |
| Clearing houses | **9,432** | 34,418 |
| Cash clients | **947,082** | 640,349 |
| Margin clients | **160,949** | 140,309 |
| Accounts payable to clients arising from the business of dealing in futures and options | **312,364** | 293,230 |
| | **1,429,827** | 1,108,306 |

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 2015, an account payable to a client of HK$38,578,000 (2014: HK$63,532,000) includes an amount of HK$6,147,000 (2014: HK$6,147,000) maintained with MFG HK as mentioned in note 29. The required margin deposits are repayable upon the closure of the corresponding futures and options position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Accounts payable amounting to HK$946,810,000 (2014: HK$792,117,000) 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.

## 33. BANK BORROWINGS

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Bank overdrafts, secured | **2** | 10,158 |
| Bank loans, secured | **199,750** | 253,092 |
| | **199,752** | 263,250 |

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Carrying amount repayable:* | | |
| Within one year | **75,340** | 74,610 |
| In the second year | **6,502** | 6,750 |
| In the third to fifth years | **20,510** | 21,350 |
| After the fifth year | **51,400** | 63,416 |
| | **153,752** | 166,126 |
| Carrying amount of bank loans containing a repayment on demand clause: | | |
| — within one year | **46,000** | 97,124 |
| | **199,752** | 263,250 |
| Less: Amount due within one year shown under current liabilities | **(121,340)** | (171,734) |
| Amount due after one year shown under non-current liabilities | **78,412** | 91,516 |

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

## 33. BANK BORROWINGS (continued)

The Group's bank borrowings as at 31 December 2015 and 2014 were secured by:

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

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

(c) marketable securities of the Group's clients with fair value of HK$212,602,000 at 31 December 2015 (2014: HK$335,527,000) (with client's consent); and

(d) investment properties of the Group as disclosed in note 20 with carrying amount of approximately HK$188,583,000 (2014: HK$213,666,000).

Pursuant to a letter of undertaking given by the Group to a bank, the Group undertook to maintain deposits of not less than HK$15,000,000 with a bank as a pre-condition for an overdraft facility granted by the bank as at 31 December 2014 (see note 31). The facilities expired during the year ended 31 December 2015.

Bank overdrafts amounting to HK$2,000 (2014: HK$10,158,000) carried interest at Hong Kong Prime Rate. Bank borrowings amounting to HK$199,750,000 (2014: HK$253,092,000) were variable-rate borrowings which carry interest with reference to HIBOR or Hong Kong Prime Rate.

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

## 34. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| Prepayments | **4,993** | 1,364 |
| Deposits | **6,489** | 7,328 |
| Other receivables | **6,448** | 4,887 |
| | **17,930** | 13,579 |

The above deposits and other receivables are non-interest bearing and repayable on demand or within one year.

## 35. SHARE CAPITAL

| | Number of shares '000 | Amount HK$'000 |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of HK$0.02 each at 1 January 2014, 31 December 2014 and 31 December 2015 | 15,000,000 | 300,000 |
| **Issued and fully paid:** | | |
| Ordinary shares of HK$0.02 each at 1 January 2014 | 3,877,859 | 77,558 |
| Exercise of share options (See note 41) | 194,000 | 3,879 |
| At 31 December 2014 | 4,071,859 | 81,437 |
| Exercise of share options (See note 41) | 62,500 | 1,250 |
| At 31 December 2015 | 4,134,359 | 82,687 |

All new shares rank pari passu with the existing shares in all respects.

## 36. ACCRUED LIABILITIES AND OTHER PAYABLES

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Accrued liabilities | | |
| — Accrual for salaries and commission | **12,456** | 7,245 |
| — Other accrued liabilities | **17,673** | 36,218 |
| Other payables | **23,590** | 9,626 |
| Loan payable (note) | **—** | 14,014 |
| | **53,719** | 67,103 |

Note: At 31 December 2014, the amount was advanced from an independent third party. It was unsecured, carried fixed rate interest at 15% per annum and was repayable within one year. The balance was subsequently settled in February 2015.

## 37. FINANCIAL LIABILITIES HELD FOR TRADING

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Financial liabilities held for trading arising from short selling activities | — | 1,055 |

Note: Balance represented the fair value of securities from short selling activities as at 31 December 2014.

## 38. FINANCIAL ASSET (LIABILITIES) DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Financial assets designated at FVTPL | | |
| Unlisted investment fund (Note i) | 13,161 | — |
| Financial liabilities designated at FVTPL | | |
| Return swap (Note ii) | (13,161) | — |

Notes:

(i) The fair value of the unlisted investment fund is determined based on broker's quotes, which reflect the Group's share of fair value of the net asset value of the fund, which invest in equity and commodity futures in the PRC.

(ii) During the year the Group invested in an unlisted fund in PRC as mentioned in (i) above, and at the same time the Group issued a return swap to an independent third party whereby the financial obligation of the Group is determined with reference to the fair value of the invested unlisted investment fund.

## 39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 33, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 35, retained earning and other reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share and share options issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

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

## 40. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Financial assets | | |
| Fair value through profit or loss | | |
| — held-for-trading | **18,872** | 44,545 |
| — financial assets designated at fair value through profit or loss | **13,161** | — |
| Available-for-sale financial assets | **8,415** | 21,031 |
| Loans and receivables (including cash and cash equivalents) | **2,022,058** | 1,735,260 |
| Financial liabilities | | |
| Fair value through profit or loss | | |
| — held-for-trading | **—** | 1,055 |
| — financial liabilities designated at fair value through profit or loss | **13,161** | — |
| Amortised cost | **1,654,998** | 1,421,546 |

**Financial risk management objectives and policies**

The Group's major financial instruments include financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, available-for-sale financial assets, loans receivable, other receivables, other payables, bank balances and deposits, bank borrowings, accounts receivable, amount due to a fellow subsidiary, and accounts payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk***

*Equity price risk*

The Group has a portfolio of held-for-trading investments in equity securities (2014: held-for-trading investments in equity securities and financial liabilities held for trading) which are carried at fair value and expose the Group to price risk. In both years, the directors of the Company manage the exposure by closely monitoring the portfolio of equity securities and imposing trading limits on individual trades.

Moreover, the Group is exposed to equity price risk as a result of changes in fair value of its unlisted equity investments classified as available-for-sale financial assets and investments in derivatives. The directors of the Company manage the exposure in derivatives by closing all the open position and imposing trading limits on daily basis. The Group did not hold any derivatives at 31 December 2015 and 2014. No sensitivity analysis on equity price risk has been presented in relation to unlisted equity investment classified as available-for-sale financial assets because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that fair value cannot be measured reliably.

## 40. FINANCIAL INSTRUMENTS (continued)

**Financial risk management objectives and policies (continued)**

***Market risk (continued)***

*Equity price sensitivity*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the listed equity investments and unlisted investment fund (2014: listed equity investment and financial liabilities held for trading) where applicable, outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2015, if the market bid prices of the Group's listed equity investments and unlisted investment fund (2014: listed equity investments and financial liabilities held for trading) had been 15 percent (2014: 15 percent) higher/lower, the Group's profit after taxation would increase/decrease by HK$2,364,000 (2014: profit after taxation would increase/decrease by HK$5,447,000). This is attributable to the changes in fair values of the listed equity investments, unlisted investment fund and financial liabilities held for trading.

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

*Interest rate risk*

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 (2014: 50) basis points change representing management's assessment of the reasonably possible change in interest rates is used.

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

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 December 2015, if the interest rate of bank borrowings, loans receivable and loans to margin clients had been 50 (2014: 50) basis points higher/lower, the Group's profit after taxation would decrease/increase by HK$114,000 (2014: profit after taxation would decrease/increase by HK$167,000). Bank balances are excluded from sensitivity analysis as there are subject to minimal interest rate fluctuation.

In the opinion of the management, the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

## 40. 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 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 arising from USD denominated monetary items 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** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| USD | **199,494** | 66,283 | **227,686** | 125,462 |
| RMB | **6,633** | 2,264 | **36,772** | 41,911 |

As at 31 December 2015, if RMB had strengthened/weakened by 5% (2014: 5%) against HK$ and all other variables were held constant, the Group's profit after taxation would increase/decrease by HK$1,258,000 (2014: profit after taxation would increase/decrease by HK$1,655,000). Under the pegged exchange rate system, the financial impact in exchange difference between HK$ 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.

## 40. FINANCIAL INSTRUMENTS (continued)

**Financial risk management objectives and policies (continued)**

***Credit risk***

As at 31 December 2015 and 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of loans receivable and accounts receivable as disclosed in notes 26 and 29 respectively on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In respect of the accounts receivable from MFG HK as disclosed in note 29, the Group closely monitors the progress of liquidation and the directors regularly contact the liquidators for the recovery of outstanding amount.

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 26.

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

## 40. FINANCIAL INSTRUMENTS (continued)

**Financial risk management objectives and policies (continued)**

***Liquidity risk***

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

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

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

*Liquidity tables*

| | Weighted average effective interest rate % | Within 1 year or on demand HK$'000 | Between 1 to 2 years HK$'000 | Between 2 to 5 years HK$'000 | Over 5 years HK$'000 | Total contracted undiscounted cash flows HK$'000 | Carrying amount at reporting date HK$'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2015** | | | | | | | |
| Accounts payable | N/A | 1,429,827 | — | — | — | 1,429,827 | 1,429,827 |
| Other payables | N/A | 23,590 | — | — | — | 23,590 | 23,590 |
| Bank borrowings | Note | 124,640 | 8,385 | 25,154 | 58,643 | 216,822 | 199,752 |
| Amount due to a fellow subsidiary | N/A | 1,829 | — | — | — | 1,829 | 1,829 |
| Financial liabilities designated at FVTPL | N/A | 13,161 | — | — | — | 13,161 | 13,161 |
| | | 1,593,047 | 8,385 | 25,154 | 58,643 | 1,685,229 | 1,668,159 |

## 40. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

***Liquidity risk (continued)***

*Liquidity tables (continued)*

| | Weighted average effective interest rate % | Within 1 year or on demand HK$'000 | Between 1 to 2 years HK$'000 | Between 2 to 5 years HK$'000 | Over 5 years HK$'000 | Total contracted undiscounted cash flows HK$'000 | Carrying amount at reporting date HK$'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2014** | | | | | | | |
| Accounts payable | N/A | 1,108,306 | — | — | — | 1,108,306 | 1,108,306 |
| Other payables | N/A | 9,626 | — | — | — | 9,626 | 9,626 |
| Loan payable | 15% | 14,290 | — | — | — | 14,290 | 14,014 |
| Bank borrowings | Note | 176,441 | 9,052 | 27,156 | 76,887 | 289,536 | 263,250 |
| Amount due to a fellow subsidiary | N/A | 26,350 | — | — | — | 26,350 | 26,350 |
| Financial liabilities held for trading | N/A | 1,055 | — | — | — | 1,055 | 1,055 |
| | | 1,336,068 | 9,052 | 27,156 | 76,887 | 1,449,163 | 1,422,601 |

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

Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2015 and 2014, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$46,000,000 and HK$97,124,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. As at 31 December 2015, the aggregate principal and interest cash outflows for such bank loans amounted to approximately HK$47,002,000 (2014: HK$99,462,000) within 1 year.

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

### Fair values

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

## 40. FINANCIAL INSTRUMENTS (continued)

**Fair values (continued)**

***Financial assets designated fair value through profit or loss***

| **Financial assets designated at FVTPL** | **Fair value as at 31 December 2015 HK$'000** | **Fair value hierarchy** | **Valuation techniques** |
|---|---|---|---|
| Unlisted investment fund | **13,161** | Level 2 | Broker's quote |

***Investments held for trading***

| **Investments held for trading** | **Fair value as at 31 December 2015 HK$'000** | **Fair value hierarchy** | **Valuation techniques** |
|---|---|---|---|
| Equity securities listed in Hong Kong | **6,703** | Level 1 | Quoted prices in an active market |
| Unlisted investment fund | **12,169** | Level 2 | Broker's quote |

| Investments held for trading | Fair value as at 31 December 2014 HK$'000 | Fair value hierarchy | Valuation techniques |
|---|---|---|---|
| Equity securities listed in Hong Kong | 41,583 | Level 1 | Quoted prices in an active market |
| Equity securities listed outside Hong Kong | 2,962 | Level 1 | Quoted prices in an active market |

***Financial liabilities designated at fair value through profit or loss***

| **Financial liabilities designated at FVTPL** | **Fair value as at 31 December 2015 HK$'000** | **Fair value hierarchy** | **Valuation techniques** |
|---|---|---|---|
| Return swap | **13,161** | Level 2 | Broker's quote of the underlying unlisted investment fund |

## 40. FINANCIAL INSTRUMENTS (continued)

**Fair values (continued)**

***Financial liabilities held for trading***

| Financial liabilities held for trading | Fair value as at 31 December 2014 HK$'000 | Fair value hierarchy | Valuation techniques |
|---|---|---|---|
| Obligation to deliver equity securities listed outside Hong Kong arising from short selling | 1,055 | Level 2 | By reference to quoted prices in an active market taking into consideration the dividend and other rights arising from the underlying shares during the short selling period |

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

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.

**Financial asset and financial liabilities offsetting**

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

- offset in the Group's consolidated statements of financial position; or
- not offset in the consolidated statements of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

## 40. FINANCIAL INSTRUMENTS (continued)

**Financial asset and financial liabilities offsetting (continued)**

**As at 31 December 2015**

| | Gross amounts of recognised financial assets liabilities after impairment HK$'000 | Gross amounts of recognised financial assets liabilities set off in the consolidated statement of financial position HK$'000 | Net amounts of financial assets liabilities presented in the consolidated statement of financial position HK$'000 | Related amounts not set off in the consolidated statement of financial position Financial instruments HK$'000 | Collateral received HK$'000 | Net amount HK$'000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Amount due from HKSCC, brokers and brokerage clients | **1,615,214** | **(1,119,044)** | **496,170** | **(14,009)** | **(216,951)** | **265,210** |
| Deposit placed with HKSCC | **5,666** | **—** | **5,666** | **—** | **—** | **5,666** |

As at 31 December 2014

| | Gross amounts of recognised financial assets liabilities after impairment HK$'000 | Gross amounts of recognised financial assets liabilities set off in the consolidated statement of financial position HK$'000 | Net amounts of financial assets liabilities presented in the consolidated statement of financial position HK$'000 | Related amounts not set off in the consolidated statement of financial position Financial instruments HK$'000 | Collateral received HK$'000 | Net amount HK$'000 |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Amount due from HKSCC, brokers and brokerage clients | 4,408,646 | (3,982,430) | 426,216 | (39,529) | (329,275) | 57,412 |
| Deposit placed with HKSCC | 3,473 | — | 3,473 | — | — | 3,473 |
| Financial liabilities | | | | | | |
| Financial liabilities held for trading | 1,055 | — | 1,055 | (1,055) | — | — |

Note: The directors of the Company consider that the net amount of accounts payable to HKSCC, brokers and brokerage clients as at 31 December 2015 presented in the consolidated statement of financial position of HK$1,117,463,000 (2014: HK$815,076,000) do not expose the Group to significant risk. Accordingly, the relevant offsetting disclosures for accounts payable are not presented.

## 40. FINANCIAL INSTRUMENTS (continued)

**Financial asset and financial liabilities offsetting (continued)**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statements of financial position, both of which have been disclosed in the above tables, are measured as follows:

- Amounts due from HKSCC, brokers and brokerage clients — amortised cost
- Financial liabilities held for trading — fair value
- Deposit placed with HKSCC — amortised cost

The collateral pledged by the Group which is eligible for set off against the Group's financial liabilities held for trading in the event of default is measured at amortised cost. Other than this, the amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position or subject to enforceable master netting arrangements or similar agreements are measured on the same basis as the recognised financial assets and financial liabilities.

## 41. SHARE OPTION SCHEMES

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

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

(i) The purpose was to provide incentives to:

   - award and retain the participants who have made contributions to CASH and its subsidiaries and associates, including the Group ("CASH Group"); or
   - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

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

## 41. SHARE OPTION SCHEMES (continued)

(iii) The maximum number of shares in respect of which options might be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 387,785,958 (2014: 387,785,958) shares, representing around 9.4% (2014: 9.5%) of the issued share capital of the Company as at 31 December 2015. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

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

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

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

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

## 41. SHARE OPTION SCHEMES (continued)

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

| | Notes | 2015 Number of share options | 2015 Weighted average exercise price HK$ | Notes | 2014 Number of share options | 2014 Weighted average exercise price HK$ |
|---|---|---|---|---|---|---|
| Outstanding at 1 January | | **121,000,000** | **0.095** | | 275,000,000 | 0.093 |
| Granted | (b) | **338,000,000** | **0.315** | (c), (d) & (e) | 345,000,000 | 0.095 |
| Cancelled/lapsed | (c) & (e) | **(58,500,000)** | **0.096** | (a) & (c) | (305,000,000) | 0.093 |
| Exercised | (c) & (e) | **(62,500,000)** | **0.093** | (c) & (d) | (194,000,000) | 0.096 |
| Outstanding at 31 December | | **338,000,000** | **0.315** | | 121,000,000 | 0.095 |
| Exercisable at 31 December | | **—** | **—** | | 121,000,000 | 0.095 |

| Grant date | Exercisable period | Notes | 2015 Number of outstanding share options as at 31 December | 2015 Exercise price HK$ | 2014 Number of outstanding share options as at 31 December | 2014 Exercise price HK$ |
|---|---|---|---|---|---|---|
| 11.04.2014 | 11/04/2014 to 31/12/2017 | (c) | **—** | **—** | 75,000,000 | 0.097 |
| 22.05.2014 | 22/05/2014 to 31/12/2017 | (e) | **—** | **—** | 46,000,000 | 0.091 |
| | | | **—** | | 121,000,000 | |

## 41. SHARE OPTION SCHEMES (continued)

Notes:

(a) The options of 314,000,000 were granted to directors and employees of the Group and CASH 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 respective financial years up to 31 October 2014. The options must be exercised within one month from the date the Board approves the vesting of the options. 275,000,000 and 39,000,000 options lapsed during the financial years ended 31 December 2014 and 2013, respectively, because the performance target was not met within the vesting period.

(b) During the year ended 31 December 2015, 338,000,000 options were granted to directors and employees of the Group and CASH Group on 3 December 2015 for the provision of services to the Group but are subject to approval from the Board and also subject to the achievement of performance target for the financial years ending 31 December 2016 to 2019. At 31 December 2015, approval from the Board has not been obtained and neither have any performance target been established.

(c) The options of 261,000,000 were granted to the employees and directors of the Group and the CASH Group on 11 April 2014 for the provision of service to the CASH Group. The options will be vested upon achievement of performance target (based on non-market condition). During the financial year ended 31 December 2015, 50,500,000 options were cancelled and 24,500,000 shares were exercised. During the financial year ended 31 December 2014, 30,000,000 options lapsed as the grantee resigned from the member of Group and 156,000,000 options were exercised and in addition, the directors of the Company considered that the performance target has been achieved by the grantees and thus share-based compensation expense of HK$13,206,000 was recognised in the financial year ended 31 December 2014.

(d) The options of 38,000,000 were granted to the consultants of the CASH Group on 2 May 2014 for the provision of consultancy service to the Group up to 31 December 2014. The options will be vested upon the provision of satisfactory services determined at the sole discretion of the Board. The options must be exercised within seven days from the date the Board approves the vesting of the options. The related services have been satisfactorily performed during the year ended 31 December 2014. Thus, 38,000,000 options were exercised and share-based compensation expense of HK$72,200 was recognised in the financial year ended 31 December 2014.

(e) The options of 46,000,000 were granted to the employees of the Group on 22 May 2014 for the provision of service to the Group. The options will be vested upon achievement of performance target (based on non-market condition) for the respective financial years up to 31 December 2017. During the financial year ended 31 December 2015, 8,000,000 options were cancelled and 38,000,000 options were exercised. During the financial year ended 31 December 2014, the directors of the Company considered that the performance target has been achieved by the grantees and thus share-based compensation expense of HK$2,056,200 was recognised in the financial year ended 31 December 2014.

The weighted average remaining contractual life of share options outstanding as at 31 December 2015 is 3 years (2014: 3 years).

## 41. SHARE OPTION SCHEMES (continued)

The fair values of share options granted during the year ended 31 December 2014 were determined using the Black-Scholes pricing model ("B-Model").

The following table lists the inputs to the B-Model used for calculating the fair value of the options granted during the year ended 31 December 2014:

| Date of grant | **11 April 2014** | **2 May 2014** | **22 May 2014** |
|---|---|---|---|
| Share price on date of grant | HK$0.097 | HK$0.090 | HK$0.090 |
| Exercise price | HK$0.097 | HK$0.090 | HK$0.091 |
| Expected volatility (Note a) | 69.38% | 37.87% | 69.00% |
| Expected life of option (Note b) | 3 years | 8 months | 3 years |
| Risk-free rate (Note c) | 1.00% | 1.00% | 0.88% |
| Expected dividend yield | Nil | Nil | Nil |

Notes:

(a) Expected volatility: being the approximate historical volatility of closing prices of the shares of the Company in the past 3 years, 8 months and 3 years immediately before the date of grant on 11 April 2014, 2 May 2014 and 22 May 2014 respectively.

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

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

During the year ended 31 December 2014, the estimated fair values of share options granted on 11 April 2014, 2 May 2014 and 22 May 2014 are approximately HK$13,206,000, HK$72,200 and HK$2,056,200 respectively.

In total, HK$Nil (2014: HK$15,334,400) of share-based compensation expenses has been recognised in profit or loss for the year ended 31 December 2015. The corresponding amount of HK$Nil (2014: HK$15,334,400) has been credited to share-based payments reserve. No liabilities were recognised due to share-based payment transactions.

During the year ended 31 December 2015, 58,500,000 (2014: 305,000,000) share options with aggregate fair value of HK$2,913,000 (2014: HK$1,518,000) were cancelled or lapsed and the amount in share option reserve had been transferred to retained earning.

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

## 42. RELATED PARTY TRANSACTIONS

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

| | Notes | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|---|
| Commission and interest income received from the following subsidiary of CASH: | | | |
| Libra Capital Management (HK) Limited | (a) | **28** | 5 |
| Commission and interest income received from the shareholder of CASH: | | | |
| Cash Guardian Limited | (c) | **52** | 11 |
| Commission and interest income received from the following directors of the Company: | | | |
| Mr Kwan Pak Hoo Bankee and associates | | **86** | 14 |
| Mr Law Ping Wah Bernard and associates | | **58** | 24 |
| Ms Cheng Pui Lai Majone and associates | | **92** | 52 |
| Mr Ng Kung Chit Raymond and associates | (e) | **53** | 15 |
| Mr Chan Chi Ming Benson and associates | (d) | **—** | 15 |
| | | **289** | 120 |
| Commission and interest income received from the following director of CASH: | | | |
| Mr Ng Hin Sing Derek and associates | | **30** | 6 |
| Commission and interest income received from other connected clients: | | | |
| Mr Kwan Pak Leung Horace and associates | (f) | **33** | 24 |
| Ms Chan Siu Fei Susanna and associates | (f) | **29** | 31 |
| | | **62** | 55 |
| Underwriting commission received from CASH | (b) | **1,759** | — |
| Rental expenses paid to an associate | | **—** | 2,615 |
| Handling fee and commission received from Confident Profits Group | (g) | **8,393** | N/A |

## 42. RELATED PARTY TRANSACTIONS (continued)

Notes:

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

(b) During the year ended 31 December 2015, the Group derived underwriting commission income of approximately HK$1,759,000 (2014: HK$Nil) from the underwriting of shares of CASH.

(c) Cash Guardian Limited has significant influence over CASH. It is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is the director of the Company and CASH.

(d) During the year ended 31 December 2014, Mr Chan Chi Ming Benson resigned as an executive director of the Company.

(e) During the year ended 31 December 2014, Mr Ng Kung Chit Raymond was appointed as an executive director of the Company.

(f) Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna are associates of Mr Kwan Pak Hoo Bankee.

(g) Confident Profits Limited, and its subsidiaries were disposed to CIGL during the year ended 31 December 2015 as disclosed in note 15. The amount for 2015 represents handling fee and commission received from Confident Profits Group after the disposal under which Confident Profits Group ceased to be subsidiaries of the Company. No disclosure for 2014 is made because Confident Profits Group were subsidiaries of the Company throughout the year.

Remuneration of key management personnel represents amounts paid to the Company's directors as disclosed in note 10.

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

## 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 in respect of land and buildings which fall due as follows:

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Within one year | **15,197** | 20,242 |
| In the second to fifth year inclusive | **783** | 22,789 |
| | **15,980** | 43,031 |

Operating lease payments represent rentals payable by the Group for its office premises. Lease are mainly negotiated for lease term of one to five years.

## 44. SUBSIDIARIES

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

| Name | Place of incorporation | Paid up issued share capital | Proportion of nominal value of issued share capital held by the Company 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|---|
| CASH Asset Management Limited | Hong Kong | Ordinary HK$10,000,000 | **100** | 100 | Provision of asset management services |
| CASH Wealth Management Limited | Hong Kong | Ordinary HK$15,000,000 | **100** | 100 | Financial advisory consultancy |
| CASH Payment Services Limited | Hong Kong | Ordinary HK$2 | **100** | 100 | Provision of payment gateway services |
| Celestial Asset Management Limited | Hong Kong | Ordinary HK$6,781,401 | **100** | 100 | Provision of treasury management functions |
| Celestial Capital Limited | Hong Kong | Ordinary HK$30,000,000 | **100** | 100 | Provision of corporate finance, investment and financial advisory services |
| Celestial Commodities Limited | Hong Kong | Ordinary HK$50,000,000 | **100** | 100 | Futures and options broking and trading |
| Celestial Finance Limited | Hong Kong | Ordinary HK$121,000,002 | **100** | 100 | Money Lending |
| Celestial Securities Limited | Hong Kong | Ordinary HK$140,000,000 | **100** | 100 | Securities, equity options broking and trading, leveraged foreign exchange contracts |
| Agostini Limited | Hong Kong | Ordinary HK$1 | **100** | 100 | Investment holding and trading |
| Think Right Investments Limited | British Virgin Islands | Ordinary US$1 | **100** | 100 | Properties holding |
| Cheer Wise Investments Limited | Hong Kong | Ordinary HK$1 | **100** | 100 | Properties holding |
| Celestial Financial Services Limited | British Virgin Islands | Ordinary US$10,000 | **100** | 100 | Investment holding |
| CASH Mobile Financial Services Limited | Hong Kong | Ordinary HK$10,000,000 | **100** | 100 | Provision of management services for group companies |

## 44. SUBSIDIARIES (continued)

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

Celestial Financial Services Limited are directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

Summarised financial information in respect of a Group's subsidiary that had material non-controlling interests as at 31 December 2014 is set out below. The summarised financial information below represents amounts before intragroup eliminations.

**Marvel Champ Investments Limited**

| | HK$'000 |
|---|---|
| Current assets | 1,936 |
| Non-current assets | — |
| Current liabilities | — |
| Equity attributable to owners of Marvel Champ Investment Limited | 1,936 |
| Profit for the year (representing share of result of associate) | 60,463 |
| Other comprehensive expenses for the year | (2,479) |
| Total comprehensive income for the year | 57,984 |
| Dividends paid to non-controlling interests | 51,313 |
| Net cash inflow from investing activities | 225,000 |
| Net cash outflow from financing activities | 225,000 |

Marvel Champ Investments Limited was disposed upon disposal of Confident Profits Limited during the year ended 31 December 2015 as disclosed in note 15.

## 45. 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 1 June 2014, the cap of contribution amount has been changed from HK$1,250 to HK$1,500 per employee per month.

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

The employer's contributions to the MPF Schemes and various benefits schemes in the PRC are disclosed in notes 9 and 11.

## 46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Non-current assets | | |
| Unlisted investments in subsidiaries | **472,256** | 476,156 |
| Current assets | | |
| Amounts due from subsidiaries (note 1) | **232,963** | 377,467 |
| Bank balances (general accounts) | **286** | 208 |
| | **233,249** | 377,675 |
| Current liabilities | | |
| Accrued liabilities and other payables | **5,454** | 454 |
| Amounts due to a subsidiary (note 1) | **350,199** | 439,032 |
| Amount due to a fellow subsidiary (note 1) | **1,829** | 26,350 |
| | **357,482** | 465,836 |
| Net current liabilities | **(124,233)** | (88,161) |
| Net assets | **348,023** | 387,995 |
| Capital and reserves | | |
| Share capital | **82,687** | 81,437 |
| Reserves (note 2) | **265,336** | 306,558 |
| Total equity | **348,023** | 387,995 |

## 46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(1) Balances are unsecured, interest free and repayable in one year except for the amount due from subsidiaries of HK$Nil (2014: HK$64,762,000) which bears interest ranging from 3% to 5% per annum.

(2) Reserves

| | Share premium HK$'000 | Contributed surplus HK$'000 | Share-based payments reserve HK$'000 | Retained earnings (accumulated losses) HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | 359,940 | 80 | — | 54,944 | 414,964 |
| Loss and total comprehensive expense for the year | — | — | — | (138,414) | (138,414) |
| Recognition of equity-settled share based payments | — | — | 15,335 | — | 15,335 |
| Effect of share option lapsed | — | — | (1,518) | 1,518 | — |
| Issue of ordinary shares upon exercise of share options | 22,639 | — | (7,966) | — | 14,673 |
| At 31 December 2014 | 382,579 | 80 | 5,851 | (81,952) | 306,558 |
| Loss and total comprehensive expense for the year | — | — | — | (45,806) | (45,806) |
| Effect of share option cancelled | — | — | (2,913) | 2,913 | — |
| Issue of ordinary shares upon exercise of share options | 7,522 | — | (2,938) | — | 4,584 |
| At 31 December 2015 | 390,101 | 80 | — | (124,845) | 265,336 |

# Appendix I — Investment Properties

Held as at 31 December 2015

| Location | Approximate gross floor area (sq. ft.) | Land use |
|---|---|---|
| Room 1606 (also known as 19G), Residence 8, No.8 Jinan Road, Luwan District, Shanghai, the PRC | 891 | The property is vacant |
| Room 1607 (also known as 19A), Residence 8, No.8 Jinan Road, Luwan District, Shanghai, the PRC | 1,593 | The property is vacant |
| Room 1806 (also known as 21G), Residence 8, No.8 Jinan Road, Luwan District, Shanghai, the PRC | 891 | The property is rent out |
| 21st Floor and car parking space Nos. P15, P16, P17 & P18 on 1st Floor, Rykadan Capital Tower, No. 135-137 Hoi Bun Road, Kwun Tong, Kowloon, HK | 12,007 | The property is vacant |

# Appendix II — Five-Year Financial Summary

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Continuing operations** | | | | | |
| Revenue | **252,290** | 198,063 | 194,565 | 185,449 | 1,334,440 |
| Profit (loss) before taxation | **11,755** | 70,960 | (66,854) | (35,984) | (24,270) |
| Taxation credit (charge) | **1,655** | (16,633) | 4,439 | (2,126) | (7,694) |
| Profit (loss) for the year from continuing operations | **13,410** | 54,327 | (62,415) | (38,110) | (31,964) |
| **Discontinued operations** | | | | | |
| Profit from discontinued operations | **—** | — | 3,270 | 4,586 | — |
| | **13,410** | 54,327 | (59,145) | (33,524) | (31,964) |
| Attributable to: | | | | | |
| Owners of the Company | **13,606** | 32,675 | (59,142) | (38,699) | (41,090) |
| Non-controlling interests | **(196)** | 21,652 | (3) | 5,175 | 9,126 |
| | **13,410** | 54,327 | (59,145) | (33,524) | (31,964) |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Property and equipment | **19,445** | 38,136 | 33,860 | 81,315 | 114,306 |
| Goodwill | **–** | – | 2,661 | 2,661 | 2,661 |
| Intangible assets | **9,752** | 9,752 | 9,752 | 321,059 | 321,059 |
| Other non-current assets | **202,649** | 243,011 | 277,096 | 309,878 | 281,283 |
| Current assets | **2,070,842** | 1,795,830 | 1,746,425 | 2,367,504 | 2,170,392 |
| Total assets | **2,302,688** | 2,086,729 | 2,069,794 | 3,082,417 | 2,889,701 |
| Current liabilities | **1,622,915** | 1,391,026 | 1,483,452 | 2,078,832 | 1,839,965 |
| Non-current liabilities | **84,198** | 99,376 | 24,144 | 82,172 | 88,642 |
| Total liabilities | **1,707,113** | 1,490,402 | 1,507,596 | 2,161,004 | 1,928,607 |
| Net assets | **595,575** | 596,327 | 562,198 | 921,413 | 961,094 |
| Non-controlling interests | **–** | 5,586 | 36,114 | 34,288 | 33,363 |

# 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" | Celestial Asia Securities Holdings Limited (stock code: 1049), the holding company of the Company, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board |
| "CASH Asset Management" | CASH Asset Management Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 9 (asset management) regulated activity |
| "CASH Group" | CASH and its subsidiaries, including the Group |
| "Cash Guardian" | Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial shareholder of CASH and an associate of Mr Kwan Pak Hoo Bankee |
| "CASH Wealth Management" | CASH Wealth Management Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities |
| "Celestial Capital" | Celestial Capital Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities |
| "Celestial Commodities" | Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity |
| "Celestial Securities" | Celestial Securities Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 1 (dealing in securities) regulated activity |
| "CEO" | the chief executive officer of the Company |
| "CFO" | the chief financial officer of the Company |
| "CG Code" | the Corporate Governance Code as contained in Appendix 14 of the Listing Rule |
| "CG Report" | the corporate governance report of the Company covering the year ended 31 December 2015 as required to be included in this annual report under the Listing Rules |
| "CIGL" | Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of CASH; is a substantial Shareholder |
| "Company" or "CFSG" | CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board |

# Definitions

| | |
|---|---|
| "Company Secretary" | the company secretary of the Company |
| "Confident Profits" | Confident Profits Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of CASH. It is the holding company of the Confident Profits Group |
| "Confident Profits Group" | Confident Profits Limited and its subsidiaries |
| "Director(s)" | the directors of the Company |
| "ED(s)" | the executive Director(s) of the Company |
| "Group" | the Company and its subsidiaries |
| "INED(s)" | the independent non-executive Director(s) of the Company |
| "Listing Rules" | The Rules Governing the Listing of Securities on the Stock Exchange |
| "Main Board" | the main board of the Stock Exchange |
| "Management" | the management team of the Company |
| "Model Code" | the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules |
| "NED(s)" | the non-executive Director(s) of the Company |
| "Remuneration Committee" | the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SGM(s)" | the special general meeting(s) of the Company |
| "Share(s)" | ordinary shares of HK$0.02 each in the share capital of the Company |
| "Share Option Scheme" | the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the SGM of the Company held on 22 February 2008, which took effect on 3 March 2008 |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Hong Kong" or "HKSAR" | the Hong Kong Special Administrative Region of the PRC |
| "PRC" | the People's Republic of China |
| "UK" | United Kingdom |
| "US" | United States |

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