

Shaping Our Future • Empowering Vision



# Contents

Corporate Profile	2
Corporate Information	4
Chairman's Letter	6
Financial Review	8
Management Discussion and Analysis	12
Employee Information	18
Board of Directors and Senior Management	20
Corporate Governance Report	24
Directors' Report	35
Independent Auditor's Report	49
Consolidated Statement of Profit or Loss and Other Comprehensive Income	50
Consolidated Statement of Financial Position	51
Consolidated Statement of Changes in Equity	53
Consolidated Statement of Cash Flows	55
Notes to the Consolidated Financial Statements	57
Appendix I — Investment Properties	142
Appendix II — Summarised Statement of Financial Position of the Company	143
Appendix III — Five-Year Financial Summary	144
Definitions	146

# Corporate Profile

# **CORPORATE PROFILE**

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

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

#### FINANCIAL SERVICES — CFSG

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

Headquartered in Hong Kong, CFSG has already built a solid foothold in China. With our comprehensive product offerings, international management experience, and award-winning operating platform, we cater for the investment and wealth management needs of our clients anytime, anywhere.

Known for our innovation and quality services, CFSG has been widely recognised 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, and the Distinguished Salespersons Awards from the Hong Kong Management Association, etc.

#### RETAIL MANAGEMENT — PRICERITE

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

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

Pricerite is known for its relentless effort in pursuing dedicated services and product innovation, resulting in high acclaims such as the Premier Service Brand from the Hong Kong Brand Development Council, "Outstanding QTS Merchant Awards" — Gold Award from Hong Kong Tourism Board, the PRC Consumers' Favourite Brands Campaign 2008 from the China Enterprise Reputation & Credibility Association (Overseas) Ltd. and numerous Service and Courtesy Awards from the Hong Kong Retail Management Association, etc.

# MOBILE INTERNET — NET2GATHER (CHINA)

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

# Corporate Information

# **CORPORATE INFORMATION**

#### **BOARD OF DIRECTORS**

#### **Executive:**

KWAN Pak Hoo Bankee (Chairman) LAW Ping Wah Bernard (CFO) NG Hin Sing Derek (ED)

#### **Independent Non-executive:**

LEUNG Ka Kui Johnny WONG Chuk Yan CHAN Hak Sin

#### **AUDIT COMMITTEE**

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

#### REMUNERATION COMMITTEE

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

#### **COMPANY SECRETARY**

LUKE Wing Sheung Suzanne, FCIS, FCS (PE)

#### **AUTHORISED REPRESENTATIVES**

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

#### PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
OCBC Wing Hang Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited
CTBC Bank Co. Ltd.
Standard Chartered Bank (Hong Kong) Limited

Chong Hing Bank Limited
China Construction Bank (Asia) Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

Wing Lung Bank Limited
The Bank of East Asia, Limited
Shanghai Commercial Bank Limited

#### **AUDITOR**

Deloitte Touche Tohmatsu Certified Public Accountants

#### **SOLICITORS**

Sidley Austin

#### **REGISTERED OFFICE**

Clarendon House 2 Church Street Hamilton HM 11 Bermuda

# HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

# REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited 22/F Hopewell Centre 183 Queen's Road East Hong Kong

#### **WEBSITE**

www.cash.com.hk

#### STOCK CODE ON MAIN BOARD

1049

#### **CONTACTS**

Telephone : (852) 2287 8888 Facsimile : (852) 2287 8000

# Chairman's Letter

### CHAIRMAN'S LETTER

Dear Fellow Shareholders,

2014 was an eventful year for both Hong Kong and the world. Internationally, the outbreak of Ebola and the rise of a radical Islamist group posed serious challenges. The world financial order was also buffeted by the rapidly changing economic and regulatory environment and mixed market signals, with Europe and Japan struggling to stay out of recession, the US steadily accelerating GDP growth, and China seeking to improve the quality and stability of its economy. On the technology front, innovations such as big data analytics altered the landscape for companies and lifestyles. All these developments have impacted the traditional business ecosystem, creating uncertainty for long-term investors while putting more emphasis on the importance of technology in changing lives.

Keeping abreast of external developments and innovation, the CASH Group continued the transformation of our businesses, on-going since 2009, through further evolution of our operating and technology systems. We will also be vigilant in studying fresh market openings, with the objective of investing in technology-driven businesses to support our aggressive expansion plans for the years ahead.

Our financial services group, CFSG, has successfully advanced into a technology-driven financial services house, with both infrastructure and talents in place. The recent sale of CFSG shares to Oceanwide Holdings (Hong Kong) Company Limited, a wholly-owned subsidiary of the Shenzhen Stock Exchange listed Oceanwide Holdings Company Limited, was a significant move for CFSG. The synergy between CFSG and Oceanwide will be pivotal to further expand CFSG into the Mainland financial market, given its intensive capital requirement. The Board considers the divestment a good opportunity to enhance CASH shareholder value by realising investment gains for the Group's future growth. CFSG will continue with proven efforts to develop brokerage and wealth management businesses in Hong Kong and Mainland China.

Leveraging the technology boom in big data and innovative finance, the Group is committed to developing our financial technology (FinTech) business through our quantitative finance and algorithmic trading group. FinTech utilises software and advanced technology to provide innovative financial solutions. Recent research by CB Insights showed that investment in FinTech firms across the world grew from £2.7 billion in 2013 to £8.2 billion in 2014. With our state-of-the-art infrastructure and in-house designed FinTech products, CASH Algo Finance Group (CAFG) will seek to form strategic alliances and collaborations to create FinTech solutions for the emerging financial innovation industry.

We have also started revamping information technology systems in Pricerite to cater for a business environment shaped by big data analytics. Big data can improve customer satisfaction by driving forward efficiency and the shopping experience, refine brand positioning and target the right customers more effectively. We will continue to explore cutting-edge technology and operational models, such as the Omni Channel, to further enhance perceptions and enjoyment of our retail experience. We believe that there will be tremendous scope for growth as Hong Kong property market continues to supply more small to medium-sized apartments.

Looking ahead, the Board believes that the CASH Group is in good shape for prudent future expansion. Over the years, our success has been built on our ability to recruit and retain the best people. A management training programme for high-potential graduates has been in operation since the CASH Group was established. In addition, we have sought to recruit PhD and Master's degree graduates and top students from leading universities around the world. Such strategies have enabled the Group to nurture the talented teams to manage our businesses carefully and continuously serve our clients better. Built on this solid foundation of people, quality and ability to manage change, the CASH Group is fully prepared to succeed in the business world of the 21st century by bringing market-leading innovation and world-class services to clients through advanced technology.

I would like to take this opportunity to thank all staff, especially long-serving members of CFSG. In the coming years, your professionalism and dedication are set to be rewarded as the financial markets of Hong Kong and Mainland China continue to integrate. The world of technology is also opening up immense opportunities for market pioneers. Your diligence, creativity and intelligence are fully recognised as the Group's most valuable assets. I would also like to thank my fellow directors who, as always, have provided me with great support and guidance.

Yours sincerely,

Bankee P. Kwan

Chairman

**Celestial Asia Securities Holdings Limited** 

Bankee Kwan

# Financial Review

### FINANCIAL REVIEW

#### FINANCIAL PERFORMANCE

During the year under review, notwithstanding the challenges brought about by the uncertainty in the macro-economic and keen competition amongst industry players, the Group's Financial Service Business and Retail Management Business managed to weather through the difficulties and maintained the same revenue level of the previous year. Overall, the Group recorded revenue of HK\$1,371.6 million for the year ended 31 December 2014 as compared to HK\$1,306.5 million of the previous year. During the year under review, the Group recorded a gain on disposal of a commercial property in Hong Kong of approximately HK\$18.0 million. In addition, there was an increase in fair value on its investment properties amounting to HK\$37.1 million. In 2014, its associate company recorded a gain on the disposal of its entire registered shares of its subsidiary which owned and managed an investment property in the PRC. Accordingly, the Group reported its share of profit of an associate of HK\$60.5 million as compared to its share of loss of an associate of HK\$9.000 in 2013. Overall, for the year ended 31 December 2014, the Group reported a net profit for the year of HK\$43.6 million as compared to a net loss of HK\$128.4 million of the previous year.

#### Financial Services Business — FSG

For the year ended 31 December 2014, the Group's Financial Services Business (FSG) recorded revenue of HK\$198.1 million, represented a mild increase of 1.80% as compared with HK\$194.6 million in 2013.

The Hong Kong stock market having been affected by both overseas and mainland market environments endured a turbulent year in 2014, even though the Hang Seng Index (HSI) had made only a small gain during the past 12 months. In early 2014, the HSI posted a year-to-date loss of 9% over the worries about the global economic effects on the tapering of quantitative easing by the US Federal Reserve, a slump in property prices and disorderly deleveraging in local government debts leading to unexpected decelerations in industrial-output and economic growth in China and the political tension in Ukraine. In late 2014, the local stock market rebounded as the investor sentiment rose on optimism about the supportive government policies adopted by the Central Government's efforts to counter the economic slowdown. These policies, including the cut in interest rates by the central bank, together with the launch of the Hong Kong-Mainland Stock Connect Scheme, had led the local stock market to swing back to a 9% gain at one point in the second half of the year. Despite that the trading in the stock market rose 11%, reflecting an overall improvement in the local investment sentiment in 2014, FSG was still facing a very tough business environment and uncertainties in the financial services industry. During the year, the market was extremely choppy over the concerns about the dim economic outlook in Europe and the slowdown in the Mainland economy. Our clients who are mainly retail investors had difficulties in making their investment decisions in this highly volatile stock market. At the same time, FSG had adopted a rigid credit risk management in view of these complicated and highly unpredictable investment environments by tightening its margin financing policies throughout the year. As such, FSG's revenue rose only 1.80% in 2014. As huge business opportunities across the border are expected to be available to FSG after the launch of the link-up between the Hong Kong and Shanghai exchanges, FSG will take more aggressive plans to enlarge its customer base by further expanding its financial services into Mainland China. Facing the keen competition in the market and the high compliance costs imposed on the financial services sector, FSG will continue to maintain stringent cost controls over its operations. At the same time, FSG has dedicated its resources in building the most advanced information and communication technology infrastructure and low-latency trading platform and recruited professionals to research and develop trading strategies for our algorithmic trading business for our institutional, corporate and individual investors for their versatile investment and wealth management needs.

As a result of the above, FSG recorded a net segment loss of HK\$14.7 million for 2014 as compared to a net segment loss of HK\$17.6 million in 2013.

#### **Retail Management Business — CRMG**

For the year ended 31 December 2014, our Retail Management Business recorded revenue of HK\$1,172.0 million and a net segment profit of HK\$19.2 million as compared to revenue of HK\$1,108.6 million and a net segment profit of HK\$10.7 million in 2013.

#### **Hong Kong Retailing Business**

The Group's Retail Management Business was still facing rising operating costs as last year. The labour market conditions remained tight throughout 2014 which resulted in increases in salaries and wages. The 4.4% rise in the overall consumer prices for 2014 coupled with the skyrocketing rental cost had been keeping pressures on operating costs for the Group's retailing business. Hong Kong's overall retail sales dropped 0.2% in 2014 whereas consumer durable goods increased by 4.1%. Market concerns about the expected rise in interest rate and the various government's measures of dampening the

### FINANCIAL REVIEW

housing demand certainly affected the property market for the first half of 2014. Whereas entering into the second half of year, the optimism about the property market rose to the new high due to the publication of official figures indicating the high short supply of land and the strong pent-up demand immediately following the government's policy to relax the property cooling measure by allowing an extension of the period for qualifying for the exemption from extra stamp duty. In response to the recent market shift toward small and medium size units, we introduced more readily made products series, such as "WinSill<sup>TM</sup>" and "Transformer". The "WinSill<sup>TM</sup>" furniture series better utilise the space of window bays and "Transformer" furniture series that have multiple functions can make better use of space by allowing a piece of furniture to be changed and reversed from one form (e.g. a table) to another (a bed) so as to serve different functions. On the other hand, we have strengthened our Tailor Made Furniture (TMF) services by setting up more TMF centres in our store network. The TMF services provide total home solutions to meet the living needs of our customers, especially those who have some special design and home-furnishing requirements for their flats and apartments. In addition, we started extending our overseas product sourcing to Japan and south-east Asian countries in the face of the recent devaluation of these currencies against Hong Kong Dollar, in order to let our customers enjoy higher quality products at better prices. Furthermore, we also placed more resources on e-commerce business to counteract the increase in rental cost as one of our cost-leadership strategies. As a result of the above, the Group's retailing business in Hong Kong reported revenue of HK\$1,168.5 million, representing a mild increase of 6.3% as compared with HK\$1,099.3 million in 2013. Overall, our Hong Kong retailing business recorded a net profit before taxation of HK\$27.3 million for the year ended 31 December 2014 as compared to net profit before taxation of HK\$26.8 million the previous year.

#### **PRC Retailing Business**

In order to devote more resources to high growth business sectors, we had determined to close down all our retailing business except for e-commerce business in PRC. Overall, for the year ended 31 December 2014, the PRC retailing operation recorded revenue of HK\$3.5 million and a net loss before taxation of HK\$8.1 million as compared to revenue of HK\$9.3 million and a net loss before taxation of HK\$16.1 million in 2013.

#### Mobile Internet Services Business — Net2Gather

Despite a persistent strong growth in the mobile internet gaming market, market competition has become more intense than before with many small to medium-sized developers entering the market, flushing the market with numerous game titles. In view of the keen competition, the Group had taken proactive role in looking for the blue ocean of the market. The Group will continue to implement stringent cost control measures over its operations and adhere to a prudent strategy for its online game business. In the meantime, the Group will dedicate its best effort to explore new business initiatives in mobile internet industry other than the gaming sector. The Group will also continue to solicit partnerships and investment opportunities in other fast-growing e-commerce business models of the mobile internet market. Overall, for the year ended 31 December 2014, the Group's Mobile Internet Services business recorded revenue of HK\$1.5 million and a net segment loss of HK\$0.4 million as compared to the revenue of HK\$3.3 million and a net segment loss of HK\$66.5 million of the previous year.

#### **Liquidity and Financial Resources**

The Group's total equity amounted to HK\$691.6 million as at 31 December 2014 as compared to HK\$664.8 million at the end of the previous year. The increase in equity was the result of the gain reported for the year less dividend distributed to noncontrolling interest.

As at 31 December 2014, the Group had total outstanding borrowings of approximately HK\$426.4 million compared to HK\$458.7 million as at 31 December 2013. The bank borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately of HK\$16.2 million payable to certain independent third parties and secured loans of approximately of HK\$410.2 million. The above bank loans of approximately HK\$410.2 million were secured by the Group's investment properties of carrying amounts of approximately HK\$213.7 million, pledged deposits of HK\$47.0 million, corporate guarantees and its margin clients' securities pledged to it.

As at 31 December 2014, our cash and bank balances totalled HK\$1,156.6 million as compared to HK\$1,154.7 million at the end of the previous year. The Group derives its revenue mainly in Hong Kong dollars and maintains its house funds mainly in Hong Kong dollars. The liquidity ratio as at 31 December 2014 remained healthy at 1.18 times, signifying a mild improvement as compared with 1.11 times as at 31 December 2013.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 61.7% as at 31 December 2014 as compared to 69.0% as at 31 December 2013. The drop in gearing ratio was mainly due to the increase in the total equity during the year without having a significant rise in the borrowings. On the other hand, we have no material contingent liabilities at the year-end.

#### **Foreign Exchange Risks**

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

#### **Material Acquisitions and Disposals**

On 24 January 2014, the Company and CFSG jointed announced the disposal of entire equity interest in an associated company of the Company (held through CFSG) which held a commercial property in Shanghai (The Point Jingan, Jing'An District) at a consideration of RMB652,787,527 (equivalent to approximately HK\$840,800,000). Details of the transaction are disclosed in the announcement of the Company dated 24 January 2014.

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

#### **Subsequent Events**

On 9 March 2015, subsequent to the balance sheet date, the Company announced that:

(i) CIGL (as seller), Oceanwide Holdings International Finance Ltd ("Oceanwide") (as purchaser) and the Company (as guarantor) entered into the sale and purchase agreement whereby CIGL conditionally agreed to sell, and Oceanwide conditionally agreed to purchase from CIGL, approximately 40.71% of the issued share capital of CFSG as at the date of the agreement, at the consideration of approximately HK\$613.4 million (representing a purchase price of HK\$0.37 per share), and

(ii) CFSG (as vendor) and CIGL (as purchaser) entered into the confident profits transfer agreement whereby CFSG conditionally agreed to dispose of and CIGL conditionally agreed to acquire the entire issued share capital of Confident Profits Limited (a wholly-owned subsidiary of CFSG) at a consideration equal to the aggregate pro forma consolidated net asset value of the Group of Confident Profits Limited as at 31 December 2014. The transaction constituted a connected transaction and special deal for CFSG.

Details of the transactions were disclosed in the joint announcement of the Company and CFSG dated 9 March 2015.

#### **Capital Commitment**

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

#### Material Investments

As at 31 December 2014, the Group was holding a portfolio of investments held for trading with market values of approximately HK\$44.5 million. The net gain derived from investments held for trading of HK\$66.5 million was recorded for the year.

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

# Management Discussion and Analysis

# MANAGEMENT DISCUSSION AND ANALYSIS

#### Financial Services Business — FSG

#### **Industry Review**

In 2014, the fears of slowing US economic growth together with political tensions in Greece and worries about the spread of Ebola ignited another rout in global equities. The mounting concern about currency crisis in Russia and the oil markets turmoil sent the global market lower.

Despite the aforesaid, the United States continued to lead the global IPO market, both in terms of volume and value. Funds raised in the United States increased by 54% compared to 2013. The Hong Kong stock market started strong in the second half of 2014 and the momentum continued until the IPO market slowed from September to November. In December we saw a strong rebound in the fund raised. Over the year, Hong Kong came second with a total of 122 companies newly listed in 2014, a record high representing an increase of 11% compared with 110 companies in 2013. Total funds raised recorded an increase of 34%, amounting to HK\$227.8 billion.

In Mainland China, the People's Bank of China announced an interest rate cut in November 2014, reducing the benchmark deposit rate from 3% to 2.75% and the lending rate from 6% to 5.6%. This first rate cut since 2012 delivered a clear signal about the government's intention to support economic growth by stimulus policies. In Hong Kong, the Shanghai-Hong Kong Stock Connect was launched on 17 November 2014, signifying the increasing integration of China's capital market into the global economy.

The Hang Seng Index (HSI) experienced a slight increase of 1% during the year and ended at 23,605.04. Average daily turnover soared to HK\$69.5 billion, a climb of approximate 11% compared with HK\$62.6 billion in 2013.

#### **Business Review**

#### Investment Banking

During the year, we completed several capital markets and corporate finance transactions for our clients listed on the Hong Kong Stock Exchange. In particular, we participated in the Main Board IPO of a PRC industrial town development service provider and acted as a co-lead manager with a fund raising size of about HK\$1.23 billion. We also acted as the sole placing agent of several follow-on placements for companies listed

on the Main Board and GEM Board. In addition, we completed various financial advisory projects, including spin-off, open offers, whitewash transactions, issue of convertible bonds, acquisition and divestment, fund investment, compliance advisory and general corporate matters. During the same period, we also acted as one of the founders in setting up Global Mergers & Acquisitions Alliance which aims at exploring cross-border M&A opportunities. 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.

#### Securities Broking

The Shanghai-Hong Kong Stock Connect was officially launched on 17 November 2014. Despite the prolonged preparation time, market response towards the new programme was weaker than expected. Northbound trading used up the daily quota on the first day but has not since. Volume of southbound trading has been ever weaker, with the unused daily quota resting at a level of 90% or above most of the trading days since its launch.

Thanks to a massive HK\$84 billion rebound in IPO proceeds in December, Hong Kong is on track to becoming the second-largest IPO market globally in 2014. Benefited from the surge in IPO, our income from margin financing experienced an increase of 7.3%. Overall, the Group's broking business recorded an operating loss of HK\$15.0 million in the reporting period, increasing 13.9% compared with the same period of last year.

Despite the less than expected market reception on the newly launched Shanghai-Hong Kong Stock Connect, expectation is that the integration of China's A-share market and the Hong Kong stock market could eventually make them one of the world's largest and most active stock markets. Hong Kong stock market is likely to be relatively stable and may increase moderately in 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

Wealth Management and China Development

As a fully-fledged and long standing wealth management service provider, our goal is to help our clients achieve their life-long investment objectives with our personalized and comprehensive investment solutions on a risk-adjusted basis. During the year under review, the global markets performed differently. While U.S. and ASEAN showed strong momentum in economic recoveries, European countries still suffered from economic downturn.

In 2014, we continued to promote the discretionary portfolio management services to both our existing and new clients. With persistent effort, we recorded a significant increase in the number of clients who subscribed for this personalised service. Although the global investment markets remained volatile, the team managed to achieve satisfactory performance for the discretionary portfolio accounts. This not only enhances our corporate branding, but also helps to attract new assets from prospective clients.

To further enhance our business scope, we strengthened the co-operation with our business partners in Asia-Pacific region and established a good business relationship with several wealth management companies in Japan enabling us to penetrate into the Japan market.

Looking forward, China will remain as one of the fastest-growing wealth management markets in the coming decade. The rapid growth in high-net-worth individuals resulted in a boom of Independent Financial Advisers (IFAs) in China. It is noticed that some of the IFAs in China has transformed from a mere distribution centre to an investment management centre providing personalised products to their clients. We will continue to leverage on its financial innovation capability and portfolio management expertise to structure different inhouse wealth management products in order to fulfil global investment needs of the investing public in China. We will also concentrate our resources in strengthening our portfolio management capability.

#### Asset Management

Hong Kong stock market underperformed the Asian and global stock markets in 2014 due to slow corporate earnings growth. Mainland stock market rose sharply in the fourth quarter of 2014 after the People's Bank of China cut the interest rate and increased the liquidity in the market. Financial and infrastructure sectors in the A-share market led the rally, which gave the strong momentum to H-shares in the fourth quarter of 2014. HSI rose 1.01% while the H-share index rose 10.81% in 2014.

Our amount of Asset Under Management (AUM) rose around 12% compared with the end of 2014. We outperformed the market during the year as we put more efforts in acquiring new high-net-worth clients. We focused on sectors with higher corelationship with A-share market, which are more sensitive to liquidity and may benefit from government policies, such as insurance and infrastructure.

Looking forward, we expect China to increase the market liquidity in order to get rid of deflation. China's economy is expected to have around 7% growth in 2015. Trading at around 11.5 times prospective 2015 P/E and around 3.35% dividend yield for the HSI, the current valuation is undemanding for the long-term investors. Capital inflow is likely to give an upward momentum to the Hong Kong stock market after the European central bank implemented the liquidity enhancement activities. Given the strong momentum in the A-share market, we expect Hong Kong stock market to chase back the laggard in the first half of 2015. We believe that our AUM and revenue such as performance fee may maintain a reasonable growth in 2015.

#### Platform Development

We see the evolution of mobile app market that end-users tend to manage dynamic needs of investment portfolio management in one single application or platform as it does not require switching between the applications. We believe the all-in-one setting has many advantages in delivering better end-user experience in mobile trading and information browsing. Hence, we completed an overall review of our mobile applications and in-depth analysis of technical implementation and user requirements. We plan to release an "all-in-one" app with integrated functions to merge the major functions of investment portfolio management, including real-time stock and futures quotes, securities trading, futures trading, access of bonds information, news and research reports, IPO subscription and chart, and as well as some CRM initiatives. Such major updates will be released in phases. Besides, we will be in collaboration with a popular financial data vendor in order to provide reliable data and professional service to our clients.

#### Algorithmic Trading

The Algo trading teams continued to deliver encouraging results during the year. With a view to reinforcing our technology competitive advantage, we established our quant-finance research and incubation centre, the Quant Finance Lab (QFL), in the Hong Kong Science and Technology Parks in June 2014. This new facility has strengthened our capability to attract quant-finance talents from around the world for the development of Algo models and Information Communication Technologies (ICT). During the year, we successfully tested our risk control mechanism and business contingency plans. Our Algo ICT and eFinance database infrastructure for the Hong Kong market had also been implemented smoothly.

Our next phase of expansion will be the China and US markets. In the pipeline, we already have a number of Algo models which have successfully passed back-testing, paper trading and pilot testing. We will put these models into production once they are ready.

On the technology front, we will focus our innovations on two main areas: Big Data analytics and Quant Finance Cloud computing infrastructure. We believe the building of a technically solid, secure and widely applied trading infrastructure will secure us a leading position in the Innovative Finance industry.

#### **Outlook and Corporate Strategy**

While market's initial response to the Shanghai-Hong Kong Stock Connect brought disappointment to investors speculating on a short-term boost of the Hong Kong stock market, there are however other longer term benefits arising from the new programme which should not be undermined. The programme will potentially unleash significant fund outflows in both directions, with the chance open up to Mainland investors to invest in major Hong Kong and Chinese companies that are listed only in Hong Kong. Foreign investors also gain access to the A-share market. This may help diversify the portfolios of Chinese investors, increase efficiencies for trading in Chinese companies that are dual-listed on both exchanges, and prompt rapid inclusion of Chinese stocks in global benchmark stock indices. For Hong Kong, the new programme is a big step forward for internationalisation of Renminbi and has reinforced Hong Kong's position as a gateway to investment in China. The opportunities ahead are unprecedented.

In 2014, Hong Kong's IPO market largely followed a trend similar to 2013. With promising IPO pipeline and optimistic economic outlook, it is expected that such momentum in the market will continue and IPO activity will remain robust in 2015. However, negative factors do exist. Appreciation in exchange rates due to strong US dollars and competition from other global exchanges may bring potential negative impact on the Hong Kong IPO market.

The growth in capital market complexity and sophistication, together with more stringent and changing regulations create ever-increasing demands for professionals and expertise with high calibre. Human assets are always highly valued by the Group. Over the year, we continued to gather professionals from around the globe, ranging from scholars and professors from respectable universities, to expertise in the financial industry. The mix of talent allows the Group to develop further in an all-round perspective. Leading the elite teams with advanced technology will drive the Group's future development.

#### **Retail Management Business — CRMG**

#### **Industry Review**

In 2014, the Hong Kong retail market was generally flat, with total value for both the overall market and furniture and fixtures item recording a slight drop of 0.2%. Despite the HKSAR Government's cooling measures to curb the soaring property market, Hong Kong home prices climbed to new heights. Small and medium-sized flats led the growth, aggravating the space-management problems faced by many Hong Kong families. The Occupy Central Movement in Q4 2014 further dampened shopping enthusiasm and performance of certain signature stores in affected areas. Despite this challenging business environment, Pricerite managed to maintain growth momentum.

#### **Business Review**

Mission and Strategy

To reinvigorate and improve the Pricerite shopping experience, we implemented a comprehensive plan to revamp our brand to better reflect our strength and commitment to smart home solutions tailored for young families living in small and medium-sized apartments, and to help customers add style and personality to their living space.

# MANAGEMENT DISCUSSION AND ANALYSIS

Looking presciently to the real estate market's focus on small and medium-sized apartments, we used our unique local knowledge and market understanding of customer needs to address the space-management challenges presented by such flats. During the year, we developed a series of "smart" multifunctional products that could easily be extended, mixed and matched, transformed and tailored to meet customers' needs. We will continue to be a leading home furnishing provider in Hong Kong's small to medium-sized property market, providing one-stop solutions for Hong Kong families.

#### Store Network

During the year under review, Pricerite continued to optimise our store network for ease of patronage. We opened new stores in Tin Shui Wai, Aberdeen and Lam Tin, and in line with our revamped brand image, seven stores were revitalised. Our Megabox flagship store was expanded to over 40,000 square feet, the largest store delivering our new "Pricerite the HOUSE" concept or "everything under one roof". This involved various house and room sizes and designs featuring different products being provided in-store to better demonstrate our smart home solutions. The concept was well received, especially by younger customers, with more than 50% sales growth reported compared with the same period last year before the revamp.

Since the launch of our tailor-made furniture and home interior design services, we have seen a promising market response, with rapidly growing demand. To further enhance our service quality, we expanded our service team and formally named our Tailor Made Furniture service centres "家匠 TMF" to convey the flexibility and singular precision of customised home furnishing solutions. During the year, we expanded our "家匠 TMF" centres to 21 Pricerite stores and tripled our TMF specialist team, making "家匠 TMF" one of the largest service providers of tailor-made furniture and home interior design solutions in the city. We believe "家匠 TMF" provides reliable premium customised home furnishing service, offering unparalleled convenience and customer satisfaction with respect to delivery lead time, warranties and quality assurance.

#### Customer Experience

Pricerite focuses on providing a smart customer experience by creating a pleasant store environment, utilising the latest technology to enhance retail interaction and efficiency. Free WiFi is provided in most stores. Furniture transactions can be processed on tablets, which support product information as well as mobile POS and mobile payment. With this service-driven sales platform, different products and home solutions are all to hand, enabling faster checkout.

#### Merchandise Mix

Given the small apartments and crowded living space in most Hong Kong homes, our products feature unique functions to help customers better utilise living space, simplify life and save time and resources. They also emphasise style and colour coordination to reflect customers' individual lifestyles. In line with this, during the year, we introduced different multifunctional home furnishing solutions such as WinSill<sup>TM</sup> and other "transformational furniture".

#### E-commerce

During the year, Pricerite's online store continued to strengthen its selection, navigation and fulfilment so as to bring more convenience to customers when shopping online. With our self-operated online store covering Hong Kong and Macau and 生活經艷 online shop on T-Mall covering Mainland China, our overall online business saw a sharp increase in web traffic and doubled its revenue.

#### Awards and Recognitions

With our relentless pursuit of quality, we were again honoured with a variety of awards encompassing our visionary management, service excellence, quality assurance and efforts to protect the environment.

Our CEO, Mr Derek Ng, was bestowed with the Outstanding Entrepreneurship Award organised by Enterprise Asia in 2014 to recognise his vision and persistence in rejuvenating and reforming Pricerite. Our Executive Director, Ms Amy Leung, received the Distinguished Marketing Leadership Award from the HKMA/TVB Awards for Marketing Excellence in recognition of her significant contribution to marketing Pricerite. For the eleventh year in a row, our staff received Distinguished Salesperson Awards presented by the Hong Kong Management Association, while the company won the Gold Award in the Wholesalers and Retailers sector of the Hong Kong Awards for Environmental Excellence Sectoral Awards 2014 and was awarded the 10 Years Plus Caring Company Logo by the Hong Kong Council of Social Service. All these achievements demonstrate our continuous commitment to our various stakeholders.

#### Outlook

Following our brand repositioning, merchandising revamp and system upgrades in 2014, Pricerite launched the "Small Space: Big Universe" (小小空間:大大宇宙), branding campaign in early 2015 to better communicate our mission and philosophy to customers. We firmly believe, as noted in our campaign materials, that: "Home is where we truly enjoy life and build our own universe. We therefore developed a series of flexible and versatile home furnishing products, enabling a Small Space to become our customers' Big Universe." The campaign stars young, independent artists Ivana Wong and Kandy Wong, accompanied by the golden oldie, Childhood, to bring to mind a home that is both cosy and creative — just like Pricerite's innovative, stylish and comfortable products for young couples and individuals. With Pricerite's dedication to providing customers with an outstanding shopping experience, excellent customer service, smart product lines and a convenient store network, Pricerite is well positioned to help customers meet the space-management challenge.

#### Mobile Internet Services Business — Net2Gather

#### **Industry Review**

According to the research report released by the China Audio-video and Digital Publishing Association (CADPA) and International Data Corporation (IDC), total revenue for gaming services in the China market in 2014 are estimated at RMB114.48 billion, up 37.7% year-on-year. However, the audience base of gaming grew much slower pace than the industry's revenue. There were 517 million users of gaming services in the China market in 2014, up only 4.6% from last year.

It is expected that the growth of PC online games will be slower than in past years, as more companies will be shifting their focus towards mobile games. Rising smartphone, tablet and mobile internet penetration are also the major catalysts accelerating the growth prospect of mobile gaming industry and user spending. Mobile game sector in China has attracted investments from most of the major market players specializing in PC online games, browser-based games, and even from other non-gaming internet enterprises. As a result, large amount of homogenous titles with lack of content depth emerged in the market. Small and medium-sized developers and operators are now experiencing an increasingly fierce competition.

Recently, more successful mobile games are developed based on pre-existing intellectual property (IP), such as cartoon characters or other popular figures from entertainment franchises. Consequently, the surging costs in gaming development, IP acquisition, distribution and promotion have started knocking small players out of the business. Mobile games are designed for occupying lower play time session than PC-based games. Distribution channels and developers tend to implant front-loaded monetization features in game design. The life cycle and operating performance inevitably decline at a much faster rate after reaching a peak of popularity and player usage in just a few-month time. It is expected to see rapid consolidation of the mobile gaming market in the coming years.

The market players in gaming industry have opted to place their focus in overseas market in light of intense competition in the domestic market, and started to export the games to other countries to expand the business. The quality of Chinese games has gradually won recognition from overseas markets in recent years. Overseas sales of Chinese online games surged 69.0% to USD3.076 billion in 2014, including 27.7% from PC games, 30.9% from web games and 41.4% from mobile games. Most overseas sales of Chinese game titles were achieved in Asian markets, like Taiwan, Thailand, Vietnam, Malaysia and other Southeast Asia countries with similar player tastes. Nonetheless, cultural differences and language barriers are still the main obstacle inhibiting the access of Chinese mobile games in Western markets.

#### **Business Review & Outlook**

In view of keen competition and unstable local business landscape in mobile internet industry, we plan to explore the potentials of game licensing business in overseas markets. Global app markets are generally better regulated and offer stronger intellectual property rights protection than the Chinese market. However, cultural differences, language barrier, poor localization capabilities and lack of expertise of target markets may undermine global expansion and distribution strategies of Chinese mobile game developers. Capitalizing on our proven record and extensive distribution network in global game licensing business, we plan to solicit global distribution partners to operate and promote Chinese game titles, while we also provide full-fledged services to the Chinese game developers to facilitate game distribution in overseas market, including localization, game feature enhancements, technical implementation and porting to particular distribution platforms, etc.

We will also continue to explore investment opportunities to form strategic partnerships with complementary mobile game businesses, particularly game development teams and distribution platforms, to enhance our product offerings and distribution capabilities, and allow us access to other valuable resources to facilitate our business development in overseas market.

# Employee Information

# **EMPLOYEE INFORMATION**

At 31 December 2014, the Group had 1,211 employees, of which 244 were at the CFSG Group. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK\$294.5 million.

#### **BENEFITS**

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

#### **TRAINING**

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, 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 and rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

# Board of Directors and Senior Management

# **BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

#### **EXECUTIVE DIRECTORS**

#### Bankee Pak-hoo KWAN

#### Chairman

MBA, BBA, FFA, MHKSI, CPM(HK), MHKIM

Mr Kwan, aged 55, joined the Board on 9 March 1998. He is responsible for the overall business strategy of the Group. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Mr Kwan is also a fellow of the Institute of Financial Accountants, UK, a member of the Hong Kong Securities 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; 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 a substantial Shareholder of the Company and a member of the Remuneration Committee. He is also an executive director and chairman of CFSG, as well as a member of the remuneration committee of CFSG.

# **BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

#### **Bernard Ping-wah LAW**

#### CFO

MBA, FCCA, FCPA, MHKSI

Mr Law, aged 56, joined the Board on 9 March 1998. He is in charge of the Group's overall financial and accounting management. Mr Law has extensive experience in financial management and accountancy. 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 and the Hong Kong Institute of Certified Public Accountants, and a member of Hong Kong Securities and Investment Institute. Mr Law is also an executive director and chief financial officer of CFSG.

#### **Derek Hin-sing NG**

#### ED

MBA, BA, CFP<sup>CM</sup>

Mr Ng, aged 46, joined the Board on 5 August 2013. He is in charge of corporate development and management of the Group's retail business. Mr Ng has extensive experience in the field of retail operation and management. Mr Ng received a Master of Business Administration Degree from Southern Illinois University Carbondale, USA and a Bachelor of Arts Degree from Ottawa University, USA. He is a CERTIFIED FINANCIAL PLANNERCM professional. In 2014, Mr Ng was bestowed with the "Asia Pacific Entrepreneurship Awards 2014 — Outstanding Entrepreneurship Award", as organised by Enterprise Asia.

# INDEPENDENT NON-EXECUTIVE DIRECTORS

#### Johnny Ka-kui LEUNG

#### INED

II.B

Mr Leung, aged 57, joined the Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. He received a Bachelor of Laws Degree (LL.B) from the University of London, UK. He is the chairman of the Audit Committee and the Remuneration Committee.

#### **Chuk-yan WONG**

#### **INED**

MSc (Business Administration), BBA, CFA, CGA

Mr Wong, aged 53, joined the Board on 3 June 1998. Mr Wong has extensive investment management experience in the global financial markets and is a portfolio manager of a large renowned investment counsel in Toronto, Canada and is responsible for the company's global equity investments. He received a Master of Science degree in Business Administration from the University of British Columbia, Canada and a Bachelor of Business Administration Degree from The Chinese University of Hong Kong. He is a Chartered Financial Analyst (CFA) charterholder and a Chartered Professional Accountant of Canada. He is also a member of the Audit Committee and the Remuneration Committee.

#### **Hak-sin CHAN**

#### **INED**

PhD, MBA, BBA

Dr Chan, aged 53, joined the Board on 25 October 2000. Dr Chan has extensive experience in the academia in the US as professor, researcher and consultant in the fields of corporate finance and international marketing. He is an associate professor in the Department of Marketing and Management at Hang Seng Management College. He received a Doctor of Philosophy degree in Business, a Master of Business Administration Degree from the University of Wisconsin-Madison, US and a Bachelor of Business Administration Degree from The Chinese University of Hong Kong. He is also a member of the Audit Committee.

#### SENIOR MANAGEMENT

#### **Hilton Kwok-hung CHAN**

#### Chief Executive Officer of Algo Finance Group, CFSG

PhD

Dr Chan, aged 52, joined the Group in December 2013. He is responsible for overseeing the Group's Algorithmic Trading business. He is an expert in computer forensics and information intelligence with application in IT-Business strategies, corporate IT architectural design and information communication technology infrastructure development. Dr Chan received a Doctorate Degree of Philosophy in Information System Management from The Hong Kong University of Science and Technology.

#### **Eugene Ka-kin LAW**

#### Chief Operating Officer of Algo Finance Group, CFSG

BA, FHKSI

Mr Law, aged 54, joined the Group in December 2014. He is in charge of the Group's Algorithmic operations, infrastructure and business development. Mr Law has more than 30 years' experience in the financial services industry covering both buy and sell sides. He is an all-round expert specialising in areas of research, investment advisory, strategic planning and business management. Mr Law received a Bachelor of Arts Degree in Economics from The City of London Polytechnic, UK and is a fellow member of Hong Kong Securities and Investment Institute.

#### **Majone Pui-lai CHENG**

# Chief Executive Officer of Investment Services Group, CFSG

MSc, BEcon

Ms Cheng, aged 42, joined the Group in March 1998. She oversees the business development and management of the CFSG 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. Ms Cheng is a responsible officer of Celestial Securities and Celestial Commodities respectively.

#### **Raymond Kung-chit NG**

#### **Executive Director of CFSG**

M Mamt, B Comm

Mr Ng, aged 46, joined the Group in November 1998. He is in charge of the corporate management and operation control of the CFSG Group. 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.

#### James Siu-pong LEUNG

#### **Deputy Chief Executive Officer, Pricerite**

MBA. BSocSc

Mr Leung, aged 52, joined the Group in October 2001. Mr Leung is in charge of the operations management of the Group's retail business. He has extensive experience in the fields of banking and retail management businesses. He received a Master of Business Administration Degree from Heriot-Watt University, UK and a Bachelor of Social Sciences Degree from The University of Hong Kong.

#### **Amy Pui-kwan LEUNG**

#### **Executive Director, Pricerite**

MBA, BBA, PMP

Ms Leung, aged 40, joined the Group in 2003. She is in charge of the product development, merchandising and quality assurance, as well as the e-commerce development, of the Group's retail business. She has extensive experience in the field of project management and retail business. Ms Leung received a Master of Business Administration Degree from The Chinese University of Hong Kong and a Bachelor of Business Administration Degree in Marketing from The University of Hong Kong. She is also a Project Management Professional.

#### **Suzanne Wing-sheung LUKE**

#### **Company Secretary**

FCIS, FCS(PE)

Ms Luke, aged 46, Ms Luke 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 CFSG.

# Corporate Governance Report

# CORPORATE GOVERNANCE REPORT

The Directors of the Company have adopted various policies to ensure compliance with the code provisions of the CG Code under Appendix 14 of the Listing Rules. For the year ended 31 December 2014, the Company has complied with all the code provisions of the CG Code, except for the deviations with explanation described below:

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 six Directors (three 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 20 to 22 of this annual report under the "Board of Directors and Senior Management" section.

#### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr Kwan Pak Hoo Bankee served as the Chairman of the Board throughout the year and is responsible for formulating the strategies and policies of the business development of the Group, and overseeing the functioning of the Board. Mr Tsui Wing Cheong Sammy acted as the CEO during the period from 2 January 2014 to 1 July 2014 and was responsible for the Group's overall business development and management and attending to the formulation and successful implementation of the Group's policies. Since the resignation of the CEO on 1 July 2014, the Board is under the leadership of the Chairman of the Board. Such strong and consistent leadership allows for effective and efficient planning and implementation of business decisions and strategies for the Group.

#### 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), (b), (c), (e)			
Ng Hin Sing Derek	(b)			
Leung Ka Kui Johnny	(b), (c), (e)			
Wong Chuk Yan	(a), (b)			
Chan Hak Sin	(b)			
Tsui Wing Cheong Sammy (resigned on 1 July 2014)	(b)			
Notes:				

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

There is a procedure agreed by the Board to ensure 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				
	Executive		Audit	Remuneration	Annual
	Committee	Board	Committee	Committee	General
Name of Directors	Meeting	Meeting	Meeting	Meeting	Meeting
EDs					
Kwan Pak Hoo Bankee	6/6	5/5	N/A	1/1	1/1
Law Ping Wah Bernard	6/6	5/5	N/A	N/A	1/1
Ng Hin Sing Derek	6/6	5/5	N/A	N/A	1/1
Tsui Wing Cheong Sammy (resigned on 1 July 2014)	2/3	2/3	N/A	N/A	1/1
INEDs					
Leung Ka Kui Johnny	N/A	3/5	2/4	0/1	0/1
Wong Chuk Yan	N/A	5/5	4/4	1/1	0/1
Chan Hak Sin	N/A	5/5	4/4	N/A	1/1
Total number of meetings held:	6	5	4	1	1

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

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

#### **BOARD MEETINGS AND PROCEEDINGS**

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

All Directors are consulted as to whether they wish to include any matter in the meeting agenda before the agenda for each board meeting is issued. Board meeting notice 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 28 JUNE 1999)

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

The specific written terms of reference of the Audit Committee (as re-adopted on 7 February 2012) is available on the Company's website.

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

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

- reviewed the annual and interim financial statements and the quarterly business operation and development of the Group; i.
- 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;
- annual review of the non-exempt continuing connected transactions of the Group; and
- reviewed the external auditor's independence, approved the engagement and remuneration of external auditor and ٧. recommended the Board on the re-appointment of external auditor.

# CORPORATE GOVERNANCE REPORT

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

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

The specific written terms of reference of the Remuneration Committee (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 13 to the consolidated financial statements. The Remuneration Committee held one meeting during the year.

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

- i. determined and endorsed to the remuneration policy and structure for the Directors and senior management; and
- assessed the performance of executive Directors and reviewed their current level and remuneration structure/package and approved their specific remuneration package of executive Directors.

#### NOMINATION 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, 2 meetings were held by the executive Directors in resolving appointment and resignation of an ED and CEO 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 non-executive Director(s) of the Company (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 13 to the consolidated financial statements in this annual report.

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

#### CORPORATE GOVERNANCE 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.

# CORPORATE GOVERNANCE REPORT

#### **ACCOUNTABILITY AND AUDIT**

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

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

#### INTERNAL CONTROLS

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

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

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

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

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

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

#### COMMUNICATION WITH SHAREHOLDERS

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

Separate resolutions are proposed at the general meetings for substantial issues, including re-election of retiring Directors. The Company's notice to the Shareholders for the AGM was sent to Shareholders at least 20 clear business days before the meeting and notices of the SGMs was sent to shareholders at least 10 clear business days before such meetings in year 2014.

#### CONSTITUTIONAL DOCUMENTS

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

#### SHAREHOLDERS' RIGHTS

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

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

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

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

Pursuant to the Bermuda Companies Act 1981, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's

# CORPORATE GOVERNANCE REPORT

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: cash1049@cash.com.hk.

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

#### **AUDITOR'S INDEPENDENCE AND REMUNERATION**

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

Services rendered	Fees paid/payable
	HK\$
Audit services	4,605,000
Non-audit services:	
Review of the preliminary results announcement	149,400
	4,754,400

On behalf of the Board

Bankee P. Kwan

Chairman

Hong Kong, 30 March 2015

# 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 2014.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the year consisted of (a) the financial services business carried out via CFSG (stock code: 510) that includes online and traditional brokerage of securities, futures and options contracts as well as mutual funds and insurance-linked investment products, margin financing, money lending and corporate finance services; (b) sales of furniture and household items and electrical appliances through the chain stores under the brand names of "Pricerite" in Hong Kong and "生活經艷" (translated as Sheng Huo Jing Yan) in the PRC; (c) provision of mobile internet (to include content, operations and distribution activities) services and online game (sales of online game auxiliary products and licensing) services; and (d) investment holding.

### **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2014 is set out on pages 144 to 145 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 18 to the consolidated financial statements.

### **SUBSIDIARIES**

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

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 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 "Consolidated Statement of Changes in Equity" of the consolidated financial statements on pages 53 to 54 of this annual report.

Details of movements in the reserves of the Company during the year are set out in the section of "Appendix II — Summarised Statement of Financial Position of the Company" on page 143 of this annual report.

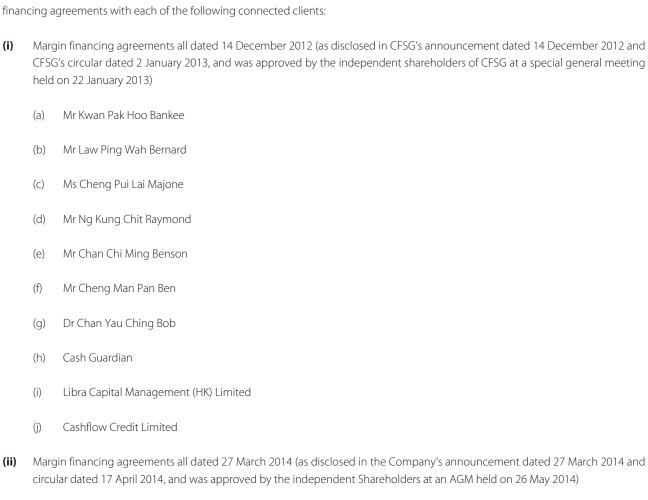
### **PRE-EMPTIVE RIGHTS**

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

### CONTINUING CONNECTED TRANSACTIONS

### **Margin Financing Arrangement**

Celestial Securities (a subsidiary of the Company via CFSG as at the date of this annual report) entered into the existing margin



- (a) Mr Ng Hin Sing Derek
- (b) Mr Kwan Pak Leung Horace
- Ms Chan Siu Fei Susanna (C)
- Mr Tsui Wing Cheong Sammy (d)

### **DIRECTORS' REPORT**

CFSG was accounted for an associated company of the Company as at the date of the margin financing agreements dated 14 December 2012 (item (i) above). Since the adoption of the new and revised Hong Kong Financial Reporting Standards 10 by the Company on 21 March 2013, CFSG was changed from an associated company to a subsidiary of the Company and such margin financial agreement (save as items (i)(i) and (j)) which were wholly-owned subsidiaries of the Company) became continuing connected transactions of the Company.

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 interest of the margin financing facility) for each of the three financial years (item (i) above) and for each of the two financial years (item (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 the above connected clients (save as Libra Capital Management (HK) Limited and Cashflow Credit Limited (items (i)(i) and (j) above)) were either directors or substantial Shareholder of the Group and/or CFSG 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 2014, 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 CFSG Group. They would cease as connected persons of the Group after 12 months of their respective resignation in accordance with the Listing Rules.

Details of the maximum amounts of the margin financing facilities granted to the connected clients during the year under review are set out in note 26 to the consolidated financial statements. The commission and interest income received from the connected clients during the year under review are disclosed in note 44 to the consolidated financial statements.

The aforesaid continuing connected transactions of the Company 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 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.

### RELATED PARTIES TRANSACTIONS

The Group has entered into related parties transactions under the applicable accounting standards as disclosed in note 44 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 Ng Hin Sing Derek Tsui Wing Cheong Sammy (resigned on 1 July 2014)

### **Independent Non-executive Directors:**

Leung Ka Kui Johnny Wong Chuk Yan Chan Hak Sin

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

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

### **DIRECTORS' SERVICE CONTRACTS**

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

### **DIRECTORS' INTERESTS IN CONTRACTS**

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

### **DIRECTORS' REPORT**

### RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 43 to the consolidated financial statements.

### **DIRECTORS' INTERESTS IN SECURITIES**

As at 31 December 2014, 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

### 1. Long positions in the Shares

		Number of	Shares			
Name	Capacity	Personal	Corporate interest	Shareholding (%)		
Kwan Pak Hoo Bankee	Beneficial owner and interested in a controlled corporation	2,840,000	176,805,205*	32.42		
Law Ping Wah Bernard	Beneficial owner	18,230,208	_	3.29		
	-	21,070,208	176,805,205	35.71		

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

### 2. Long positions in the underlying Shares

Options under share option scheme

					Number of options				Percentage to
					outstanding			outstanding	issued Shares
			Exercise		as at	granted	lapsed	as at	as at
			price per		1 January	during	during	31 December	31 December
Name	Date of grant	Option period	Share	Notes	2014	the year	the year	2014	2014
			(HK\$)			(Notes (5) & (6))	(Note (7))		(%)
Kwan Pak Hoo Bankee	11/10/2012	11/10/2012—31/10/2014	0.624	(1) & (2)	4,050,000	_	(4,050,000)	_	_
	2/9/2014	2/9/2014—31/8/2018	0.620	(1) & (2)	_	5,000,000	_	5,000,000	0.90
Law Ping Wah Bernard	11/10/2012	11/10/2012—31/10/2014	0.624	(2)	4,050,000	_	(4,050,000)	_	_
	2/9/2014	2/9/2014—31/8/2018	0.620	(2)	_	5,000,000	_	5,000,000	0.90
Ng Hin Sing Derek	11/10/2012	11/10/2012—31/10/2014	0.624	(2)	2,250,000	_	(2,250,000)	_	_
	2/9/2014	2/9/2014—31/8/2018	0.620	(2)	_	4,000,000	_	4,000,000	0.72
Tsui Wing Cheong Sammy (Note (4))	7/10/2013	7/10/2013—31/10/2015	0.480	(2) & (3)	5,500,000	_	(5,500,000)	_	_
					15,850,000	14,000,000	(15,850,000)	14,000,000	2.52

### Notes:

- (1) Mr Kwan Pak Hoo Bankee is also the substantial Shareholder of the Company.
- (2) The vesting of certain options is subject to 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.
- (3) The options shall be exercisable after three months from the date of grant.
- (4) Mr Tsui Wing Cheong Sammy resigned as Director of the Company during the year.
- (5) The closing price of the Share immediately before the date of grant of options on 2 September 2014 was HK\$0.600.
- (6) The value of the 14,000,000 options granted to the Directors during the year ended 31 December 2014 was HK\$2,749,600 as the performance target is probable to be achieved by the grantees.
- (7) The lapsed options were due to resignation of director of the Company or expiry of the options.
- (8) No option was exercised or cancelled during the year.
- (9) The options were held by the Directors in the capacity of beneficial owners.

## **DIRECTORS' REPORT**

### Associated corporations (within the meaning of SFO)

### **CFSG**

Long positions in the ordinary shares of HK\$0.02 each

		Number o	of shares			
Name	Capacity	Personal	Corporate interest	Shareholding (%)		
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	30,000,000	104,471,520*	3.30		
Law Ping Wah Bernard	Beneficial owner	27,506,160	_	0.67		
Ng Hin Sing Derek	Beneficial owner	24,600,066		0.60		
		82,106,226	104,471,520	4.57		

The shares were held by Cash Guardian, which was 100% beneficially owned by Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee was deemed to be interested in all the shares held by Cash Guardian in CFSG.

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

						M	lumber of option	S		Percentage to
					outstanding				outstanding	issued shares
			Exercise		as at	granted	exercised	lapsed	as at	as at
			price per		1 January	during	during	during	31 December	31 December
Name	Date of grant	Option period	share	Notes	2014	the year	the year	the year	2014	2014
			(HK\$)			(Notes (3) & (4))	(Note (5))	(Note (6))		(%)
Kwan Pak Hoo Bankee	11/10/2012	11/10/2012—31/10/2014	0.093	(1)	39,000,000	_	_	(39,000,000)	_	_
William at 100 bankee	11/4/2014	11/4/2014 — 31/12/2017	0.097	(1)	_	30,000,000	(30,000,000)	(37,000,000) —	_	_
Law Ping Wah Bernard	11/10/2012	11/10/2012—31/10/2014	0.093	(1)	39,000,000	_	_	(39,000,000)	_	_
	11/4/2014	11/4/2014 — 31/12/2017	0.097	(1)	_	30,000,000	(30,000,000)	_	-	_
Ng Hin Sing Derek	11/10/2012	11/10/2012—31/10/2014	0.093	(1)	20,000,000	_	_	(20,000,000)	_	_
	11/4/2014	11/4/2014 — 31/12/2017	0.097	(1)	_	30,000,000	(30,000,000)	_	_	_
Tsui Wing Cheong Sammy (Note (2))	11/4/2014	11/4/2014 — 31/12/2017	0.097	(1)	_	30,000,000	_	(30,000,000)	_	_
					98,000,000	120,000,000	(90,000,000)	(128,000,000)	_	_

### Notes:

- (1) The vesting of the options 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 Tsui Wing Cheong Sammy resigned as director of the Company during the year.
- (3) The closing price of the share immediately before the date of grant of options on 11 April 2014 was HK\$0.100.
- (4) Out of the 120,000,000 options granted during the year, 90,000,000 options were valued at HK\$4,554,000 as the performance target has been achieved by the grantees and no share-based compensation expense was recognized for the remaining 30,000,000 options as the options were lapsed due to resignation of the Director.
- (5) During the year, the following options granted on 11 April 2014 held by Directors of the Company were exercised:

closing price of the shares immediately before the date of exercise Date of exercise **Number of Options** Exercise price per share (HK\$) (HK\$) 11 July 2014 60,000,000 0.097 0.184 10 September 2014 30,000,000 0.097 0.320 Total 90,000,000

- (6) The lapsed options were due to resignation of Director of the Company or expiry of the options.
- (7) No option was cancelled during the year.
- (8) The options were held by the Directors in the capacity of beneficial owners.

Save as disclosed above, as at 31 December 2014, none of the Directors, chief executives or their associates had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Weighted average

### **DIRECTORS' REPORT**

### THE SHARE OPTION SCHEMES

### (A) The Company

The Share Option Scheme was adopted pursuant to an ordinary resolution passed at an AGM held on 21 May 2012. Particulars of the terms of the Share Option Scheme are set out in note 42(A) to the consolidated financial statements.

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

						Number of options				
Name of scheme	Date of grant	Option period	Exercise price per share HK\$		outstanding as at 1 January 2014	granted during the year (Notes (6) & (7))	lapsed during the year (Note (8))	outstanding as at 31 December 2014		
Directors										
The Share Option Scheme	11/10/2012 7/10/2013 2/9/2014	11/10/2012–30/10/2014 7/10/2013–31/10/2015 2/9/2014–31/8/2018	0.624 0.480 0.620	(1) & (2) (1) to (3) (1) & (2)	10,350,000 5,500,000 —	14,000,000	(10,350,000) (5,500,000) —	14,000,000		
					15,850,000	14,000,000	(15,850,000)	14,000,000		
Employees										
The Share Option Scheme	11/10/2012 2/9/2014	11/10/2012–30/10/2014 2/9/2014–31/8/2018	0.624 0.620	(2) (2) & (5)	13,050,000	17,400,000	(13,050,000)	17,400,000		
					13,050,000	17,400,000	(13,050,000)	17,400,000		
Consultants										
The Share Option Scheme	11/10/2012	11/10/2012–30/10/2014	0.624	(4)	10,116,000	_	(10,116,000)			
					39,016,000	31,400,000	(39,016,000)	31,400,000		

### Notes:

- (1) Details of the options granted to the directors are set out in the section headed "Directors' Interests in Securities".
- (2) The vesting of certain options is subject to 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.
- (3) The options shall be exercisable after three months from the date of grant.
- (4) The options were granted to consultants of the Group for the services to be provided to the Group. The options will be exercisable within 7 days from the date of completion of the services determined at the sole discretion of the Board.
- (5) The options granted on 2 September 2014 are subject to 4 tranches period as to (a) 25% exercisable from 2 September 2014 up to 31 August 2018; (b) 25% exercisable from 1 September 2015 to up to 31 August 2018; (c) 25% exercisable from 1 September 2016 up to 31 August 2018; and (d) 25% exercisable from 1 September 2017 up to 31 August 2018.
- (6) The closing price of the Share immediately before the date of grant of option on 2 September 2014 was HK\$0.600.
- (7) Details of the valuation of the options granted during the year ended 31 December 2014 under the Share Option Scheme and the assumption made and the Black-Scholes pricing model used for calculation are set out in note 42(A) to the consolidated financial statements.
- (8) The lapsed options were due to resignation of participants with members of the Group or expiry of the options.
- (9) No option was exercised or cancelled during the year.

### (B) The subsidiary

#### **CFSG** (i)

The CFSG Option Scheme was adopted pursuant to an ordinary resolution passed at a special general meeting of CFSG held on 22 February 2008, which took effect on 3 March 2008. Particulars of the terms of the CFSG Option Scheme are set out in note 42(B) to the consolidated financial statements.

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

						M	lumber of options		
Name of scheme	Date of grant	Option period	Exercise price per share HK\$	Notes	outstanding as at 1 January 2014	granted during the year (Notes (4) & (5))	exercised during the year (Note (6))	lapsed during the year (Note (7))	outstanding as at 31 December 2014
Directors									
CFSG Option Scheme	11/10/2012 11/4/2014	11/10/2012-31/10/2014 11/4/2014-31/12/2017	0.093 0.097	(1) & (2) (1) & (2)	98,000,000	— 120,000,000	(90,000,000)	(98,000,000) (30,000,000)	-
					98,000,000	120,000,000	(90,000,000)	(128,000,000)	_
Employees and consultants									
CFSG Option Scheme	11/10/2012 11/4/2014 2/5/2014 22/5/2014	11/10/2012-31/10/2014 11/4/2014-31/12/2017 2/5/2014-31/10/2014 22/5/2014-31/12/2017	0.093 0.097 0.090 0.091	(2) (2) (3) (2)	177,000,000 — — —	— 141,000,000 38,000,000 46,000,000	— (66,000,000) (38,000,000) —	(177,000,000) — — —	75,000,000 — 46,000,000
					177,000,000	225,000,000	(104,000,000)	(177,000,000)	121,000,000
					275,000,000	345,000,000	(194,000,000)	(305,000,000)	121,000,000

### **DIRECTORS' REPORT**

### Notes:

- (1) Details of the options granted to the Directors are set out in the section headed "Directors' interests in securities" above.
- (2) The vesting of certain options 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.
- (3) The options must be exercised within 8 months from the date of grant of the options and upon satisfactory delivery of services.
- (4) The closing prices of the share immediately before the date of grant of options on 11 April 2014, 2 May 2014 and 22 May 2014 were HK\$0.100, HK\$0.089 and HK\$0.091 respectively.
- (5) Details of the valuation of the options granted during the year ended 31 December 2014 under the CFSG Option Scheme and the assumption made and the Black-Scholes pricing model used for calculation are set out in note 42(B) to the consolidated financial statements.
- (6) During the year, the following options held by participants of members of the Group were exercised:

Weighted average closing price of the shares immediately

			before the date
Date of exercise	Number of options	Exercise price per share	of exercise
		(HK\$)	(HK\$)
11 July 2014	60,000,000	0.097	0.184
10 September 2014	96,000,000	0.097	0.320
23 September 2014	38,000,000	0.090	0.330
Total	194,000,000		

- (7) The lapsed options were due to expiry of the options or resignation of participants with members of the Group.
- (8) No option was cancelled during the year.

### (ii) Netfield

The share option scheme of Netfield was adopted on 6 June 2008. Particulars of the terms of the share option scheme of Netfield are set out in note 42(C) to the consolidated financial statements. No option has been granted under the share option scheme of Netfield since the adoption of the scheme.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, so far as is known to the Directors and chief executives of the Company, the persons/companies (other than a Director or chief executive of the Company) who had, 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 (1))	Interest in a controlled corporation	176,805,205	31.91
Cash Guardian (Note (1))	Interest in a controlled corporation	176,805,205	31.91

#### Notes:

- This refers to the same number of the Shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee and Hobart Assets Limited were deemed to be interested in the Shares held by Cash Guardian.
- Mr Kwan Pak Hoo Bankee (a Director whose interests is not shown in the above table) was interested and/or deemed be interested in a total of 179,645,205 Shares (32.42%), which were held as to 176,805,205 Shares by Cash Guardian and as to 2,840,000 Shares in his personal name. Detail of his interest is set out in the section "Directors Interests in Securities" above.

Save as disclosed above, as at 31 December 2014, the Directors and chief executives 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 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.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company 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.

### 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.

## **DIRECTORS' REPORT**

### **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** *Chairman* 

Hong Kong, 30 March 2015

## Independent Auditor's Report

## **Deloitte.**

### 德勤

### TO THE MEMBERS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 141 which comprise the consolidated statement of financial position as at 31 December 2014, 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 controls relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants Hong Kong

30 March 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year ended 31 December 2014

	Notes	2014 HK\$′000	2013 HK\$'000
Revenue	7	1,371,608	1,306,493
Cost of inventories and services	_	(671,176)	(652,250)
Other income	9	13,200	14,123
Other gains and losses Salaries, allowances and commission	10 11	84,121	64,525
Other operating, administrative and selling expenses	11	(328,699) (449,711)	(303,442) (451,269)
Depreciation of property and equipment		(31,682)	(43,872)
Amortisation of intangible assets		(5.7652)	(5,757)
Finance costs	12	(17,647)	(18,096)
Fair value change on investment properties		37,088	(5,083)
Share of results of an associate	23	60,463	(9)
Impairment loss recognised in respect of goodwill	20	(2,661)	_
Impairment loss recognised in respect of intangible assets	21	_	(37,631)
Profit (loss) before taxation		64,904	(132,268)
Income tax (expense) credit	14	(21,302)	3,903
Profit (loss) for the year	15	43,602	(128,365)
Other comprehensive (expense) income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		(3,044)	4,969
Total comprehensive income (expense) for the year		40,558	(123,396)
Profit (loss) for the year attributable to:			
Owners of the Company		2,422	(87,835)
Non-controlling interests		41,180	(40,530)
		43,602	(128,365)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		1,375	(85,311)
Non-controlling interests		39,183	(38,085)
		40,558	(123,396)
Earnings (loss) per share	16		
Basic (HK cents)		0.44	(17.84)
Diluted (HK cents)		0.35	(17.84)

## Consolidated Statement of Financial Position

	Notes	2014 HK\$′000	2013 HK\$'000
Non-current assets			
Property and equipment	18	74,486	60,600
Investment properties	19	213,666	57,112
Goodwill	20	60,049	62,710
Intangible assets	21	53,212	53,212
Interest in an associate	23	1,434	158,154
Available-for-sale financial assets	24	21,031	24,531
Rental and utilities deposits		44,160	40,638
Other assets	25	4,792	34,052
Loans receivable	27	_	1,480
Deferred tax assets	14	6,200	7,200
		479,030	499,689
Command accepts			
Current assets Inventories — finished goods held for sale		56,396	53,242
Accounts receivable	26	707,859	608,696
Loans receivable	27	44,442	23,951
Loan to an associate	23		10,296
Other assets	25	7,317	29,084
Prepayments, deposits and other receivables	30	40,662	70,973
Tax recoverable	30	1,111	6,400
Investments held for trading	28	44,545	55,027
Bank deposits subject to conditions	29	64,155	90,555
Bank balances — trust and segregated accounts	30	792,117	784,704
Bank balances (general accounts) and cash	30	300,299	279,450
	-		
	-	2,058,903	2,012,378
Current liabilities			
Accounts payable	31	1,287,188	1,197,530
Financial liabilities at fair value through profit or loss	39	1,055	19,701
Accrued liabilities and other payables	32	100,752	128,210
Taxation payable		16,493	7,410
Obligations under finance leases — amount due within one year	33	_	54
Borrowings — amount due within one year	34	334,868	436,116
Loan from a non-controlling shareholder of a subsidiary	32 -	_	27,437
		1,740,356	1,816,458
Net current assets		318,547	195,920
Total assets less current liabilities		797,577	695,609

## Consolidated Statement of Financial Position (continued)

	Notes	2014 HK\$'000	2013 HK\$'000
Capital and reserves	0.5		
Share capital	35	55,415	55,415
Reserves	_	311,211	301,843
Equity attributable to owners of the Company		366,626	357,258
Non-controlling interests	38 -	324,926	307,558
Total equity		691,552	664,816
Non-current liabilities			
Deferred tax liabilities	14	14,509	8,218
Borrowings — amount due after one year	34	91,516	22,575
		106,025	30,793
		797,577	695,609

The consolidated financial statements on pages 50 to 141 were approved and authorised for issue by the board of directors on 30 March 2015 and are signed on its behalf by:

**KWAN PAK HOO BANKEE** 

**LAW PING WAH BERNARD** 

DIRECTOR

DIRECTOR

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

At 31 December 2014

					Δttri	hutahla to o	wners of the Co	ımnanv					
	Notes	Share capital HK\$'000	Share premium HK\$'000 (Note (a))	Contributed surplus HK\$'000 (Notes (b)&(c))	General reserve HK\$'000	Other reserve HK\$'000 (Note (d))	Translation reserve HK\$'000 (Note 37)	Share option reserve HK\$'000	Revaluation reserve HK\$'000 (Note (e))	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000 (Note 38)	<b>Total</b> HK\$'000
At 1 January 2013		36,943	475,872	88,926	1,160	38,860	10,913	_	11,164	(294,365)	369,473	386,035	755,508
Loss for the year Other comprehensive income for the year		_	_	-	-	-	<u> </u>	-	-	(87,835)	(87,835) 2,524	(40,530) 2,445	(128,365) 4,969
Total comprehensive income (expense) for the year		_	_	_	_	_	2,524	_	_	(87,835)	(85,311)	(38,085)	(123,396)
Transfer to accumulated losses upon expiration of CFSG's share options Issue of new shares Transaction costs attributable to issue of new shares Change in shareholding in subsidiaries without losing		 18,472 	— 36,943 (2,138)	-	- - -	- - -	-	- - -	- - -	3,340 —	3,340 55,415 (2,138)	(3,340) —	 55,415 (2,138)
control	(d)		_			16,479					16,479	(37,052)	(20,573)
At 31 December 2013		55,415	510,677	88,926	1,160	55,339	13,437		11,164	(378,860)	357,258	307,558	664,816
Profit for the year Other comprehensive expense for the year		_ 	-	- -	- -	- -	(1,047)	- -	_	2,422	2,422 (1,047)	41,180 (1,997)	43,602
Total comprehensive (expense) income for the year		_		_			(1,047)	_	_	2,422	1,375	39,183	40,558
Recognition of equity-settled share-based payments Share-based payments of CFSG's share options Transfer to accumulated losses		_	_	-	_	-	-	3,604	- -	-	3,604	_ 15,335	3,604 15,335
upon expiration of CFSG's share options Dividend paid to non-controlling shareholders of subsidiaries Change in shareholding in		-	-	_	-	-	-	-	-	618	618	(618) (51,313)	<u> </u>
subsidiaries without losing control	(d)	_	_	_	_	3,771	_	_	_	_	3,771	14,781	18,552

59,110

1,160

12,390

3,604

11,164

(375,820) 366,626

324,926

691,552

88,926

55,415 510,677

## Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2014

#### Notes:

- (a) Under the Companies Act 1981 of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.
- (b) Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contribution surplus, if:
  - (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
  - (ii) the realisable value of the company's assets would thereby less than the aggregate of its liabilities and its issued share capital and share premium accounts.
- (c) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1994 and the nominal value of the issued share capital of the Company issued in exchange thereof, and the net amount arising from the reduction of share premium account, capital reduction and the amounts transferred to set-off accumulated losses.
- (d) The other reserve of the Group represents the reserve arising from the distribution of shares of CASH Financial Services Group Limited ("CFSG") (formerly known as CASH on-line Limited) in year 2000 and the effect arising from the change in the Group's ownership interest in existing subsidiaries without losing control.
  - Movement of other reserves in 2013 and 2014 arose from the effect due to changes in the Group's ownership interests in existing subsidiaries without losing control. Details of change in shareholding in subsidiaries without losing control during the year ended 31 December 2014 are disclosed in note 36.
- (e) As at 31 December 2014 and 2013, revaluation reserve of HK\$11,164,000 represented the adjustment to the fair value of trademark (included in the intangible assets) related to previously held interest in an associate when the Group acquired additional interest and obtained control over the associate.

## **Consolidated Statement of Cash Flows**

For the year ended 31 December 2014

	2014 HK\$′000	2013 HK\$'000
Operating activities		
Profit (loss) before taxation	64,904	(132,268)
Adjustments for:		
(Write back of) allowance on bad and doubtful loans receivable	(2,700)	1,000
Write back of bad debt on accounts receivable, net	(2,631)	(2,048)
Amortisation of intangible assets	_	5,757
Depreciation of property and equipment	31,682	43,872
Share-based payments	18,939	_
Write-down on inventories	4,518	4,548
Impairment loss recognised in respect of goodwill	2,661	_
Impairment loss on available-for-sale financial asset	3,500	_
Impairment loss on intangible assets	_	37,631
Fair value change on investment properties	(37,088)	5,083
Interest expense	17,647	18,096
Loss on disposal of property and equipment	480	7,123
Gain on disposal of a commercial property	(18,002)	_
Share of results of an associate	(60,463)	9
Operating cashflow before movements in working capital	23,447	(11,197)
Increase in inventories	(7,672)	(943)
(Increase) decrease in accounts receivable	(96,532)	313,979
(Increase) decrease in loans receivable	(16,311)	35,065
Decrease (increase) in prepayments, deposits and other receivables	26,789	(4,043)
Decrease in listed investments held for trading	10,482	58,595
Increase in bank balances — trust and segregated accounts	(7,413)	(2,411)
Increase (decrease) in accounts payable	89,658	(393,845)
Decrease in deferred revenue	_	(37)
Decrease in accrued liabilities and other payables	(28,013)	(9,684)
(Decrease) increase in financial liabilities at fair value through profit or loss	(18,646)	19,701
Net cash (used in) from operations	(24,211)	5,180
Income taxes refunded	6,075	- -
Income taxes paid	(5,714)	(14,016)
Net cash used in operating activities	(23,850)	(8,836)
The cash asea in operating activities	(23/030)	(0,030)

## Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2014

		2014	2013
	Notes	HK\$'000	HK\$'000
Investing activities			
Decrease in bank deposits under conditions		26,400	_
Proceeds from disposal of property and equipment		107	150
Purchase of property and equipment		(46,166)	(27,439)
Refund (placement) of statutory and other deposits		4,602	(2,705)
Deposit paid for purchase of properties for self-occupation		_	(23,411)
Proceeds from disposal of assets classified as held for sale		_	66,000
Proceeds from disposal of investment properties		133,592	7,986
Settlement of consideration on disposals of investment properties in prior year		_	6,458
Acquisition of available-for-sale financial assets		_	(24,531)
Purchases of investment properties	19	(96,844)	_
Purchase of a commercial property	19	(92,253)	_
Capital distributed from an associate		214,704	_
Repayment of loan to an associate		10,296	
Net cash from investing activities		154,438	2,508
Financing activities			
Proceeds on issue of shares of CFSG		18,552	_
Purchase of additional interests in subsidiaries	36	_	(20,573)
Decrease in borrowings		(32,307)	(58,761)
Repayments of obligations under finance leases		(54)	(902)
Dividends paid to non-controlling shareholders of CFSG		(51,313)	
Interest paid on obligations under finance leases		(6)	(19)
Interest paid on borrowings		(17,641)	(18,077)
Repayment of loan from non-controlling interests		(27,437)	_
Proceeds on right issue of shares		_	55,415
Share issue expenses		_	(2,138)
Net cash used in financing activities		(110,206)	(45,055)
		(:::,=:;	(12,000)
Net increase (decrease) in cash and cash equivalents		20,382	(51,383)
Cash and cash equivalents at beginning of year		279,450	331,891
Effect of foreign exchange rate changes		467	(1,058)
Cash and cash equivalents at end of year		300,299	279,450
Being:			
Bank balances (general accounts) and cash		300,299	279,450

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

### 1. GENERAL

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

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 46.

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

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

Amendments to HKFRS 10. Investment entities

HKFRS 12 and HKAS 27

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

Novation of derivatives and continuation of hedge accounting Amendments to HKAS 39

HK(IFRIC) — Int 21 Levies

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

For the year ended 31 December 2014

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

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

HKFRS 9 Financial instruments<sup>1</sup>

HKFRS 15 Revenue from contracts with customers<sup>2</sup>

Amendments to HKFRS 10 Sale or contribution of assets between an investor

and HKAS 28 and its associate or joint venture<sup>4</sup>

Amendments to HKFRS 10, Investment entities: Applying the consolidation exception<sup>4</sup>

HKFRS 12 and HKAS 28

Amendments to HKFRS 11 Accounting for acquisitions of interests in joint operations<sup>4</sup>

Amendments to HKAS 1 Disclosure initiative<sup>4</sup>

Amendments to HKAS 16 Clarification of acceptable methods of depreciation and amortisation 4

and HKAS 38

Amendments to HKAS 16 Agriculture: Bearer plants<sup>4</sup>

and HKAS 41

Amendments to HKAS 19 Defined benefit plans: Employee contributions<sup>3</sup>

Amendments to HKAS 27 Equity method in separate financial statements<sup>4</sup>

Amendments to HKFRSs Annual improvements to HKFRSs 2010-2012 cycle<sup>5</sup>

Amendments to HKFRSs Annual improvements to HKFRSs 2011-2013 cycle<sup>3</sup>

Amendments to HKFRSs Annual improvements to HKFRSs 2012-2014 cycle<sup>4</sup>

- Effective for annual periods beginning on or after 1 January 2018.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2017.
- Effective for annual periods beginning on or after 1 July 2014.
- Effective for annual periods beginning on or after 1 January 2016.
- <sup>5</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

### **HKFRS 9 Financial instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include a) impairment requirements for financial assets; b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are 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 values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

For the year ended 31 December 2014

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

### **HKFRS 9 Financial instruments (continued)**

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 adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets (e.g. the Group's unlisted investment in equity securities that are currently classified as available-for-sale investments may have to be measured at fair value through profit or loss upon the adoption of HKFRS 9). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### **HKFRS 15 Revenue from contracts with customers**

In July 2014, 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, HKFRS 15 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

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 will assess the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for part 9 of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at revalued amount or fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange 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 HKAS 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.

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.

For the year ended 31 December 2014

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation

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

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

For the year ended 31 December 2014

### SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Basis of consolidation (continued)**

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

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

### Goodwill

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

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

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

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

### Investment in an associate

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

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

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment in an associate (continued)

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.

### 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:

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

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

Service income from online game business are recognised when services are provided.

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

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

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing

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

### The Group as lessee

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

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

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

### **Foreign currencies**

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

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

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

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

For the year ended 31 December 2014

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

### Retirement benefit costs

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

### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation as reported in the consolidated statement of 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 ending of the reporting period.

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

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

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

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

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

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Taxation (continued)**

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

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

### **Property and equipment**

Property and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss, 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

### **Investment properties**

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

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

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

For the year ended 31 December 2014

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets

### Intangible assets acquired separately

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

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

### Intangible assets acquired in a business combination

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

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

### **Inventories**

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

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

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

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

Recoverable amount is the higher of fair value less costs 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.

For the year ended 31 December 2014

### 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)

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

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

### **Financial instruments**

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

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

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

### Financial assets

The Group's financial assets are classified into one of the 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 nature and purpose of financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### Effective interest method

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

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

For the year ended 31 December 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

### Financial assets (continued)

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL represent those held for trading. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 6.

### AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's rights to received 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 each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

### Loans and receivables

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

For the year ended 31 December 2014

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

### Impairment of financial assets

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

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its costs is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

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

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

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

For financial assets carried at cost, including those AFS equity investment, 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 assets. 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 for all loans and receivables with the exception of accounts receivable and loans receivable where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

For the year ended 31 December 2014

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

### Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are held for trading on initial recognition.

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.

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. Fair value is determined in the manner described in note 6.

For the year ended 31 December 2014

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

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

Other financial liabilities

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

Derivative financial instruments

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

#### Derecognition

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

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

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

#### **Equity-settled share-based payment transactions**

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

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

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

For the year ended 31 December 2014

## SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Equity-settled share-based payment transactions (continued)**

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

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

In case of share options granted by a subsidiary, the share option reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction in accordance with HKAS 27 "Consolidated and Separate Financial Statements" if the exercise of share options does not constitute a loss of the Group's control over the subsidiary. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholders on consolidation.

#### Share options granted to consultants

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

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

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

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

For the year ended 31 December 2014

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

#### Critical judgements in applying the entity's accounting policies

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

#### Control over CFSG

As disclosed in note 46, CFSG is considered as a subsidiary of the Group although the Group's shareholding of CFSG varies from 40.71% to 42.75% during the year ended 31 December 2014. The directors of the Company assessed whether the Group has control over CFSG based on whether the Group has the practical ability to direct the relevant activities of CFSG unilaterally. In making their judgement, the directors of the Company considered the Group's dominant voting interest relative to the size and dispersion of holdings of the other vote holders, the voting interest held by Mr Kwan Pak Hoo Bankee either directly or indirectly through Cash Guardian, as well as voting interest held by other directors of the Company, participation rates of shareholders and voting patterns in previous shareholders' meetings and concluded that the Group has control over CFSG despite its voting rights has been less than 50% and that CFSG qualified as a subsidiary of the Group under HKFRS 10 for the year ended 31 December 2014 and 2013.

#### **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 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. The directors have determined that the business model under which investment properties are held by the Group has changed from preceding years, whereby the Group's investment properties were expected to recover through sale at 31 December 2013. Such change in business model occurred after taking into account various factors, including the changes in real estate market conditions in PRC. 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

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

For the year ended 31 December 2014

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

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

#### Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the remaining deductible temporary difference and estimated unused tax losses of approximately HK\$48,747,000 and HK\$881,159,000 respectively (2013: HK\$48,529,000 and HK\$826,963,000) due to the unpredictability of future profit streams of the relevant subsidiaries and the Company. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, future recognition of deferred tax assets in relation to deductible temporary differences and unutilised tax losses may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

#### Estimated impairment of goodwill, intangible assets and property and equipment

Determining whether an impairment is required requires an estimation of recoverable amounts of relevant intangible assets and property and equipment or the respective cash generating units ("CGU") in which the goodwill, intangible assets and property and equipment belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or 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 flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise. Details of the recoverable amount calculation of assets or CGU are disclosed in notes 21 and 22.

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

As described in note 26, the directors of the Company, based on the best information available as at 31 December 2014, 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 (2013: HK\$15,368,000) maintained in MF Global Hong Kong Limited ("MFG HK") which is subject to liquidation. The directors of the Company are of the view that the Group will recover the carrying amount at the end of the reporting period. In cases where the development of this matter suggests outcome is worse than expected, an impairment may be recognised in the consolidated statement of profit or loss and other comprehensive income for the period when such event takes place.

#### Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability, ageing analysis of accounts, the values of underlying collateral and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of those clients in default of settlement. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2014, the aggregate carrying amount of accounts receivable and loans receivable, net of allowance for bad and doubtful debts, are HK\$707,859,000 and HK\$44,442,000 (2013: HK\$608,696,000 and HK\$25,431,000) respectively.

For the year ended 31 December 2014

#### CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 34 and equity attributable to owners of the Company, comprising issued share capital disclosed in note 35, reserves and accumulated losses as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

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

#### 6. FINANCIAL INSTRUMENTS

#### **Categories of financial instruments**

	2014	2013
	HK\$'000	HK\$'000
Financial assets		
Investment held for trading	44,545	55,027
Available-for-sale financial assets	21,031	24,531
Loans and receivables (including cash and cash equivalents)	1,981,820	1,855,143
Financial liabilities		
Amortised cost	1,814,324	1,811,868
Financial liabilities at fair value through profit or loss	1,055	19,701

#### Financial risk management objectives and policies

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

For the year ended 31 December 2014

### FINANCIAL INSTRUMENTS (continued)

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

#### Market risk

Equity price risk

The Group has a portfolio of held-for-trading investments in equity securities and financial liabilities at FVTPL 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.

In addition, the Group is exposed to equity price risk as a result of changes in fair value of its unlisted equity investments and investments in derivatives. The directors of the Company manage the exposure in derivatives by closing all the open position of derivatives and imposing trading limits on daily basis. No sensitivity analysis on equity price risk arising from (i) investments in derivatives has been presented as the Group did not hold any derivatives as at 31 December 2014 and 31 December 2013; and (ii) unlisted equity investments 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.

#### Equity price sensitivity

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

As at 31 December 2014, if the quoted prices of the Group's listed equity investments (2013: equity investments) had been 15 percent (2013: 15 percent) higher/lower, the Group's profit before taxation would increase/decrease by approximately HK\$6,524,000 (2013: loss before taxation decrease/increase by approximately HK\$5,299,000). This is attributable to the changes in fair values of the listed equity investments held for trading and financial liabilities at FVTPL.

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

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (continued)

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

#### Market risk (continued)

Interest rate risk

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans receivable and fixed-rate other borrowings for both years. The Group currently does not have a fair value hedging policy.

Cash flow interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 50 basis points (2013: 50 basis points) change is used and represents management's assessment of the reasonably possible change in interest rates.

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

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation for both years. As at 31 December 2014, if the interest rate had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation would decrease/increase by HK\$536,000 (2013: loss before taxation increase/decrease by HK\$621,000). This is mainly attributable to the Group exposure to the Group's exposure to the interest rates on variable-rate borrowings, loans receivable and loans to margin clients.

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.

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, equity securities listed outside Hong Kong and accounts payable to clients denominated in United Stated dollars ("USD") and Renminbi ("RMB") for the year ended 31 December 2014 and a loan from a non-controlling shareholder of a subsidiary denominated in USD for the year ended 31 December 2013. 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.

For the year ended 31 December 2014

### FINANCIAL INSTRUMENTS (continued)

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

#### Market risk (continued)

Foreign currency risk (continued)

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

	Liabi	ilities	Ass	Assets	
	2014	2013	2014	2013	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
USD	66,283	49,718	125,721	187,786	
RMB	2,264	1,348	41,911	32,469	

As at 31 December 2014, if RMB had strengthened/weakened by 5% (2013: 5%) against HK\$ and all other variables were held constant, the Group's profit before taxation would increase/decrease by HK\$1,982,000 (2013: loss before taxation would decrease/increase by HK\$1,556,000). Under the pegged exchange rate system, the financial impact in exchange difference between HK\$ and USD is considered to be immaterial and therefore no sensitivity analysis has been prepared.

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

#### Credit risk

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

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

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

For the year ended 31 December 2014

### FINANCIAL INSTRUMENTS (continued)

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

#### Credit risk (continued)

In respect to the accounts receivable from MFG HK as disclosed in note 26, the Group closely monitors the progress of liquidation and directors of the Company regularly contact the liquidators for the recovery of the outstanding amount.

The Group has no significant concentration of credit risk as the exposure spread over a number of counterparties and customers, except for the loans receivable as disclosed in note 27.

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

#### Liquidity risk

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

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

#### Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities including financial liabilities at FVTPL. 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.

For the year ended 31 December 2014

## FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk (continued)

Liquidity tables (continued)

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

	Weighted average effective interest rate %	Within 1 year or repayable on demand HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
At 31 December 2014							
Accounts payable	N/A	1,287,188	_	_	_	1,287,188	1,287,188
Financial liabilities at FVTPL	N/A	1,055	_	_	_	1,055	1,055
Accrued liabilities and							
other payables	N/A	100,752	_	_	_	100,752	100,752
Borrowings							
— fixed rate	15%	14,290	_	_	_	14,290	14,014
— variable rate	Note	333,736	9,052	27,156	76,887	446,831	412,370
	•						
		1,737,021	9,052	27,156	76,887	1,850,116	1,815,379
At 31 December 2013							
Accounts payable	N/A	1,197,530	_	_	_	1,197,530	1,197,530
Financial liabilities at FVTPL	N/A	19,701	_	_	_	19,701	19,701
Accrued liabilities and other payables	N/A	128,210	_	_	_	128,210	128,210
Borrowings							
— fixed rate	12%	38,481	_	_	_	38,481	38,100
— variable rate	Note	406,550	1,906	5,719	23,420	437,595	420,591
Loan from a non-controlling							
shareholder of a subsidiary	N/A	27,437	_	_	_	27,437	27,437
Obligations under finance leases	3.35	54	_	_	_	54	54
		1,817,963	1,906	5,719	23,420	1,849,008	1,831,623
		1,017,303	1,700	٥,/١٦	23,420	1,047,000	1,031,023

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

For the year ended 31 December 2014

### FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk (continued)

Liquidity tables (continued)

Borrowings with a repayment on demand clause are included in the "within 1 year or repayment on demand" time band in the above maturity analysis. The aggregate carrying amounts of these bank loans amounted to approximately HK\$132,823,000 as at 31 December 2014 (2013: HK\$222,633,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate payment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows amount to approximately HK\$135,454,000 as at 31 December 2014 (2013: HK\$224,167,000), as follows:

	2014	2013
	HK\$'000	HK\$'000
		_
Within one year	135,454	218,854
More than one year but not exceeding two years	_	5,313
	135,454	224,167

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

#### Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities

For the year ended 31 December 2014

### FINANCIAL INSTRUMENTS (continued)

#### Fair value measurement of financial instruments (continued)

#### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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 values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets/	Fair va	lue as at	Fair value	Valuation technique(s)	
financial liabilities	31 December 2014	31 December 2013	hierarchy	and key input(s)	
Financial assets					
Equity securities listed in Hong Kong	HK\$41,583,000	HK\$36,070,000	Level 1	Quoted prices in an active market	
Equity securities listed outside Hong Kong	HK\$2,962,000	HK\$18,665,000	Level 1	Quoted prices in an active market	
Financial liabilities					
Obligation to deliver equity securities listed outside Hong Kong arising from short selling	HK\$1,055,000	HK\$19,701,000	Level 2	By reference to quoted prices in an active market taking into the consideration of dividend and other rights arising from the underlying shares during the short selling period	

There were no transfers between Level 1 and 2 during both 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 legal enforceable right to set off the money obligations receivable and payable with HKSCC and broker 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.

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (continued)

Financial asset and financial liabilities offsetting (continued)

As at 31 December 2014

	Gross amounts of recognised financial assets after impairment		Net amounts of financial assets presented in the consolidated the statement of financial position	Related am set off consolidated of financia Financial instruments	in the d statement	Net amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b> Amount due from HKSCC, brokers						
and brokerage clients	4,390,400	3,964,184	426,216	(57,149)	(323,510)	45,557
Deposit placed with HKSCC	6,042	_	6,042		_	6,042
	Gross amounts of recognised	Gross amounts of recognised financial assets set off in the consolidated statement	Net amount of financial liabilities presented in the consolidated statement	Related am set off consolidated of financia	in the d statement	
	financial liabilities HK\$'000	of financial position HK\$'000	of financial position HK\$'000	Financial instruments HK\$'000	Collateral pledged HK\$′000	Net amount HK\$'000
Financial liabilities				-		
Financial liabilities at FVTPL	1,055	<u> </u>	1,055	_	_	1,055

For the year ended 31 December 2014

## 6. FINANCIAL INSTRUMENTS (continued)

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

As at 31 December 2013

		Gross	Net			
		amounts of	amounts of			
		recognised	financial			
		financial	assets			
	Gross	liabilities	presented	Related am		
	amounts of	set off in the	in the	set off		
	recognised	consolidated	consolidated	consolidated		
	financial	statement	the statement	financial	position	-
	assets after	of financial	of financial	Financial	Collateral	
	impairment	position	position	instruments	received	Net amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b> Amount due from HKSCC, brokers						
and brokerage clients	3,412,435	2,986,108	426,327	(74,916)	(287,474)	63,937
and brokerage elemb	371127103	2/200/100	120,027	(, ,,, , , , ,	(2077171)	00/207
Deposit placed with HKSCC	7,730		7,730			7,730
		Gross	Net			
		amounts of	amount			
		recognised	of financial			
		financial	liabilities	D-I-+I		
		assets	presented	Related amo set off in		
	Gross	set off in the	in the			
	amounts of	consolidated	consolidated	consolidated s		
	recognised	statement	statement _	of financial		
	financial	of financial	of financial	Financial	Collateral	
	liabilities	position	position	instruments	pledged	Net amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
me - 110 1 010,0						
Financial liabilities Financial liabilities at FVTPL	19,701	_	19,701	_	(10,245)	9,456
-	,		, ,		(.0,2.0)	2,.50

Note: The directors of the Company consider that the net amount of accounts payable to HKSCC, brokers and brokerage clients as at 31 December 2014 presented in the consolidated statement of financial position of HK\$815,076,000 (2013: HK\$742,010,000) do not expose the Group to significant risk. Accordingly, the relevant offsetting disclosures for accounts payable are not presented.

For the year ended 31 December 2014

### 6. 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 at FVTPL fair value
- Deposits placed with HKSCC amortised costs

The collateral pledged by the Group which is eligible for set off the Group's financial liabilities at FVTPL 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.

#### 7. REVENUE

	2014	2013
	HK\$'000	HK\$'000
An analysis of the Group's revenue for the year is as follows:		
Fee and commission income	169,891	168,308
Interest income — financial services	28,172	26,257
Sales of furniture and household goods and electrical		
appliances, net of discounts and returns	1,172,040	1,108,621
Online game subscription income and licensing income	1,505	3,307
	1,371,608	1,306,493

#### 8. SEGMENT INFORMATION

#### **Segment information**

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

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

Financial services Broking, financing, corporate finance services and securities trading Retailing Sales of furniture and household goods and electrical appliances

Online game services Provision of online game services, sales of online game auxiliary products and licensing services

For the year ended 31 December 2014

## **SEGMENT INFORMATION (continued)**

#### Segment revenue and results

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

#### For the year ended 31 December 2014

	Financial services HK\$'000	Retailing HK\$'000	Online game services HK\$'000	Consolidated HK\$'000
Revenue	198,063	1,172,040	1,505	1,371,608
Segment (loss) profit	(14,742)	19,231	(389)	4,100
Unallocated other income Corporate expenses Gain on disposal of a commercial property Fair value change on investment properties Share of results of an associate Unallocated finance costs			-	483 (52,482) 18,002 37,088 60,463 (2,750)
Profit before taxation			_	64,904
For the year ended 31 December 2013				
	Financial services HK\$′000	Retailing HK\$'000	Online game services HK\$'000	Consolidated HK\$'000
Revenue	194,565	1,108,621	3,307	1,306,493
Segment (loss) profit	(17,643)	10,731	(66,462)	(73,374)
Unallocated other income Corporate expenses Fair value change on investment properties Share of results of an associate Unallocated finance costs				221 (50,370) (5,083) (9) (3,653)
Loss before taxation				(132,268)

All the segment revenue is derived from external customers.

Segment result represents the loss incurred/profit earned by each segment without allocation of certain other income, corporate expenses, gain on disposal of a commercial property, fair value change on investment properties, share of results of an associate and certain finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

For the year ended 31 December 2014

## 8. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

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

#### As at 31 December 2014

	Financial services HK\$'000	Retailing HK\$'000	Online game services HK\$′000	Consolidated HK\$'000
ASSETS				
Segment assets	1,871,204	398,921	2,242	2,272,367
Investment properties				213,666
Unallocated property and equipment				905
Available-for-sale financial assets				21,031
Interest in an associate				1,434
Deferred tax assets				6,200
Unallocated prepayments, deposits and				
other receivables				4,742
Unallocated bank balances and cash			_	17,588
Total assets			-	2,537,933
LIADUTTIC				
LIABILITIES Segment liabilities	1,439,714	363,499	4,141	1,807,354
segment liabilities	1,439,714	303,499	4,141	1,607,334
Unallocated accrued liabilities and other				
payables				5,815
Taxation payable				16,493
Unallocated borrowings				2,210
Deferred tax liabilities				14,509
			-	•
Total liabilities				1,846,381

For the year ended 31 December 2014

## 8. SEGMENT INFORMATION (continued)

#### Segment assets and liabilities (continued)

As at 31 December 2013

	Financial services HK\$'000	Retailing HK\$'000	Online game services HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	1,789,189	387,196	2,589	2,178,974
Investment properties				57,112
Unallocated property and equipment				4,231
Interest in an associate				158,154
Loan to an associate				10,296
Unallocated other assets				46,425
Deferred tax assets				7,200
Unallocated prepayments, deposits and other				
receivables				2,553
Unallocated bank balances and cash				22,591
Available-for-sale financial assets			_	24,531
Total assets			_	2,512,067
LIABILITIES				
Segment liabilities	1,399,871	361,725	7,142	1,768,738
Unallocated accrued liabilities and other payables				10,219
Taxation payable				7,410
Unallocated borrowings				25,175
Loan from a non-controlling shareholder				
of a subsidiary				27,437
Deferred tax liabilities				8,218
Obligations under finance leases			_	54
Total liabilities			_	1,847,251

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

- all assets are allocated to the reportable and operating segment other than investment properties, certain property and equipment, interest in an associate, loan to an associate, certain other assets, deferred tax assets, certain prepayments, deposits and other receivables, available-for-sale financial assets and certain bank balances and cash; and
- all liabilities are allocated to the reportable and operating segment other than certain accrued liabilities and other payables, taxation payable, certain borrowings, loan from a non-controlling shareholder of a subsidiary, obligations under finance leases and deferred tax liabilities.

For the year ended 31 December 2014

## **SEGMENT INFORMATION (continued)**

### **Other Segment information**

#### For the year ended 31 December 2014

	Financial services HK\$'000	Retailing HK\$′000	Online game services HK\$'000	Unallocated HK\$′000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property and equipment	16,547	29,605	_	14	46,166
Interest income	28,172	317	_	32	28,521
Depreciation of property and equipment Finance costs	11,702 9,485	18,370 5,412	240	1,370 2,750	31,682 17,647
Net gains on investments held for trading	(66,473)	J,712 —	_	2,750	(66,473)
Write-down on inventories	_	4,518	_	_	4,518
Loss on disposal/written-off of property and					
equipment	_	5	8	467	480
Write back of bad debt on accounts receivable,	(2.624)				(2.624)
net Write back of bad and doubtful loans receivable	(2,631) (2,700)	_	_	_	(2,631) (2,700)
Impairment loss recognised in respect	(2,700)	_	_	_	(2,700)
of goodwill	2,661	_	_	_	2,661
For the year ended 31 December 2013					
	Financial		Onlina gama		
	services	Retailing	Online game services	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property and equipment	11,349	15,066	3	1,021	27,439
Interest income	26,257	277	_	36	26,570
Depreciation of property and equipment	12,383	19,591	1,594	10,304	43,872
Amortisation of intangible assets	_	_	5,757	_	5,757
Finance costs	8,925	5,518	_	3,653	18,096
Net gains on investment held for trading	(67,598)	4.540	_	_	(67,598)
Write-down on inventories  Loss on disposal/written-off of property and	_	4,548	_	_	4,548
equipment	_	147	934	6,042	7,123
Allowance on bad and doubtful loans receivable	1,000	_			1,000
Write back of bad debt on accounts receivable, net	(2,048)	_	_	_	(2,048)
Impairment loss recognised in respect of					
intangible assets	300		37,331		37,631

For the year ended 31 December 2014

## 8. SEGMENT INFORMATION (continued)

#### Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2014	2013
	HK\$'000	HK\$'000
Income from financial services	198,063	194,565
Sales of furniture and household goods	1,011,106	939,959
Sales of electrical appliances	160,934	168,662
Income from online game services	1,505	3,307
	1,371,608	1,306,493

#### **Geographical information**

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 loans receivable, available-for-sale financial assets and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue		Non-curre	ent assets
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,366,572	1,293,837	390,757	247,823
PRC	5,036	12,656	61,042	218,655
	1,371,608	1,306,493	451,799	466,478

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

#### 9. OTHER INCOME

	2014	2013
	HK\$'000	HK\$'000
		_
Dividends from listed investments held for trading	1,821	1,929
Consulting fee income	2,345	5,657
Sundry income	9,034	6,537
	13,200	14,123

For the year ended 31 December 2014

## 10. OTHER GAINS AND LOSSES

	2014	2013
	HK\$'000	HK\$'000
Net gain on investments held for trading	66,473	67,598
Impairment loss on available-for-sale financial asset	(3,500)	_
Loss on disposal/written off of property and equipment	(480)	(7,123)
Net foreign exchange (loss) gain	(1,705)	3,002
Write back of bad debt on accounts receivable, net	2,631	2,048
Write back of (allowance on) bad and doubtful loans receivable	2,700	(1,000)
Gain on disposal of a commercial property (Note 45)	18,002	_
	84,121	64,525

## 11. SALARIES, ALLOWANCES AND COMMISSION

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and commission represent the amounts paid and payable to the		
directors of the Company and employees and comprises of:		
Salaries and allowances	214 041	217771
	214,041	217,771
Sales commission	84,799	72,294
Contributions to retirement benefits schemes	10,920	13,377
Share-based payments	18,939	_
	328,699	303,442

### 12. FINANCE COSTS

	2014	2013
	HK\$'000	HK\$'000
Interest on:		
Bank overdrafts, bank loans and other borrowings:		
— wholly repayable within five years	15,654	17,209
— not wholly repayable within five years	1,987	868
Finance lease wholly repayable within five years	6	19
	17,647	18,096

For the year ended 31 December 2014

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

#### Directors' and chief executive's remuneration

The remuneration paid or payable to each of the seven (2013: nine) directors was as follows:

	Kwan Pak Hoo Bankee HK\$'000 (Note (2))	Tsui Wing Cheong Sammy HK\$'000 (Note (1))	Law Ping Wah Bernard HK\$'000	Ng Hin Sing Derek HK\$'000	Leung Ka Kui Johnny HK\$'000	Chan Hak Sin HK\$'000	Wong Chuk Yan HK\$'000	Total HK\$'000
2014								
Fees:								
Executive directors	_	_	_	_	_	_	_	_
Independent non-executive directors	_	_	_	_	150	150	_	300
Other remuneration paid to Executive directors:								
Salaries, allowances and benefits in kind	1,413	962	1,013	1,020	_	_	_	4,408
Share-based compensation	2,500	_	2,500	786	_	_	_	5,786
Contributions to retirement benefit scheme	71	48	51	51			_	221
Total remuneration	3,984	1,010	3,564	1,857	150	150	_	10,715

#### Notes:

<sup>(1)</sup> Mr Tsui Wing Cheong Sammy resigned as director of the Company on 1 July 2014.

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

For the year ended 31 December 2014

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

### Directors' and chief executive's remuneration (continued)

Hoo Checkee Sam 000 HK\$'( (5)) (Note	my Berna 000 HK\$'0	rd Derel	k Bob ) HK\$'000	Raymond	Ka Kui Johnny HK\$'000	Chan Hak Sin HK\$'000	Wong Chuk Yan HK\$'000	Total HK\$'000
000 HK\$′(	000 HK\$'0	00 HK\$'000	) HK\$'000	HK\$'000	,			
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
(5)) (Note	(3))	(Note (1)	) (Note (2))	(Note (4))	_			
_								
	_		- –	_	_	_	_	_
_	_			_	150	150	_	300
339	121 8	53 366	5 428	542	_	_	_	3,959
67	16	43 18	3 21	27				192

#### Notes:

- (1) Mr Ng Hin Sing Derek was appointed as director of the Company on 5 August 2013.
- (2) Dr Chan Yau Ching Bob was resigned as director of the Company on 5 August 2013.
- (3) Mr Tsui Wing Cheong Sammy was appointed as director of the Company on 7 October 2013.
- (4) Mr Ng Kung Chit Raymond was resigned as director of the Company on 7 October 2013.
- (5) Mr Kwan Pak Hoo Bankee was also the Company's chief executive and his remunerations disclosed above include those for services rendered by him as chief executive.

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

For the year ended 31 December 2014

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

#### Employees' remuneration

Of the five individuals with the highest emoluments in the Group, two (2013: nil) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2013: five) individuals were as follows:

	2014	2013
	HK\$'000	HK\$'000
		_
Salaries, allowances and benefits in kind	6,110	8,470
Contributions to retirement benefit scheme	307	456
Performance related incentive payments (Note)	2,598	16,870
	9,015	25,796

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

Their remuneration were within the following band:

	Number of employees	
	2014	2013
HK\$1,000,001 to HK\$1,500,000	_	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	_
HK\$6,000,001 to HK\$6,500,000	_	1
HK\$13,000,001 to HK\$13,500,000	_	1

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

	2014 HK\$′000	2013 HK\$'000
	11114 000	1111,000
Current tax:		
— Hong Kong Profits Tax	(12,165)	(6,066)
(Under) overprovision in prior years	(1,846)	1,550
Deferred tax (charge) credit	(7,291)	8,419
	(21,302)	3,903

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

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

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

For the year ended 31 December 2014

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

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

	2014	2013
	HK\$'000	HK\$'000
Profit (loss) before taxation	64,904	(132,268)
Tax at domestic income tax rate of 16.5% (2013: 16.5%)	(10,709)	21,824
Tax effect of share of results of an associate	9,976	(1)
(Under) overprovision in prior years	(1,846)	1,550
Tax effect of expenses not deductible for tax purpose	(8,986)	(5,038)
Tax effect of income not taxable for tax purpose	940	1,573
Tax effect of deductible temporary difference not recognised	(36)	(1,526)
Tax effect of estimated tax losses not recognised	(9,936)	(17,908)
Tax effect of utilisation of estimated tax losses previously not recognised	994	819
Others	(1,699)	2,610
Income tax (expense) credit	(21,302)	3,903

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

#### **Deferred tax assets**

	Decelerated
	tax
	depreciation
	HK\$'000
At 1 January 2013	6,700
Credit to profit or loss for the year	500
At 31 December 2013	7,200
Charge to profit or loss for the year	(1,000)
At 31 December 2014	6,200

For the year ended 31 December 2014

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

#### **Deferred tax liabilities**

	Revaluation of investment	Interest in	Fair value adjustment on intangible assets under business	
	properties	an associate	combination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	(3,121)	(1,404)	(11,612)	(16,137)
Credit to profit or loss for the year	1,552	1,404	4,963	7,919
At 31 December 2013	(1,569)	_	(6,649)	(8,218)
Charge to profit or loss for the year	(6,291)		_	(6,291)
At 31 December 2014	(7,860)		(6,649)	(14,509)

As at 31 December 2014, the Group has deductible temporary differences and estimated unused tax losses of approximately HK\$48,747,000 and HK\$881,159,000 (2013: HK\$48,529,000 and HK\$826,963,000) available for offset against future profits. No deferred tax asset has been recognised as at 31 December 2014 and 31 December 2013 in respect of these deductible temporary differences and estimated unused tax losses as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised, and it is also uncertain whether sufficient future taxable profits will be available in future to offset the amount.

For certain subsidiaries operating in the PRC, unrecognised tax losses of HK\$274,790,000 (2013: HK\$263,844,000) will expire in various dates up to 2018 (2013: 2017). The remaining unrecognised tax losses of the Group have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department.

#### 15. PROFIT (LOSS) FOR THE YEAR

	2014	2013
	HK\$'000	HK\$'000
Profit (loss) for the year has been arrived at after charging:		
Auditor's remuneration	3,820	3,750
Operating lease rentals in respect of land and buildings	227,669	208,416
Handling expenses for securities dealing	18,134	19,061
Advertising and promotion expenses	29,652	34,712
Utilities expenses	27,459	25,442
Telecommunication expenses	26,020	27,524
Legal and professional fee	15,183	19,287
Other selling and distribution expenses	42,299	39,736
Cost of inventories in retailing business	671,175	650,905
Cost of services for online game business	1	1,345
Write-down on inventories (included in cost of inventories		
in retailing business)	4,518	4,548

For the year ended 31 December 2014

### 16. EARNINGS (LOSS) PER SHARE

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

	2014 HK\$′000	2013 HK\$'000
Profit (loss) for the purposes of basic earnings (loss) per share	2,422	(87,835)
Effect of dilutive potential ordinary share:		
Decrease in share of profits in CFSG	(497)	_
Profit (loss) for the purpose of diluted earnings (loss) per share	1,925	(87,835)
	Number	of shares
	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted		
earnings (loss) per share	554,148	492,281

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the years ended 31 December 2013 has been adjusted to reflect the impact of the bonus element of rights issue on 13 June 2013.

The incremental shares from assumed exercise of share options granted by the Company were excluded in calculating the diluted loss per share during the year ended 31 December 2013 because they were antidilutive in calculating the diluted loss per share.

For the year ended 31 December 2014, effect from assumed exercise of share options is excluded in calculating the diluted earnings per share as the exercise price is higher than the average market price in 2014.

#### 17. DIVIDENDS

No dividend was paid or proposed during 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

For the year ended 31 December 2014

## 18. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST				
At 1 January 2013	167,140	146,533	4,199	317,872
Additions	15,684	11,755	4,199	27,439
Disposals/written off	(66,600)	(53,362)		(119,962)
Exchange adjustments	1,019	1,053	49	2,121
At 31 December 2013	117,243	105,979	4,248	227,470
Additions	31,740	14,426	_	46,166
Disposals/written off	(21,622)	(12,902)	_	(34,524)
Exchange adjustments	(100)	(66)	(11)	(177)
At 31 December 2014	127,261	107,437	4,237	238,935
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2013	124,039	107,100	2,436	233,575
Provided for the year	26,811	16,454	607	43,872
Eliminated on disposals/written off	(63,787)	(48,902)	_	(112,689)
Exchange adjustments	891	1,170	51	2,112
At 31 December 2013	87,954	75,822	3,094	166,870
Provided for the year	19,998	11,140	544	31,682
Eliminated on disposals/written off	(21,102)	(12,835)	_	(33,937)
Exchange adjustments	(100)	(55)	(11)	(166)
At 31 December 2014	86,750	74,072	3,627	164,449
CARRYING AMOUNTS				
At 31 December 2014	40,511	33,365	610	74,486
At 31 December 2013	29,289	30,157	1,154	60,600

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

Leasehold improvements The shorter of the lease terms and 5 years

Furniture, fixtures and equipment 3 to 7 years Motor vehicles 3 to 5 years

During the year ended 31 December 2013, the Group disposed of/wrote off the leasehold improvements and furniture and fixtures with carrying amount of HK\$6,607,000 related to the closure of a retail shop in PRC.

The carrying amounts of motor vehicles include amounts of approximately HK\$826,000 in respect of assets held under finance leases as at 31 December 2013.

For the year ended 31 December 2014

#### 19. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 January 2013	68,832
Decrease in fair value recognised in profit or loss	(5,083)
Disposals	(7,986)
Exchange adjustments	1,349
At 31 December 2013	57,112
Net increase in fair value recognised in profit or loss	37,088
Additions	119,932
Exchange adjustments	(466)
At 31 December 2014	213,666
Unrealised gain (loss) on property revaluation included	
in fair value change on investment properties:	
For the year ended 31 December 2014	37,088
For the year ended 31 December 2013	(5,369)

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

The investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embedded in the investment properties over time and therefore for the purpose of measurement of deferred tax liabilities arising from investment properties, the presumption that the carrying amounts will be recovered through sale is rebutted.

The fair value of the Group's investment properties as at 31 December 2014 and 2013 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 experiences in the valuation of similar properties in the relevant locations.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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.

The fair value of properties situated in PRC 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. There was no change on the valuation technique used from the prior year.

For the year ended 31 December 2014

## 19. 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 and 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 2014				
Residential 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  The key inputs are:  (1) Level adjustment  (2) View adjustment	Level adjustment on individual floors of the property concluding with a range of 0.4% to 3%  View adjustment on the site view of the property concluding with an adjustment of 3%	The higher level, the higher the fair value  The better view, the higher the fair value
At 31 December 2013				
Residential property units	Level 3	Direct comparison method based on market observable transactions of the same building and adjust to reflect the conditions and locations of the subject properties  The key inputs are:  (1) Level adjustment (2) View adjustment	Level adjustment on individual floors of the property concluding with a range of 0.5% to 3%  View adjustment on the site view of the property concluding with an adjustment of 3%	The higher level, the higher the fair value  The better view, the higher the fair value

There were no transfers into or out of Level 3 during the both years.

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

	2014	2013
	HK\$'000	HK\$'000
		_
Land in Hong Kong with medium-term lease	155,000	_
Land in the PRC with medium-term lease	37,586	36,322
Land in the PRC with long-term lease	21,080	20,790
Total assets	213,666	57,112

For the year ended 31 December 2014

## 20. GOODWILL

		HK\$'000
COST		
At 1 January 2013, 31 December 2013 and 31 December 2014		261,707
IMPAIRMENT		
At 1 January 2013 and 31 December 2013		198,997
Impairment loss recognised		2,661
At 31 December 2014		201,658
CARRYING AMOUNTS At 31 December 2014		60,049
At 31 December 2013		62,710
The carrying amounts of goodwill allocated to the CGUs are as follows:		
	2014	2013
	HK\$'000	HK\$'000
Financial services	20,606	23,267
Retailing	39,443	39,443
	60,049	62,710

Particulars regarding impairment testing on goodwill as at 31 December 2014 and 2013 are disclosed in note 22.

For the year ended 31 December 2014

## 21. INTANGIBLE ASSETS

	Trading rights HK\$'000 (Note (c))	Club membership HK\$'000 (Note (d))	Online game related intellectual property HK\$'000	Online game development costs HK\$'000 (Note (a))	Domain name HK\$'000 (Note (b))	Trademarks HK\$'000 (Note (e))	Gaming licences HK\$'000 (Note (f))	<b>Total</b> HK\$'000
	(1000 (0))	(Note (a))		(Note (a))	(Note (b))	(Note (c))	(Note (i))	
COST								
At 1 January 2013	9,392	660	16,390	63,271	5,460	38,000	40,295	173,468
Written off	_	_	(16,390)	_	_	_		(16,390)
At 31 December 2013								
and 31 December 2014	9,392	660		63,271	5,460	38,000	40,295	157,078
AMORTISATION AND ACCUMULATED IMPAIRMENT								
At 1 January 2013	_	_	16,390	50,264	_	_	10,214	76,868
Charge for the year Impairment loss recognised	_	_	_	_	_	_	5,757	5,757
for the year	300	_	_	13,007	_	_	24,324	37,631
Written off		_	(16,390)	_				(16,390)
At 31 December 2013								
and 31 December 2014	300	_		63,271		_	40,295	103,866
NET BOOK VALUES At 31 December 2013								
and 31 December 2014	9,092	660			5,460	38,000	_	53,212

For the year ended 31 December 2014

### 21. INTANGIBLE ASSETS (continued)

Notes:

- Intangible asset of online game development costs represented internally generated online game development costs. This intangible asset has definite useful life and is amortised on a straight-line basis over the estimated useful life. The online game development costs are subject to impairment assessment. During the year ended 31 December 2013, the financial performance and actual net cash flows generating from the online games continued to decline. In view of this, management further adjusted downward the estimated cash flows of the online game services by reference to actual results. The re-estimation of the recoverable amount of the online game development costs is estimated to be less than the carrying amounts (before impairment) and impairment losses of HK\$13,007,000 in respect of online game development costs are recognised to profit or loss during the year ended 31 December 2013.
- At 31 December 2014, intangible assets with carrying amounts of HK\$5,460,000 (2013: HK\$5,460,000) represent domain name. It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life. The domain name is considered by management of the Group as having an indefinite useful life because it is expected to be used indefinitely. The domain name will not be amortised until its useful life is determined to be finite, instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.
  - For the purpose of impairment testing on domain name during the year ended 31 December 2014 and 2013, the recoverable amount has been determined based on fair value less costs of disposal. The fair value less costs of disposal is arrived at by market approach, with reference to the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs of disposal at 31 December 2014 and 2013 was supported by a valuation carried out at that day by Peak Vision Appraisals Limited, an independent qualified professional valuer not connected with the Group.
- At 31 December 2014, intangible assets amounting to HK\$9,092,000 (2013: 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. During the year ended 31 December 2013, Hong Kong Mercantile Exchange Limited ("HKME") voluntarily surrendered its authorisation to provide automated trading services, management of the Group determined that the associated trading right no longer existed, full impairment was provided. Particulars of the impairment testing of remaining balance are disclosed in note 22.
- At 31 December 2014, intangible assets amounting to HK\$660,000 (2013: 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 less costs of disposal is the second-hand market price less cost of disposal. During the years ended 31 December 2014 and 2013, 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.
- At 31 December 2014, trademark amounting to HK\$38,000,000 (2013: HK\$38,000,000) represents the perpetual right for the use of the brand name "Pricerite" in Hong Kong which takes the form of a sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the products are expected to generate net cash flows for the Group. As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding impairment testing on trademark are disclosed in note 22.
- This intangible asset has definite useful life and is amortised on a straight-line basis over 7 years. During the year ended 31 December 2013, the Group failed to launch any mobile games deriving from the gaming licenses and management decided to suspend the development in mobile game business. In view of this, the Group recognised an impairment of HK\$24,324,000 on the gaming licenses during the year ended 31 December 2013.

For the year ended 31 December 2014

#### 22. IMPAIRMENT ASSESSMENT ON GOODWILL AND INTANGIBLE ASSETS

For the purpose of impairment testing, goodwill, trading rights and trademarks set out in notes 20 and 21 have been allocated to the following CGUs respectively. The carrying amount of goodwill, trading rights and trademarks as at 31 December 2014 and 2013 allocated to these units are as follows:

	Goodwill		Trading	grights	Trademarks		
	2014	2013	2014	2013	2014	2013	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Financial services	20,606	23,267	9,092	9,092	_	_	
Retailing	39,443	39,443	_	_	38,000	38,000	
	60,049	62,710	9,092	9,092	38,000	38,000	

#### **Financial services CGU**

During the year ended 31 December 2014, management of the Group determines that impairment of HK\$2,661,000 is made for goodwill allocated to certain corporate finance CGU which had been closed down in 2014.

Goodwill of HK\$20,606,000 and trading rights of HK\$9,092,000 are allocated to CGU of broking of securities (2013: goodwill of HK\$23,267,000 and trading rights of HK\$9,092,000 allocated to CGUs of broking of securities and corporate finance). The recoverable amounts of the CGU of broking of securities and corporate finance have been determined based on a value in use calculation in 2013 while only broking of securities has been determined on a value in use calculation in 2014. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period, and discount rate of 8% (2013: 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 market development and is not expected to exceed the average long-term growth rate for the relevant industry. No further impairment was made as the recoverable amount exceeded the carrying amount.

#### **Retailing CGU**

Goodwill of HK\$39,443,000 (2013: HK\$39,443,000) and trademark of HK\$38,000,000 (2013: HK\$38,000,000) are allocated to CGU of retailing business in Hong Kong. The recoverable amount of the CGU of retailing business has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period having an annual growth rate of 6% and discount rate of 10.9% (2013: five-year period, annual growth rate of 3% and discount rate of 19.6%) and projection of terminal value using the perpetuity method at a growth rate of 3% (2013: 3%). A key assumption for the value in use calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development in Hong Kong. No impairment on this CGU is made for both years as the recoverable amount exceeded the carrying amount. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

For the year ended 31 December 2014

### 23. INTEREST IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE

	2014 HK\$′000	2013 HK\$'000
	UK\$ 000	HK\$ 000
Cost of investment in an associate		
Unlisted shares	67,833	67,833
Share of post-acquisition profits and other comprehensive income	148,305	90,321
	216,138	158,154
Capital distribution from associate	(214,704)	
	1,434	158,154
Loan to an associate (Note)	_	10,296

Note: Pursuant to the shareholder agreement entered into between a subsidiary of the Company, Marvel Champ Investments Limited, and other shareholders of the associate on 27 June 2007, the loan to an associate was unsecured, non-interest bearing and had no fixed repayment terms. As at 31 December 2013, the loan to an associate was reclassified from non-current assets to current assets because, in the opinion of the directors, the loan will be repaid to the Group upon completion of the disposal of a subsidiary held by the associate in 2014, the balance was fully settled during the year.

As at 31 December 2014 and 2013, the Group had interest in the following associate:

Name of entity	Form of business structure	Country of incorporation/date of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group %	Proportion of voting power held %	Principal activities
China Able Limited	Incorporated	British Virgin Islands ("BVI") 23 May 2007	PRC	Ordinary	33.33	33.33	Investment holding with its subsidiaries involved in property investment in Shanghai up to the disposal in 2014 and became inactive thereafter

For the year ended 31 December 2014

## 23. INTEREST IN AN ASSOCIATE AND LOAN TO AN ASSOCIATE (continued)

#### Summarised financial information of associate

Summarised financial information in respect of the Group's associate 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 accounted for using the equity method in these consolidated financial statements.

#### **China Able Limited**

	2014 HK\$′000	2013 HK\$'000
Non-current assets		842,714
Current assets	8,794	10,848
Current liabilities	(4,492)	(75,410)
Non-current liabilities	_	(303,690)
	2014 HK\$′000	2013 HK\$'000
Revenue	15,048	55,261
Gain on disposal of a subsidiary	220,962	_
Profit (loss) for the year	181,389	(27)
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	2013
	HK\$'000	HK\$'000
Net assets	4,302	474,462
Proportion of the Group's ownership interest	33.33%	33.33%
Carrying amount of the Group's interest	1,434	158,154

For the year ended 31 December 2014

#### 24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 HK\$'000	2013 HK\$'000
	1113 000	000 ¢/11 1
Unlisted investments		
— equity securities of investee incorporated in Hong Kong (at cost) (Note (a))	21,031	21,031
— equity securities of investee incorporated in the BVI (at cost) (Note (b))		3,500
	21,031	24,531

#### Notes:

- At 31 December 2014 and 31 December 2013, the unlisted investment represents 18% 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 made for the venture capital and private equity management business by simple majority of vote, 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 had merely 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. The unlisted investment is measured at cost less impairment at 31 December 2014 and 31 December 2013 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.
- During the year ended 31 December 2014, the Group made a full impairment losses in respective of equity securities incorporated in the BVI because of insolvent financial position of the counterparty.

These investments are measured at cost less impairment at the end of the reporting period 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.

#### 25. OTHER ASSETS

	2014 HK\$′000	2013 HK\$'000
Statutory and other deposits with exchanges and clearing houses		
— current portion	7,317	5,747
— non-current portion	4,792	10,964
Deposits and direct costs paid for the purchase of properties (Note)		
— current portion	_	23,337
— non-current portion	_	23,088
	12,109	63,136
Carrying amount analysed for reporting purposes:		
— current portion	7,317	29,084
— non-current portion	4,792	34,052
	12,109	63,136

The above deposits are non-interest bearing.

Note: The Group entered into sale and purchase agreements with a property developer on 10 November 2012 for the acquisition of two Hong Kong properties for capital appreciation purpose at a consideration of HK\$230,142,000 of which deposits of HK\$46,073,000 were paid to the property developer as at 31 December 2013. In 2013, the Group further entered into another provisional sale and purchase agreement with an independent third party ("Purchaser") for the disposal of one of the properties ("Property") at a consideration of HK\$135,000,000. Accordingly, the deposit paid and direct costs incurred for the purchase of the Property amounting to HK\$23,337,000 was classified as current asset at 31 December 2013. The transactions were completed in January 2014 upon delivery of the Property to the Group and Purchaser respectively.

For the year ended 31 December 2014

#### 26. ACCOUNTS RECEIVABLE

	2014 HK\$'000	2013 HK\$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	84,844	74,475
Cash clients	57,949	67,236
Margin clients	283,423	284,616
Accounts receivable arising from the business of dealing in futures and options:		
Clients	139	139
Clearing houses, brokers and dealers	274,998	180,041
Commission receivable from brokerage of mutual funds		
and insurance-linked investment products	4,697	1,777
Accounts receivable arising from the business of provision of corporate finance services	390	40
Accounts receivable arising from the business of provision of online game services	205	372
Accounts receivable arising from the business of retailing	1,214	
	707,859	608,696
The credit quality of accounts receivable are summarised as follows:		
	2014	2013
	HK\$'000	HK\$'000
Neither past due nor impaired:		
— Margin clients	283,423	284,616
— Other non-margin clients	44,142	37,906
— Clearing houses, brokers and dealers	353,695	239,148
— Online game services customers	205	372
— Retail business customers	926	_
Past due but not impaired	25,468	46,654
Impaired	2,632	5,476
	710,491	614,172
Less: Allowance for impairment	(2,632)	(5,476)

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 aged analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of broking business.

For the year ended 31 December 2014

### 26. ACCOUNTS RECEIVABLE (continued)

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends either to settle on a net basis, or to realise the balances simultaneously. Details are set out in note 6.

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

	2014	2013
	HK\$'000	HK\$'000
0–30 days	3,873	1,440
31–60 days	134	_
61–90 days	51	_
Over 90 days	1,029	377
	5,087	1,817

In general, accounts receivable due from margin clients are included in "Neither past due nor impaired" category. As at 31 December 2014 and 2013, 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\$2,632,000 (2013: HK\$5,476,000) which are fully impaired and not secured by any clients' listed securities, are included in "Impaired" category as at 31 December 2014 and 2013.

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 pledged securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowing (with client's consent). The loans are repayable on demand and bear interest at commercial rates.

The Group allows an average credit period of 30 days to its online game services customers. The accounts receivable with a carrying amount of approximately HK\$205,000 (2013: HK\$372,000) are aged within 30 days (from the trade date) which is neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are recoverable.

The Group allows an average credit period of 30 days to its corporate customers on retailing business. The ageing analysis based on the invoices date, which approximately the revenue recognition date, is as follows:

	2014	2013
	HK\$'000	HK\$'000
0–30 days	926	_
31–60 days	123	_
61–90 days	77	_
Over 90 days	88	_
	1,214	_

Included in the Group's accounts receivable are debtors (excluding margin clients), with a carrying amount of HK\$25,180,000 (2013: HK\$46,654,000) from financial services business and HK\$288,000 (2013: nil) from retailing business 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 end of the reporting period.

For the year ended 31 December 2014

#### 26. ACCOUNTS RECEIVABLE (continued)

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

	2014	2013
	HK\$'000	HK\$'000
0–30 days	12,903	27,475
31–60 days	4,911	3,295
61–90 days	51	_
Over 90 days	7,315	15,884
Total accounts receivable from financial services	25,180	46,654
0–30 days	123	_
31–60 days	77	_
61–90 days	88	<u> </u>
Total accounts receivable from relating business	288	
	25,468	46,654

As at 31 December 2014, in connection with the business of dealing in futures and options account on behalf of its client of HK\$6,147,000 (2013: HK\$15,368,000) with MFG HK, the directors of the Company have been in contact with the liquidators of MFG HK, being appointed by MFG HK since 2 November 2011 following the filing for bankruptcy protection by MF Global UK Limited (its ultimate parent company) in the United States of America on 31 October 2011, for the return of the account balances to the Group with subsequent partial settlement of HK\$9,221,000 (2013: HK\$15,368,000) during the year ended 31 December 2014. The Group expected to recover the remaining amount within the next 12 months from the end of the reporting period. Therefore, the directors of the Company believe no allowance for bad and doubtful debts is necessary.

Accounts receivable are netted off by allowance for bad and doubtful debts of HK\$2,632,000 (2013: HK\$5,476,000) in which included individual allowance of HK\$2,268,000 (2013: HK\$5,117,000) and collective allowance of HK\$364,000 (2013: HK\$359,000) respectively.

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

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

	2014	2013
	HK\$'000	HK\$'000
Balance at the beginning of the year	5,476	7,524
Charge for the year	1,829	2,801
Amounts write off during the year	(213)	_
Amounts write back during the year	(4,460)	(4,849)
Balance at the end of the year	2,632	5,476

For the year ended 31 December 2014

#### 26. ACCOUNTS RECEIVABLE (continued)

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

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

Name	Balance at 1 January HK\$'000	Balance at 31 December HK\$'000	Maximum amount outstanding during the year HK\$'000	Market value of pledged securities at fair value at 31 December HK\$'000
	1 11/2 000	1 11/2 000	1 11/2 000	1117 000
<b>Directors of the Company</b> Mr Kwan Pak Hoo Bankee and associates (Notes (1) and (6))				
2013	_	_	1,484	2,500
2014			259	1,850
Mr Law Ping Wah Bernard and associates (Note (1))				
2013	_	_	15,955	_
2014			10,109	
Mr Ng Kung Chit Raymond and associates (Notes (1) and (3))				
2013	_	_	7,978	_
2014	_		6,110	
Mr Ng Hin Sing Derek and associates (Notes (1) and (4))				
2013	_	_	_	_
2014			10,109	_
Dr Chan Yau Ching Bob and associates (Notes (1) and (3))				
2013	_	_	5,291	8,321
2014			7,864	9,641
A substantial shareholder with significant influence over the Company				
Cash Guardian (Note (2))				
2013	_	_	3,227	1,254
2014	_	_	840	11,555

For the year ended 31 December 2014

#### 26. ACCOUNTS RECEIVABLE (continued)

Name	Balance at 1 January HK\$'000	Balance at 31 December HK\$'000	Maximum amount outstanding during the year HK\$'000	Market value of pledged securities at fair value at 31 December HK\$'000
Directors of CFSG				
Mr Cheng Man Pan Ben and associates (Notes (1) and (5))				
2013	234	441	3,102	903
2014	441		2,865	1,163
Ms Cheng Pui Lai Majone and associates (Note (1))				
2013	_	_	16,284	211
2014			22,545	8,246
Other connected clients				
Mr Kwan Pak Leung Horace and associates (Notes (1) and (6))				
2013	_	_	3,782	_
2014		_	7,780	
Ms Chan Siu Fei Susanna and associates (Notes (1) and (6))				
2013	_	_	_	_
2014	_	_	7,582	9

#### Notes:

- Associates are defined in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.
- Cash Guardian is solely owned by Mr Kwan Pak Hoo Bankee, who is the director of the Company. (2)
- Mr Ng Kung Chit Raymond and Dr Chan Yau Ching Bob resigned as directors of the Company during the year ended 31 December 2013. (3)
- (4) Mr Ng Hin Sing Derek was appointed as executive director of the Company during the year ended 31 December 2013.
- Mr Cheng Man Pan Ben resigned as executive director of CFSG during the year ended 31 December 2013.
- During the year ended 31 December 2013, Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna were associates of Mr Kwan Pak Hoo Bankee. In the annual general meeting of CFSG held during the year ended 31 December 2014, they have individually granted margin financing

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

For the year ended 31 December 2014

#### 27. LOANS RECEIVABLE

	2014	2013
	HK\$'000	HK\$'000
Loans receivable denominated in Hong Kong dollars	75,037	68,428
Less: Allowance for bad and doubtful debts	(30,595)	(42,997)
Ecs. Allowance for bad and doubtful debts	(30,333)	(42,551)
	44,442	25,431
Carrying amount analysed for reporting purposes:		
Current assets	44,442	23,951
Non-current assets	_	1,480
	44,442	25,431
The credit quality of loans receivable are summarised as follows:		
	2014	2013
	HK\$'000	HK\$'000
Neither past due nor impaired	33,675	17,364
Past due but not impaired	6,737	_
Impaired	34,625	51,064
	75,037	68,428
Less: Allowance for impairment	(30,595)	(42,997)
	44,442	25,431

Except for the loans receivable with the carrying amount of HK\$10,767,000 (2013: HK\$8,067,000) which is non-interest bearing, interest rates on the variable-rate loans receivable are Hong Kong Prime Rate plus a spread for both years.

Interest rates on the fixed-rate loans receivable with the carrying amount of HK\$12,000,000 (2013: HK\$13,581,000) ranging from 2.5% to 4.25% (2013: 2.5% to 4.25%) per annum as at 31 December 2014. The effective interest rates are equal to contractual interest rate.

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.

For the year ended 31 December 2014

#### 27. LOANS RECEIVABLE (continued)

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

	2014	2013
	HK\$'000	HK\$'000
Balance at the beginning of the year	42,997	41,997
Write back during the year	(2,700)	_
Charge during the year	_	1,000
Amount write off during the year	(9,702)	_
Balance at the end of the year	30,595	42,997

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\$33,675,000 (2013: HK\$17,364,000) which are neither past due nor impaired at the reporting dates, for which the Group believes that the amounts are considered recoverable. An amount of HK\$14,080,000 (2013: HK\$13,570,000) are fully secured by a residential property at a fair value of approximately HK\$43,300,000 (2013: HK\$40,800,000) and the remaining amount of HK\$19,595,000 (2013: HK\$3,794,000) are unsecured and due from borrowers for whom there was no recent history of default.

At the end of each reporting date, the Group's loans receivable were individually assessed for impairment. The Group encountered difficulties in collection of certain loans receivable and appropriate allowance for bad and doubtful debts has been made against these loans receivable. The individually impaired loans receivable are recognised based on the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific allowance for bad and doubtful debts was recognised. The above allowance for bad and doubtful debts of HK\$30,595,000 (2013: HK\$42,997,000) on the gross carrying amount of loans receivable amounting to HK\$34,625,000 (2013: HK\$51,064,000) were individually impaired up to the fair value of each client's pledged securities. At 31 December 2014, the fair value of pledged securities is HK\$4,405,000 (2013: HK\$8,386,000). The individually impaired short term loans receivable relate to customers that were in default or delinquency in repayments.

The Group has concentration of credit risk from five highest borrowers of HK\$43,575,000 (2013: HK\$45,521,000) in total at 31 December 2014. The balance includes an amount of HK\$26,496,000 (2013: HK\$13,570,000) which are neither past due nor impaired, of which HK\$14,080,000 (2013: HK\$13,570,000) is fully secured by a residential property as mentioned in above. In addition, it includes an amount of HK\$6,737,000 (2013: nil) at 31 December 2014 which is past due at the reporting date which the Group has not provided for impairment as the balance is secured by listed securities amounting to HK\$7,569,000. The Group believes that the amount are still considered recoverable given the collateral is sufficient to cover the entire balance. The remaining balance of HK\$10,342,000, net of allowance for bad debt of HK\$9,302,000 (2013: HK\$31,951,000, net of allowance for bad debt of HK\$25,964,000) are past due and impaired up to the fair value of the collateral.

For the year ended 31 December 2014

#### 27. LOANS RECEIVABLE (continued)

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

	2014	2013
	HK\$'000	HK\$'000
On demand or within one year	19,794	2,303
Over one year and less than five years	_	1,480
	19,794	3,783

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

	2014	2013
	HK\$'000	HK\$'000
On demand or within one year	12,000	13,581

Included in accounts receivable from the business of dealing in securities are loan due from a director and disclosed pursuant to Hong Kong Companies Ordinance, the details of which are as follows:

			Maximum amount outstanding	
	Balance at	<b>Balance at</b>	during	Securities
Name	1 January	31 December	the year	held
	HK\$'000 HK\$'	HK\$'000	HK\$'000	HK\$'000
Director of CFSG				
Mr Cheng Man Pan Ben				
2013	974	_	974	_
2014				_

The loan granted to the director bore interest at the Hong Kong Prime Rate plus 3% per annum.

#### 28. INVESTMENTS HELD FOR TRADING

	2014	2013
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	41,583	36,362
Equity securities listed outside Hong Kong	2,962	18,665
	44,545	55,027

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

For the year ended 31 December 2014

#### 29. BANK DEPOSITS SUBJECT TO CONDITIONS

	2014	2013
	HK\$'000	HK\$'000
		_
Other bank deposits (Note (a))	17,155	17,155
Pledged bank deposits (Note (b))	47,000	73,400
	64,155	90,555

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

#### Notes:

- (a) Pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK\$15,000,000 (2013: HK\$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is expired.
- The Group's bank deposits of HK\$47,000,000 (2013: HK\$73,400,000) were pledged to secure the short-term bank borrowings.

#### 30. OTHER FINANCIAL ASSETS

#### Prepayments, deposits and other receivables

	2014	2013
	HK\$'000	HK\$'000
Prepayments	4,158	2,351
Deposits	27,856	20,987
Other receivables	8,648	47,635
	40,662	70,973

The above deposits and other receivables are non-interest bearing. As at 31 December 2013, "Other receivables" included (i) escrow fund of HK\$27,000,000 held by an independent lawyer as deposit received for disposal of a property acquired by the Group in January 2014 and (ii) consideration receivable on disposal of unlisted investment fund amounting to HK\$9,584,000 which was fully settled in 2014.

#### Bank balances — trust and segregated accounts

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

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

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

For the year ended 31 December 2014

#### 31. ACCOUNTS PAYABLE

	2014 HK\$′000	2013 HK\$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	34,418	1,430
Cash clients	640,349	592,920
Margin clients	140,309	147,660
Accounts payable to clients arising from the business of dealing in futures and options	293,230	290,378
Trade creditors arising from retailing business	178,463	164,588
Accounts payable arising from the online game services	419	554
	1,287,188	1,197,530

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 2014, included in accounts payable to clients of HK\$57,385,000 (2013: HK\$71,586,000) comprises an amount of HK\$6,147,000 (2013: HK\$15,368,000) maintained in MFG HK as disclosed in note 26. The required margin deposits are repayable upon the closure of the corresponding futures and options and leveraged foreign contracts 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 aging analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK\$792,117,000 (2013: HK\$784,704,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

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

	2014	2013
	HK\$'000	HK\$'000
0–30 days	68,983	71,915
31–60 days	45,529	50,923
61–90 days	38,604	33,327
Over 90 days	25,347	8,423
	178,463	164,588

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

For the year ended 31 December 2014

#### 32. OTHER FINANCIAL LIABILITIES

#### Accrued liabilities and other payables

	2014	2013
	HK\$'000	HK\$'000
Accrued liabilities		
— Salaries and commission payables	14,821	18,374
— Other accrued liabilities	60,736	53,293
Deposit received on disposal of a pre-sale property (Note 30)	_	27,000
Other payables	25,195	29,543
	100,752	128,210

At 31 December 2013, an amount of HK\$27,000,000 representing the escrow fund held by an independent lawyer for the deposit received for disposal of a property acquired by the Group in January 2014.

#### Loan from a non-controlling shareholder of a subsidiary

The amount represented a loan of USD3,517,500 (equivalent to approximately HK\$27,437,000) from a non-controlling shareholder of a subsidiary. The amount was non-interest bearing, unsecured and is repayable on demand. The balance was fully repaid in current year.

#### 33. OBLIGATIONS UNDER FINANCE LEASES

	2014	2013
	HK\$'000	HK\$'000
Analysed for reporting purpose as:		
Current liabilities	_	54

It was the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term was three years for the year ended 31 December 2013. Interest rates underlying all obligations under finance leases were fixed at 3.35% per annum. No arrangements had been entered into for contingent rental payments.

			Present	value of
	Minimum lease payments		minimum lea	se payments
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance leases				
Within one year	_	54		54
Less: Future finance charges	_	_	_	
Present value of lease obligations	_	54	_	54
Less: Amount due for settlement within one year (shown under current liabilities)				(54)
Amount due for settlement after one year			_	

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

For the year ended 31 December 2014

#### 34. BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Secured bank overdrafts	10,158	12,375
Secured bank borrowings	276,264	301,918
Unsecured bank borrowings	12,527	_
Unsecured other borrowings	16,224	39,600
Secured trust receipt loans	60,132	57,935
Unsecured trust receipt loans	51,079	46,863
	426,384	458,691
Carrying amount repayable based on schedule repayment terms:		
Within one year	202,045	213,483
More than one year but not exceeding two years	6,750	1,141
More than two years but not exceeding five years	21,350	3,671
More than five years	63,416	17,763
	293,561	236,058
Carrying amount of borrowings (shown under current liabilities)		
contain a repayment on demand clause:		
— within one year	132,823	217,407
— in the second year	_	5,226
	426,384	458,691
Less: Amount due within one year shown under current liabilities	(334,868)	(436,116)
Amount shown under non-current liabilities	91,516	22,575

As at 31 December 2014, the Group's bank borrowings of HK\$346,554,000 (2013: HK\$372,228,000) were secured by:

- (a) corporate guarantees from the Company and CFSG for both years;
- (b) corporate guarantees from certain subsidiaries of the Company and CFSG for both years;
- (c) marketable securities of the Group's clients of fair value of HK\$335,527,000 (2013: HK\$363,142,000) (with client's consent);
- (d) investment properties of the Group as disclosed in note 19 with carrying amount of approximately HK\$213,666,000 (2013: HK\$57,112,000);
- (e) pledged deposit of HK\$47,000,000 (2013: HK\$73,400,000) for short-term bank borrowings as disclosed in note 29;
- (f) guarantees from the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme; and
- (g) pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK\$15,000,000 (2013: HK\$15,000,000) with a bank as a pre-condition for an overdraft facility granted by the bank (see note 29).

For the year ended 31 December 2014

#### 34. BORROWINGS (continued)

As at 31 December 2014, bank loans amounting to approximately HK\$288,791,000 (2013: HK\$301,918,000) are at variablerate borrowings which carry interest at either HIBOR plus a spread or Hong Kong Prime Rate plus a spread. Bank overdrafts amounting to HK\$10,158,000 (2013: HK\$12,375,000) carried interest at Hong Kong Prime Rate. Trust receipts loans amounting to HK\$111,211,000 (2013: HK\$104,798,000) carry interest at Hong Kong Prime Rate plus a spread.

The unsecured other borrowings amounting to approximately HK\$2,210,000 (2013: HK\$1,500,000) and HK\$14,014,000 (2013: HK\$38,100,000) carry interest at Hong Kong Prime Rate plus 3% per annum and fixed rate of 15% (2013: 12%) per annum respectively.

The unsecured bank borrowings amounting to approximately HK\$12,527,000 (2013: nil) and unsecured trust receipt loans amounting to approximately HK\$51,079,000 (2013: HK\$46,863,000) are guaranteed by the Company.

The effective interest rates on the Group's borrowings ranged from 2.5% to 12% (2013: 0.7% to 12%) per annum.

#### 35. SHARE CAPITAL

	Par value of each ordinary share HK\$	Number of shares ′000	<b>Amount</b> HK\$′000
Ordinary shares			
Authorised: At 1 January 2013, 31 December 2013 and 31 December 2014	0.1	3,000,000	300,000
Issued and fully paid: At 1 January 2013 Issue of rights shares (Note)	0.1	369,432 184,716	36,943 18,472
At 31 December 2013 and 31 December 2014	0.1	554,148	55,415

Note: On 13 June 2013, 184,715,928 shares of HK\$0.10 each were issued by way of rights issue at a subscription price of HK\$0.30 per share.

All the shares issued during the year ended 31 December 2013 rank pari passu in all respects with the other shares in issue.

#### 36. CHANGE IN SHAREHOLDING OF SUBSIDIARIES WITHOUT LOSING CONTROL

#### Year ended 31 December 2014

During the year, the Group's equity interest in CFSG was decreased from 42.75% to 40.71% due to exercise of share options of CFSG with total proceeds of HK\$18,552,000. The difference of HK\$3,771,000 between the increasing in the non-controlling interests, being the proportionate share of the carrying amount of net assets of CFSG amounting to HK\$14,781,000 and the proceeds paid for share purchases has been credited to other reserve.

For the year ended 31 December 2014

# 36. CHANGE IN SHAREHOLDING OF SUBSIDIARIES WITHOUT LOSING CONTROL (continued)

#### Year ended 31 December 2013

Pursuant to a special general meeting passed on 21 June 2013, CFSG distributed entire interests in CASH Retail Management (HK) Limited ("CRM(HK)"), a limited company incorporated in the BVI, in specie to its shareholders. Upon the completion of the distribution by CFSG, Celestial Investment Group Limited ("CIGL"), immediate holding company of CFSG and the wholly-owned subsidiary of the Group, has 42.75% interest in CRM(HK). CIGL made a cash offer to the remaining shareholders of CFSG to acquire all remaining shares of CRM(HK) on the basis of HK\$0.011 in cash for each share of CRM(HK) held. Approximately 48.29% of shareholders of CFSG accepted the cash offer and disposed its shareholding of CRM(HK) to the Group with consideration of approximately HK\$20,573,000 in aggregate. After the completion of this acquisition, the Group's equity interest over CRM(HK) is increased from 42.75% to 90.98%. The difference between the amount by which the non-controlling interests of CRM(HK) adjusted and the fair value of the consideration paid by the Group is HK\$16,479,000 and then credited to other reserve and accumulated in equity. In the opinion of the directors of the Company, the Group remains control over CRM(HK) before and after distribution of CRM(HK) by CFSG and cash offer.

#### 37. RESERVES

#### **Translation reserve**

	2014	2013
	HK\$'000	HK\$'000
At 1 January	13,437	10,913
Exchange differences arising on translation to presentation currency	(1,047)	2,524
At 31 December	12,390	13,437

#### 38. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK\$'000	Share option reserve of subsidiaries HK\$'000	<b>Total</b> HK\$'000
At 1 January 2013	378,221	7,814	386,035
Share of loss and total comprehensive expense for the year	(38,085)	_	(38,085)
Transfer to accumulated losses upon			
expiration of CFSG's share options	4,474	(7,814)	(3,340)
Change in shareholding in CFSG without losing control	(37,052)	_	(37,052)
At 31 December 2013	307,558	_	307,558
Share of loss and total comprehensive expense for the year	39,183	_	39,183
Recognition of equity-settled share-based payments	_	15,335	15,335
Dividend paid to non-controlling shareholders	(51,313)	_	(51,313)
Transfer to accumulated losses upon			
expiration of CFSG's share options	900	(1,518)	(618)
Change in shareholding in CFSG without losing control	22,747	(7,966)	14,781
At 31 December 2014	319,075	5,851	324,926

For the year ended 31 December 2014

#### 39. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
	HK\$'000	HK\$'000
Financial liabilities at FVTPL arising from short selling activities	1,055	19,701

Balance represents the fair value of securities from short selling activities as at 31 December 2014 and 2013.

#### 40. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014	2013
	HK\$'000	HK\$'000
Within one year	171,593	172,021
In the second to fifth year inclusive	177,051	195,834
Over five years	1,050	1,050
	349,694	368,905

Operating lease payments represent rental payable by the Group for office premises, warehouse and retail shops for both years ended. Leases are mainly negotiated for lease term of one to five years and rentals are fixed for an average of three years. In addition to the fixed rentals pursuant to the terms of certain rental agreements, the Group paid rental of approximately HK\$2,087,000 (2013: HK\$2,353,000), based on certain percentage of the gross sales of the relevant shop when the sales meets certain specified level.

#### 41. CAPITAL COMMITMENTS

	2014	2013
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property and equipment	_	184,069

For the year ended 31 December 2014

#### 42. SHARE OPTION SCHEMES

#### (A) Share option scheme of the Company

Share Option Scheme

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 21 May 2012 and took effect on the same date.

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

- The purpose was to provide incentives to:
  - award and retain the participants who have made contributions to the Company, its subsidiaries and associates, including CFSG and its subsidiaries ("Group"); or
  - attract potential candidates to serve the Group for the benefit of the development of the Group.
- The participants included any employee, director, consultant, adviser or agent of any Member of the Group.
- 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 36,943,185 shares, representing 6.7% of the issued share capital of the Company as at 31 December 2014. 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.
- 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.
- There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of directors of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a nonrefundable 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.
- The life of the Share Option Scheme is effective for 10 years from the date of adoption until 20 May 2022.

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.

For the year ended 31 December 2014

#### 42. SHARE OPTION SCHEMES (continued)

#### Share option scheme of the Company (continued) (A)

The following table discloses details of the Company's share options held by the directors, the employees and consultants of the Group and movements in such holdings:

							Number of	share options			
				outstanding			reallocated	outstanding			outstanding
		Exercise		as at			upon	as at			as at
		price per	Option	1 January	granted	adjusted	change of	31 December	granted	lapsed in	31 December
Name of scheme	Date of grant	share	period	2013	in 2013	in 2013	directorship	2013	in 2014	2014	2014
		HK\$				(Note (2))	1		(Note (3))	1	
Directors											
Share Option Scheme	11.10.2012	0.624	(Note (1))	12,800,000	_	1,600,000	(4,050,000)	10,350,000	_	(10,350,000)	_
	7.10.2013	0.480	7.1.2014-31.10.2015	_	5,500,000	_	_	5,500,000	_	(5,500,000)	_
	2.9.2014	0.620	(Note (3))			_	_	_	14,000,000		14,000,000
				12,800,000	5,500,000	1,600,000	(4,050,000)	15,850,000	14,000,000	(15,850,000)	14,000,000
Employees											
Share Option Scheme	11.10.2012	0.624	(Note (1))	8,000,000	_	1,000,000	4,050,000	13,050,000	_	(13,050,000)	_
	2.9.2014	0.620	(Note (3))			_	_		17,400,000	_	17,400,000
				8,000,000	_	1,000,000	4,050,000	13,050,000	17,400,000	(13,050,000)	17,400,000
Consultants											
Share Option Scheme	11.10.2012	0.624	(Note (1))	9,000,000		1,116,000		10,116,000	_	(10,116,000)	
				29,800,000	5,500,000	3,716,000	_	39,016,000	31,400,000	(39,016,000)	31,400,000

#### Notes:

The options were granted to directors and employees of the Group on 11 October 2012 for the provision of services to the Group. The options will be vested upon achievement of performance target (based on non-market condition) for the period up to 31 October 2014. Fair value of share options at the date of grant is estimated and assumptions are disclosed below. The options must be exercised within one month from the date the Board approves the vesting of the options. As at 31 December 2013, the directors of the Company considered that the performance target is not probable to be achieved by the grantees and thus no share-based compensation expense was recognised in the financial year ended 31 December 2013. During the year ended 31 December 2014, the share options were lapsed because the performance target was not met within the vesting period.

The options of 9,000,000 were granted to the consultants of the Group on 11 October 2012 for the provision of consultancy services to the Group up to the contract period until 31 October 2014. The options will be vested upon the provision of satisfactory services determined at the sole discretion of the board of directors of the Company. During the years ended 31 December 2014 and 2013, the board of directors determined that the related services have not been satisfactorily performed. Thus, no share-based compensation expense was recognised in the financial years ended 31 December 2014 and 2013.

The closing price of the share immediate before the date of grant of options was HK\$0.67.

The number and the exercise price of options which remained outstanding have been adjusted from HK\$0.702 per share to HK\$0.624 per share with effect from 21 May 2013 due to rights issue.

For the year ended 31 December 2014

#### 42. SHARE OPTION SCHEMES (continued)

#### Share option scheme of the Company (continued)

Notes: (continued)

During the year ended 31 December 2014, the options were granted to directors and employees of the Group on 2 September 2014 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 ended 31 December 2014.

For the options granted to directors, the options must be exercised within one month from the date of the board of directors of the Company approve the vesting of the options. For the options granted to employees, the options must be exercised subject to 4 tranches period as to (i) 25% exercisable from the date of the board of directors of the Company approves the vesting of the options up to 31 August 2018; (ii) 25% exercisable from 1 September 2015 to up to 31 August 2018; (iii) 25% exercisable from 1 September 2016 up to 31 August 2018; and (iv) 25% exercisable from 1 September 2017 up to 31 August 2018. During the year ended 31 December 2014, the directors of the Company considered that the performance target is probable to be achieved by the grantees and thus share-based compensation expense of HK\$3,604,000 was recognised during the year ended 31 December 2014.

The fair values are calculated using the Black-Scholes pricing model ("B-Model"). The variables and assumptions used in computing the fair value of the share options are based on the best estimation of the directors of the Company. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

#### Share options grant date 2 September 2014 7 October 2013

Share price at grant date	HK\$0.62	HK\$0.48
Exercise price	HK\$0.62	HK\$0.48
Expected volatility	39%	46%
Expected life	4 years	2 years
Risk-free rate	1.0%	0.2%
Expected dividend yield	Nil	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years.

The fair value of share options granted on 7 October 2013 was HK\$677,000.

The estimated fair value of share options granted on 2 September 2014 was approximately HK\$6,167,000.

HK\$3,604,000 of share-based compensation expenses has been recognised in profit or loss for the year ended 31 December 2014. The corresponding amount of HK\$3,604,000 (2013: nil) has been credited to share-based payment reserve. No liabilities were recognised due to share-based payment transactions.

For the year ended 31 December 2014

#### 42. SHARE OPTION SCHEMES (continued)

#### (B) Share option scheme of CFSG

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

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

- The purpose was to provide incentives to:
  - award and retain the participants who have made contributions to the Group, including CFSG, the Company and its subsidiaries and associates; or
  - attract potential candidates to serve the Group for the benefit of the development of the Group.
- The participants included any employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the Group.
- The maximum number of shares in respect of which options might be granted under the CFSG Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 387,785,958 (2013: 387,785,958) shares, representing around 9.5% of the issued share capital of the Company as at 31 December 2014. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the CFSG Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.
- The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the CFSG Option Scheme or any other share option scheme within any 12-months period, must not exceed 1% of the shares in issue from time to time.
- There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of CFSG and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of directors of CFSG upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a nonrefundable payment of HK\$1.00 from the grantee to CFSG.
- (viii) The exercise price of an option must be the highest of:
  - the closing price of the shares on the date of grant which day must be a trading day;
  - the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
  - the nominal value of the share.
- The life of the CFSG Option Scheme is effective for 10 years from the date of adoption until 21 February 2018.

For the year ended 31 December 2014

### 42. SHARE OPTION SCHEMES (continued)

#### Share option scheme of CFSG (continued) (B)

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

	2014			2013	
		Weighted			Weighted
	Number of	average		Number	average
	share	exercise		of share	exercise
Notes	options	price	Notes	options	price
		HK\$			HK\$
	275,000,000	0.093		585,150,000	0.155
(e),(f)	345,000,000	0.095		_	N/A
& (g)					
(a) & (e)	(305,000,000)	0.093	(a),(b),	(310,150,000)	0.211
			(c) & (d)		
(e) & (f)	(194,000,000)	0.096		_	_
	121,000,000	0.095		275,000,000	0.093
			_		
	121,000,000	0.095	_	_	N/A
	(e),(f) & (g) (a) & (e)	Number of share options  275,000,000 (e),(f) 345,000,000 & (g) (a) & (e) (305,000,000) (e) & (f) (194,000,000)  121,000,000	Number of share exercise options price HK\$  275,000,000 0.093 (e),(f) 345,000,000 0.095 & (g) (a) & (e) (305,000,000) 0.093 (e) & (f) (194,000,000) 0.096	Number of share   exercise   Notes   Notes   Price   Notes	Number of share   exercise   Notes   options   price   Notes   options   HK\$   S85,150,000

No share option was exercised during the year ended 31 December 2013.

			2014		2013		
			Number of		Number of		
			outstanding		outstanding		
			share options		share options		
			as at	Exercise	as at	Exercise	
Grant date	Exercisable period	Notes	31 December	price	31 December	price	
				HK\$		HK\$	
	,	·					
11.10.2012	11.10.2012-31.10.2014	(a)	_	_	275,000,000	0.093	
11.04.2014	11.4.2014-31.12.2017	(e)	75,000,000	0.097	_	_	
22.05.2014	22.5.2014-31.12.2017	(g)	46,000,000	0.091	_	_	
			121,000,000		275,000,000		

For the year ended 31 December 2014

#### 42. SHARE OPTION SCHEMES (continued)

#### Share option scheme of CFSG (continued)

Notes:

- (a) The options of 314,000,000 were granted to directors and employees of the Group on 11 October 2012 for the provision of services to the Group. The options will be vested upon achievement of performance target (based on non-market condition) for the respective financial years up to 31 October 2014. The options must be exercised within one month from the date the board of directors of CFSG approves the vesting of the options. As at 31 December 2013, 39,000,000 options were lapsed as performance target for the current financial year has not been achieved. In addition, the directors of CFSG considered that the performance target is not probable to be achieved by the grantees and thus no share based compensation expense was recognised in the financial year ended 31 December 2013. As at 31 December 2014, 275,000,000 options were lapsed because the performance target was not met within the vesting period.
- The options of 82,500,000 were granted to the consultants of the Group on 22 June 2009 for the provision of consultancy services to the Group up to the contract period until 30 June 2013. The options will be vested upon the provision of satisfactory services determined at the sole discretion of the board of directors of CFSG. The related services have not been satisfactorily performed during the whole contract period and the related project was suspended in 2012. Thus no share-based compensation expense was recognised in the financial years ended 31 December 2013. The options were lapsed at the end of the contract period.
- The options of 77,000,000 were granted to the consultants of the Group on 1 February 2011 for the provision of consultancy services to the Group up to the contract period until 31 December 2013. The options will be vested upon the provision of satisfactory services determined at the sole discretion of the board of directors of CFSG. The related services have not been satisfactorily performed during the contract period and the related project was suspended in 2012, thus no share-based compensation expense was recognised in the financial year ended 31 December 2013. The options were lapsed at the end of the contract period.
- During the year ended 31 December 2013, the options of 111,650,000 granted to the employees and directors of the Group on 15 June 2009 and 15 October 2010 were lapsed upon expiration of the options.
- The options of 261,000,000 were granted to the employees and directors of the Group on 11 April 2014 for the provision of service to the Group. The options will be vested upon achievement of performance target (based on non-market condition). During the financial year ended 31 December 2014, 30,000,000 options were lapsed as the grantee resigned from the Group. During the financial year ended 31 December 2014, 156,000,000 shares were exercised and in addition, the directors of CFSG considered that the performance target has been achieved by grantees and thus share-based compensation expense of HK\$13,206,000 was recognised in the financial year ended 31 December 2014
- The options of 38,000,000 were granted to the consultants of CFSG 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 of directors of CFSG. The options must be exercised within seven days from the date the board of directors of CFSG approves the vesting of the options. The related services have been satisfactorily performed during the year ended 31 December 2014. Thus, 38,000,000 shares were exercised and share-based compensation expense of HK\$72,000 was recognised in the financial year ended 31 December 2014.
- 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 2014, the directors of CFSG considered that the performance target has been achieved by grantees and thus share-based compensation expense of HK\$2,056,000 was recognised in the financial year ended 31 December 2014.

For the year ended 31 December 2014

#### 42. SHARE OPTION SCHEMES (continued)

#### (B) Share option scheme of CFSG (continued)

The weighted average remaining contractual life of share options outstanding as at 31 December 2014 is 3 years (2013: 0.83 years).

The fair values of share options granted during the years ended 31 December 2014 were determined using the B-Model.

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

Date of grant	11 April 2014	2 May 2014	22 May 2014
Share price on date of grant	HK\$0.097	HK\$0.09	HK\$0.091
Exercise price	HK\$0.097	HK\$0.09	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:

- Expected volatility: being the approximate historical volatility of closing prices of the shares of CFSG 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.
- Expected life of option: being the effective life of options estimated from the expected exercising time frame. (b)
- 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 dates are approximately HK\$13,206,000, HK\$72,000 and HK\$2,056,000 respectively.

In total, HK\$15,334,400 (2013: nil) of share-based compensation expenses has been recognised in profit or loss for the year ended 31 December 2014. The corresponding amount of HK\$15,334,400 (2013: nil) has been credited to non-controlling interest. No liabilities were recognised due to share-based payment transactions.

During the year ended 31 December 2014, 305,000,000 (2013: 310,150,000) share options with aggregate fair value of HK\$1,518,000 (2013: HK\$7,814,000) had lapsed and HK\$618,000 (2013: HK\$3,340,000) in non-controlling interest had been transferred to retained profits.

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

For the year ended 31 December 2014

#### 42. SHARE OPTION SCHEMES (continued)

#### Share option scheme of Netfield Technology Limited ("Netfield"), the wholly-owned subsidiary of the Group

The share option scheme of Netfield ("Netfield Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 6 June 2008. During the years ended 31 December 2014 and 2013, no option has been granted under the Netfield Share Option Scheme. The major terms of the Netfield Share Option Scheme are summarised as follows:

- (i) The purpose was to provide incentives to:
  - award and retain the participants who have made contributions to Netfield and its subsidiaries ("Netfield Group"); or
  - attract potential candidates to serve the Netfield Group for the benefit of the development of the Netfield
- The participants included any employee, executive, officer, consultant, adviser or agent of any member of the Netfield Group.
- The maximum number of shares in respect of which share options might be granted under the Netfield Share Option Scheme must not exceed 10% of the issued share capital of Netfield as at the date of approval of the Netfield Share Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the Netfield Share Option Scheme and any other share option scheme must not exceed 30% of the Netfield shares in issue from time to time.
- The maximum number of shares in respect of which share options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the share options cancelled) under any share option granted to the same participant under the Netfield Share Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the relevant class of securities of Netfield in issue from time to time.
- There was no requirement for a grantee to hold the share option for a certain period before exercising the share option save as determined by the board of directors of Netfield and provided in the offer of grant of share option.
- (vi) The exercise period should be any period fixed by the board of directors of Netfield upon grant of the option but in any event the share option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of a share option, if accepted, must be made within 28 days from the date of grant with a nonrefundable payment of HK\$1.00 from the grantee to Netfield.

For the year ended 31 December 2014

#### 42. SHARE OPTION SCHEMES (continued)

#### Share option scheme of Netfield Technology Limited ("Netfield"), the wholly-owned subsidiary of the **Group (continued)**

- (viii) The exercise price of a share option shall be such price as the board of directors of Netfield at its absolute discretion shall determine, save that such price must not always be less than the nominal value of Netfield's share, which is currently of HK\$0.10 each.
- The exercise price of a share option granted at any time after Netfield has resolved to seek a separate listing of Netfield and up to the listing date or during the period commencing 6 months before the lodgement of listing application and up to the listing date, shall not be less than the new issue price at listing.
- After the Netfield's share have been listed, the exercise price of a share option must be the highest of:
  - the closing price of the Netfield's shares on the date of grant which day must be a trading day;
  - the average closing price of the Netfield's shares for the 5 trading days immediately preceding the date of grant; and
  - the nominal value of the Netfield's share.
- (xi) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 5 June 2018.

#### 43. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. Effective from June 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%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

The employer's contribution to the MPF Schemes and various benefits schemes in the PRC is disclosed in note 11.

For the year ended 31 December 2014

#### 44. RELATED PARTY TRANSACTIONS

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

	Notes	2014 HK\$′000	2013 HK\$'000
•	TVOTES	11K\$ 000	1117 000
Commission and interest income received from			
the following major shareholders of the Company			
Cash Guardian	(a)	11	43
Mr Kwan Pak Hao Bankee and associates	(a)	14	22
		25	65
Commission and interest income received from the			
following directors of the Company			
Mr Law Ping Wah Bernard and associates	4.5	24	30
Mr Ng Hin Sing Derek and associates	(b)	13	_
Dr Chan Yau Ching Bob and associates	(c)	39	24
Mr Ng Kung Chit Raymond and associates	(c)	15	17
		91	71
Rental expenses paid to an associate	-	2,615	5,181
Commission and interest income received from the			
following directors of the CFSG			
Ms Cheng Pui Lai Majone and associates		52	35
Mr Cheng Man Pan Ben and associates	(d)	208	49
Mr Chan Chi Ming Benson and associates	(e)	15	
		275	84
Commission and interest income received			
other connected clients			
Mr Kwan Pak Leung Horace and associates	(f)	24	13
Ms Chan Siu Fei Susanna and associates	(f)	31	3
		55	16
Loan interest income received from			
a director of CFSG			
Mr Cheng Man Pan Ben	(d)	_	46

For the year ended 31 December 2014

#### 44. RELATED PARTY TRANSACTIONS (continued)

#### Notes:

- (a) Cash Guardian has significant influence over the Company. 32.42% (2013: 32.42%) equity interest of the Company is held by Cash Guardian at 31 December 2014. Cash Guardian is controlled by Mr Kwan Pak Hoo Bankee, an executive director of the Company.
- (b) During the year ended 31 December 2013, Mr Ng Hin Sing Derek was appointed as an executive director of the Company.
- (c) During the year ended 31 December 2013, Dr Chan Yau Ching Bob and Mr Ng Kung Chit Raymond resigned as an executive director of the Company.
- (d) During the year ended 31 December 2013, Mr Cheng Man Pan Ben resigned as an executive director of CFSG.
- (e) During the year ended 31 December 2014, Mr Chan Chi Ming Benson resigned as an executive director of CFSG.
- (f) During the year ended 31 December 2013, Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna were associates of Mr Kwan Pak Hoo Bankee. In the annual general meeting of CFSG held in 2014, they have individually granted margin financing arrangement from CFSG.

#### Compensation of key management personnel

The remuneration of directors and chief executive which is disclosed in note 13 is determined by the remuneration committee having regard to the performance of individuals and market trends.

#### 45. EVENTS AFTER THE REPORTING PERIOD

#### Year ended 31 December 2014

On 9 March 2015, CIGL entered into a sale and purchase agreement with an independent third party that CIGL agreed to sell its 40.71% of the issued capital of CFSG at a consideration of HK\$613,386,396. Also, CFSG and CIGL signed another sale and purchase agreement that CFSG agreed to dispose its entire share capital of Confident Profit Limited ("CPL") to CIGL. CPL and its subsidiaries are principally engaged in algorithmic trading business, investment in PRC properties and the PRC operation of CFSG. The transaction is not yet completed up to date of issue of these consolidated financial statements.

#### Year ended 31 December 2013

- (1) On 24 January 2014, the Group's associate and an independent third party entered into a sales and purchase agreement. The Group's associate has agreed to sell the entire registered shares of its subsidiary at a consideration of RMB652,787,000 (equivalent to approximately HK\$840,800,000). The subsidiary of the Group's associate owns and manages an investment property which is located at The Point Jingan, No. 555 Anyuan Road, Jing'An District, Shanghai, the PRC and comprises an 11-storey office tower erected on a 1-storey retail space and a single-storey basement car park together with other ancillary facilities. Details of the transaction are set out in announcement of the Company dated 24 January 2014. The transaction was completed during the year.
- (2) During the year ended 31 December 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.

In January 2013, the Group completed the acquisition of the Hong Kong properties. A property with carrying amount of HK\$115,317,000 was sold to an independent third party, resulting in a gain of HK\$18,002,000, net of transaction cost. The other property with carrying amount of HK\$119,932,000 is held by the Group for capital appreciation.

For the year ended 31 December 2014

### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

#### Year 2014 and 2013

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/registered capital	Proportion of nominal value issued share capital attributa to the Group 2014 %	of ble	Principal activities
CASH Group Limited	BVI	US\$1	100	100	Investment holding
CRM (HK)	BVI	Ordinary HK\$3,877,860	90.98	90.98	Investment holding
CIGL	BVI	US\$10,000	100	100	Investment holding
摩力游(上海)信息科技 有限公司* (translated as MOLI China Information Technology Limited)	PRC	US\$10,000,000	89.7	89.7	Online game developer
上海摩力游數字娛樂有限公司## (translated as Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB10,000,000	89.7	89.7	Online game operator
Libra Capital Management (HK) Limited	BVI	US\$1	100	100	Trading of securities
Moli Mobile Digital Entertainment Holdings Limited ("MMDE")	BVI	US\$10,000	89.7	89.7	Investment holding
Praise Joy Limited	BVI	US\$1	100	100	Investment holding
Pricerite Stores Limited	Hong Kong	Ordinary HK\$200,000,000	90.98	90.98	Retailing of furniture and household goods
Wealthy View Investment Limited	BVI	US\$10	100	100	Investment holding
Subsidiaries of CFSG					
CASH Asset Management Limited	Hong Kong	Ordinary HK\$10,000,000	40.71	42.75	Provision of asset management services
CASH E-Trade Limited	Hong Kong	Ordinary HK\$4,000,000	40.71	42.75	Provision of management services for group companies

For the year ended 31 December 2014

### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

#### Year 2014 and 2013 (continued)

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued share capital attributable to the Group 2014 %	2013	Principal activities
Subsidiaries of CFSG (continue	ed)				
CASH Wealth Management Limited	Hong Kong	Ordinary HK\$15,000,000	40.71	42.75	Financial advisory consultancy
CASH Payment Services Limited	Hong Kong	Ordinary HK\$2	40.71	42.75	Provision of payment gateway services
Celestial Asset Management Limited	Hong Kong	Ordinary HK\$6,781,401	40.71	42.75	Provision of treasury management functions
Celestial Capital Limited	Hong Kong	Ordinary HK\$30,000,000	40.71	42.75	Provision of corporate finance, investment and financial advisory services
Celestial Commodities Limited	Hong Kong	Ordinary HK\$50,000,000	40.71	42.75	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK\$10,000,000	40.71	42.75	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK\$140,000,000	40.71	42.75	Securities, equity options broking and trading, leveraged foreign exchange contracts
icoupon Limited	BVI	Ordinary US\$1	40.71	42.75	Investment holding and trading
Marvel Champ Investments Limited ("Marvel Champ")	BVI	Ordinary US\$100	26.46	27.79	Investment holding
Think Right Investments Limited	BVI	Ordinary US\$1	40.71	42.75	Properties holding
Celestial Financial Services Limited	BVI	Ordinary US\$10,000	40.71	42.75	Investment holding

<sup>#</sup> Wholly-owned foreign enterprise established in the PRC.

<sup>\*\*\*</sup> Domestic enterprise with limited liabilities established in the PRC. 上海摩力游數字娛樂有限公司 is indirectly held by the Company through the declarations of trust executed by 楊紅霞 and 羅玲芝 who hold the interest in 上海摩力游數字娛樂有限公司 of 80% and 20% respectively.

For the year ended 31 December 2014

#### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

All the subsidiaries shown above are indirectly held by the Company. In the opinion of the directors of the Company, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or net assets of the Group.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group which operate in Hong Kong and are investment holding company and inactive companies.

The table below shows details of non-wholly-owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiaries	Principal place of business	ownership ir voting righ	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non- controlling interests	
		2014	2013	2014	2013	2014	2013	
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	
CFSG	Bermuda/Hong Kong	59.29%	57.25%	18,214	(33,859)	350,442	303,860	
				(Note (3))	(Note (3))	(Note (3))	(Note (3))	
Non-wholly owned subsidiaries of CFSG	DUITE DOC	250/	250/	24 652	(2)	500	21.020	
Marvel Champ (Note (1)) Individual Immaterial subsidiaries with non-controlling interests	BVI/The PRC	35%	35%	21,652	(3)	502 5,084	31,030 5,084	
-								
CFSG				39,866	(33,862)	356,028	339,974	
CRM (HK) (Note (2))	BVI/Hong Kong	9.02%	9.02%	1,314	312	8,943	7,629	
MMDE	BVI/Hong Kong	10.3%	10.3%	_	(6,980)	(40,045)	(40,045)	
				41,180	(40,530)	324,926	307,558	

#### Notes:

- Marvel Champ is a 65% owned subsidiary of CFSG and its principal activity is investing holding. (1)
- CRM (HK) was a wholly-owned subsidiary of CFSG during the period from 1 January 2013 to 27 June 2013 (the completion date on distribution of CRM(HK) by CFSG). Income and expenses of CRM(HK) during the period from 1 January 2013 to 27 June 2013 (the completion date on distribution of CRM(HK) by CFSG) has been consolidated in CFSG's consolidated total income and expenses. The Group's effective interests in CRM(HK) increased from 42.75% to 90.98% subsequent to the distribution through a cash offer as disclosed in note 36.
- The amounts shown exclude those attributable to non-controlling interests of CFSG's subsidiaries.

CFSG is listed on the Stock Exchange. The Group's shareholding of CFSG varied between 42.5% and 40.71% during the year ended 31 December 2013 and 2014. The directors examined all the relevant facts and circumstances, including the Group's dominant voting interest in CFSG, dispersion of holding of other vote holders, rights arising from other contractual agreements, participation rates of shareholders and voting patterns in previous shareholders' meetings and concluded that the Group has the control over CFSG and recognised CFSG as a subsidiary throughout the relevant reporting periods. Details of the control over CFSG are disclosed in note 4.

For the year ended 31 December 2014

### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Summarised consolidated financial information in respect of each Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

#### **CFSG** and subsidiaries

	2014 HK\$'000	2013 HK\$'000
Non-current assets Current assets Non-current liabilities Current liabilities	290,899 1,795,830 (99,376) (1,391,026)	323,369 1,746,425 (24,144) (1,483,452)
Net assets of CFSG	596,327	562,198
Equity attributable to owners of the Company Non-controlling interests of CFSG Non-controlling interests of CFSG's subsidiaries	240,299 350,442 5,586	222,224 303,860 36,114
	596,327	562,198
Revenue Expenses	198,063 (143,736)	194,565 (253,710)
Profit (loss) for the year	54,327	(59,145)
Profit (loss) for the year attributable to  — the owners of the Company — non-controlling interests of CFSG — non-controlling interests of CFSG's subsidiaries	14,461 18,214 21,652	(25,283) (33,859) (3)
Profit (loss) for the year	54,327	(59,145)
Other comprehensive (expense) income for the year attributable to  — the owners of the Company  — non-controlling interests of CFSG  — non-controlling interests of CFSG's subsidiaries	(775) (1,130) (867)	3,327 2,257 1,829
Other comprehensive (expense) income for the year	(2,772)	7,413
Total comprehensive income (expense) for the year attributable to  — the owners of the Company  — non-controlling interests of CFSG  — non-controlling interests of CFSG's subsidiaries	13,686 17,084 20,785	(21,956) (31,602) 1,826
Total comprehensive income (expense) for the year	51,555	(51,732)
Net cash outflow from operating activities Net cash inflow (outflow) from investing activities Net cash outflow from financing activities	(41,147) 157,647 (112,084)	(31,106) (51,277) (39,211)
Net cash inflow (outflow)	4,416	(121,594)
Dividend paid to non-controlling interests of CFSG's subsidiaries	51,313	

For the year ended 31 December 2014

### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

#### **Marvel Champ**

	2014 HK\$′000	2013 HK\$'000
Current assets	1,936	10,296
Non-current assets	_	158,154
Current liabilities	_	(78,390)
Net assets of Marvel Champ	1,936	90,060
Equity attributable to owners of the Company Non-controlling interests	1,434 502	59,030 31,030
	1,936	90,060
Profit (loss) profit attributable to owners of the Company Profit (loss) profit attributable to the non-controlling interests	38,811 21,652	(6)
Profit (loss) profit for the year (mainly representing share of result of associate)	60,463	(9)
Other comprehensive (expenses) income attributable to owners of the Company Other comprehensive (expenses) income attributable to the non-controlling interests	(1,612) (867)	3,395 1,829
Other comprehensive (expenses) income for the year	(2,479)	5,224
Total comprehensive income attributable to owners of the Company Total comprehensive income attributable to the non-controlling interests	37,199 20,785	3,389 1,826
Total comprehensive income for the year	57,984	5,215
Dividend paid to non-controlling interests of Marvel Champ	51,313	_
Net cash inflow from investing activities  Net cash outflow from financing activities	225,000 (225,000)	
Net cash flow	_	_

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

For the year ended 31 December 2014

### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

#### CRM(HK)

	2014	2013
	HK\$'000	HK\$'000
Non-current assets	123,924	106,995
Current assets	341,084	345,958
Non-current liabilities	(6,649)	(6,649)
Current liabilities	(359,213)	(361,725)
	99,146	84,579
Equity attributable to owners of the Company	90,203	76,950
Non-controlling interests of CRM(HK)	8,943	7,629
	00.146	04.570
	99,146	84,579
Revenue	1,172,040	1,113,665
Expenses	(1,157,478)	(1,108,434)
Expenses	(1,137,476)	(1,100,454)
Profit and total comprehensive income for the year	14,562	5,231
Profit and total comprehensive income for the year attributable to		
— the owners of the Company	13,248	3,047
<ul> <li>non-controlling interests of CFSG (before distribution of CRM(HK) by CFSG)</li> </ul>	_	1,872
— non-controlling interests of CRM(HK) (after distribution of CRM(HK) by CFSG)	1,314	312
Profit and total comprehensive income for the year	14,562	5,231
Net cash inflow from operating activities	37,832	19,411
Net cash inflow from investing activities  Net cash inflow from investing activities	(3,022)	(61,133)
Net cash (outflow) inflow from financing activities	(19,917)	25,560
Net cash (outnow) innow non-initialieng activities	(13,317)	25,500
Net cash inflow (outflow)	14,893	(16,162)
Dividend paid to CFSG (before distribution of CRM(HK) by CFSG)	_	111,678

There are no significant restrictions on the ability of CRM(HK) to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

For the year ended 31 December 2014

### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

#### MMDE

	2014 HK\$′000	2013 HK\$'000
Non-current assets Current assets Current liabilities	6,029 1,674 (398,797)	6,283 3,248 (399,935)
	(391,094)	(390,404)
Equity attributable to owners of the Company Non-controlling interests of MMDE	(351,049) (40,045)	(350,359) (40,045)
	(391,094)	(390,404)
Revenue Expenses	1,505 (1,894)	3,307 (71,074)
Loss for the year	(389)	(67,767)
Loss for the year attributable to  — the owners of the Company — non-controlling interests of MMDE	(389)	(60,787) (6,980)
Loss for the year	(389)	(67,767)
Other comprehensive expense for the year attributable to  — the owners of the Company — non-controlling interests of MMDE	(301)	(15,893) (1,637)
Other comprehensive expense for the year	(301)	(17,530)
Total comprehensive expense for the year attributable to — the owners of the Company — non-controlling interests of MMDE	(690) —	(76,680) (8,617)
Total comprehensive expense for the year	(690)	(85,297)
Net cash outflow from operating activities Net cash inflow from investing activities Net cash inflow from financing activities	(2,057) — 1,863	(24,665) 90 21,523
Net cash outflow	(194)	(3,052)
Dividend paid to non-controlling interests of MMDE	_	

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

# Appendix I — Investment Properties Held as at 31 December 2014

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
Room 2002 on Level 17, Maison Des Artistes, No.18 Lane 688, Huangjin Cheng Road, Changning District, Shanghai, the PRC	2,471	The property is vacant
21/F and car parking spaces Nos. P15 to P18 on 1/F, Rykadan Capital Tower, No. 135-137 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong	12,007	The property is vacant

# Appendix II — Summarised Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014	2013
	HK\$'000	HK\$'000
Assets		
Amounts due from subsidiaries (Note (1))	279,553	281,148
Other receivables and payables	55	55
Bank balance and cash	165	258
Liabilities		
Other payables and accruals	(557)	(1,055)
Net assets	279,216	280,406
Capital and reserves		
Share Capital	55,415	55,415
Reserves (Note (2))	223,801	224,991
Total equity	279,216	280,406

#### (2) Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2013	475,872	149,719		(139,542)	486,049
Loss and total comprehensive expense for the year Issue of new shares Transaction costs attributable to issue of new shares	— 36,943 (2,138)	=	_ _ _	(295,863) — —	(295,863) 36,943 (2,138)
At 31 December 2013	510,677	149,719		(435,405)	224,991
Loss and total comprehensive expense for the year Recognition of equity-settled share-based payments			— 3,604	(4,794) —	(4,794) 3,604
At 31 December 2014	510,677	149,719	3,604	(440,199)	223,801

<sup>(1)</sup> Balances were unsecured, interest free and repayable.

# Appendix III – Five-Year Financial Summary

The summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements as appropriate, is set out below:

		Year er	nded 31 Decemb	per	
	2014	2013	2012	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Revenue	1,371,608	1,306,493	1,290,314	1,376,290	1,308,026
Profit (loss) before taxation	64,904	(132,268)	(243,687)	(138,949)	(56,307)
Income tax (expense) credit	(21,302)	3,903	(8,769)	(7,002)	(11,337)
Profit (loss) for the year	43,602	(128,365)	(252,456)	(145,951)	(67,644)
Attributable to:					
Equity holders of the Company	2,422	(87,835)	(228,552)	(126,499)	(28,908)
Non-controlling interests	41,180	(40,530)	(23,904)	(19,452)	(38,736)
	43,602	(128,365)	(252,456)	(145,951)	(67,644)

# Appendix III – Five-Year Financial Summary (continued)

		As at 31 December					
	2014	2013	2012	2011	2010		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
ASSETS AND LIABILITIES							
	74 406	60.600	04207	124500	202.044		
Property and equipment	74,486	60,600	84,297	124,589	202,044		
Investment property	213,666	57,112	68,832	185,484	185,777		
Goodwill	60,049	62,710	62,710	146,071	146,071		
Interest in an associate	1,434	158,154	152,939	138,894	124,512		
Intangible assets	53,212	53,212	96,600	141,028	73,512		
Other non-current assets	76,183	107,901	88,107	59,670	54,206		
Current assets	2,058,903	2,012,378	2,479,802	2,274,554	2,052,653		
Total assets	2,537,933	2,512,067	3,033,287	3,070,290	2,838,775		
Current liabilities	1,740,356	1,816,458	2,235,261	1,925,508	1,888,611		
Long term borrowings	91,516	22,575	26,331	111,732	52,520		
Other non-current liabilities	14,509	8,218	16,187	19,341	20,843		
Total liabilities	1,846,381	1,847,251	2,277,779	2,056,581	1,961,974		
Net assets	691,552	664,816	755,508	1,013,709	876,801		
Equity attributable to equity holders of							
the Company	366,626	357,258	369,473	585,361	444,909		
Non-controlling interests	324,926	307,558	386,035	428,348	431,892		
	691,552	664,816	755,508	1,013,709	876,801		

### **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

"Algo Finance Group" CASH Algo Finance Group Limited and its subsidiaries. It is a company incorporated in the

British Virgin Islands with limited liability and is a subsidiary of the Company via CFSG

"Audit Committee" the audit committee of the Company established pursuant to the CG Code of the Listing Rules

"Board" the board of Directors

"Cash Guardian" Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial

Shareholder of the Company and an associate of Mr Kwan Pak Hoo Bankee

"Celestial Commodities" Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability,

is a subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is

engaged in type 2 (dealing in futures contracts) regulated activity

"Celestial Securities" Celestial Securities Limited, a company incorporated in Hong Kong with limited liability, is

a subsidiary of the Company via CFSG. It is a licensed corporation under the SFO which is

engaged in type 1 (dealing in securities) regulated activity

"CEO" the chief executive officer of the Company

"CFO" the chief financial officer of the Company

"CFSG" CASH Financial Services Group Limited (stock code on Main Board: 510), a company

incorporated in Bermuda with limited liability and whose shares are listed on the Main Board.

CFSG is currently a subsidiary of the Company

"CFSG Group" CFSG and its subsidiaries

"CFSG Option Scheme" the share option scheme adopted by CFSG pursuant to an ordinary resolution passed at the

special general meeting of CFSG held on 22 February 2008, which took effect on 3 March 2008

"CG Code" the Corporate Governance Code as contained in the Listing Rules

"CG Report" the corporate governance report of the Company covering the year ended 31 December 2014

as required to be included in this annual report under the Listing Rules

"CIGL" Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with

limited liability, is a wholly-owned subsidiary of the Company

"Company" or "CASH" Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in

Bermuda with limited liability and whose shares are listed on the Main Board

# Definitions (continued)

"Company Secretary" the company secretary of the Company

"CRMG" or "CRM(HK)" CASH Retail Management (HK) Limited, a company incorporated in the British Virgin Islands

with limited liability. It is currently a subsidiary of the Company and is the holding company of

the CRMG Group, the retail management business

"CRMG Group" CRMG and its subsidiaries which mainly engage in the retail management business in Hong

Kong and China

"Directors" the directors of the Company

"ED(s)" the executive Director(s) of the Company

"Group" or "CASH Group" the Company and its subsidiaries including the CFSG Group

"Hong Kong" or "HKSAR" the Hong Kong Special Administrative Region of the PRC

"INED(s)" the independent non-executive Director(s) of the Company

"Listing Rules" The Rules Governing the Listing of Securities on the Stock Exchange

"Main Board" the main board of the Stock Exchange

"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

"Netfield" Netfield Technology Limited, a company incorporated in Bermuda with limited liability. It is a

wholly-owned subsidiary of the Company and the holding company of online gaming services

business

"PRC" the People's Republic of China

"Remuneration Committee" the remuneration committee of the Company established pursuant to the CG Code of the

Listing Rules

"SFO" the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

the special general meeting(s) of the Company "SGM(s)"

"Share(s)" ordinary shares of HK\$0.10 each in the share capital of the Company

# Definitions (continued)

"Share Option Scheme" the existing share option scheme of the Company adopted by the Shareholders at an AGM of

the Company held on 21 May 2012

"Shareholder(s)" holder(s) of the Share(s)

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"HK\$" Hong Kong dollar(s), the lawful currency of Hong Kong

"RMB" Renminbi, the lawful currency of the PRC

"US\$" or "USD" United States dollar(s), the lawful currency of the United States

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