

31 May 2013

The Board of Directors
Celestial Asia Securities Holdings Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) regarding CASH Retail Management (HK) Limited (“CRM(HK)”) and its subsidiaries (hereinafter collectively referred to as the “CRM(HK) Group”) for each of the three years ended 31 December 2012 (the “Relevant Periods”) for inclusion in the circular of Celestial Asia Securities Holdings Limited (the “Company”) dated 31 May 2013 (the “Circular”) issued in connection with the major acquisition relating to the acquisition of 57.25% equity interest in CRM(HK) (the “Acquisition”).

CRM(HK) was incorporated in the British Virgin Islands (“BVI”) on 11 May 2005 and acted as investment holding company. The registered address of CRM(HK) is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Particulars of CRM(HK)’s subsidiaries are as follows:

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Equity interest attributable to the CRM(HK) Group | | | | Principal activities |
|----------------------------------|--|---|---|------|---------------------------|--------|---|
| | | | As at 31 December | | As at date of this report | | |
| | | | 2010 | 2011 | 2012 | report | |
| Celestial IT Investments Limited | BVI 6 January 2000 | Ordinary shares US\$2 | 100% | 100% | 100% | 100% | Inactive |
| Pricerite.com.hk Limited | Hong Kong 10 May 1988 | Ordinary shares HK\$2 | 100% | 100% | 100% | 100% | Retailing of furniture and household products through corporate sales |

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Equity interest attributable to the CRM(HK) Group | | | | Principal activities |
|--|--|---|---|------|---------------------------|--------|--|
| | | | As at 31 December | | As at date of this report | | |
| | | | 2010 | 2011 | 2012 | report | |
| Pricerite China Development Limited | BVI 19 November 2012 | Ordinary shares US\$1 | N/A | N/A | 100% | 100% | Inactive |
| Pricerite China Holdings Limited | Hong Kong 26 August 1988 | Ordinary shares HK\$2 | 100% | 100% | 100% | 100% | Investment holding |
| Pricerite Electrical Appliances Limited | Hong Kong 17 June 2005 | Ordinary share HK\$1 | 100% | 100% | 100% | 100% | Retailing of electrical appliance products in Hong Kong |
| Pricerite Marketing Limited | Hong Kong 19 May 2000 | Ordinary shares HK\$2 | 100% | 100% | 100% | 100% | Provision of administrative services to group companies |
| Pricerite Stores Limited | Hong Kong 10 October 1986 | Ordinary shares HK\$200,000,000 | 100% | 100% | 100% | 100% | Retailing of furniture and household products in Hong Kong |
| Richwell Target Limited | Hong Kong 27 July 1995 | Ordinary shares HK\$2 | 100% | 100% | 100% | 100% | Property holding |
| Soho Novo Intl Purchasing Limited ("Soho Novo") | Hong Kong 19 May 2011 | Ordinary shares HK\$1 | N/A | 100% | 100% | 100% | Inactive |
| 深圳市品致生活家居用品有限公司("品致生活") (translated as Pin Zhi Sheng Huo) (note b) | The People's Republic of China (the "PRC") 28 November 2003 | RMB5,500,000 | 100% | 100% | 100% | 100% | Provision of management services to group companies |
| 廣州派思惠商貿有限公司 ("廣州派思惠") (translated as Guangzhou Pai Si Hui) | The PRC 5 January 2011 | RMB28,500,000 | N/A | 100% | 100% | 100% | Retailing of furniture and household products in the PRC |
| 廣州時富貿易有限公司 ("廣州時富") (translated as Guangzhou Shi Fu) | The PRC 21 April 2011 | RMB2,500,000 | N/A | 100% | 100% | 100% | Retailing of furniture and household products in the PRC |

Notes:

- (a) Other than Pricerite China Development Limited, Soho Novo, 廣州派思惠 (translated as Guangzhou Pai Si Hui) and 廣州時富 (translated as Guangzhou Shi Fu), all of the CRM(HK)'s subsidiaries are directly owned by CRM(HK).
- (b) 品致生活 (translated as Pin Zhi Sheng Huo) is indirectly held by CRM(HK) through the declarations of trust executed by Wei Li and Tan Jing Lin who hold the interest in 品致生活 (translated as Pin Zhi Sheng Huo) of 49% and 51% respectively at the date of this report.

We have acted as the statutory auditor of all the CRM(HK)'s subsidiaries, other than Celestial IT Investments Limited, Pricerite China Development Limited, 品致生活 (translated as Pin Zhi Sheng Huo), 廣州派思惠 (translated as Guangzhou Pai Si Hui) and 廣州時富 (translated as Guangzhou Shi Fu), for each of the three years ended 31 December 2012.

No audited financial statements have been prepared for CRM(HK), Celestial IT Investments Limited and Pricerite China Development Limited, which are incorporated in a country where there is no statutory audit requirement.

The audited financial statements of 品致生活 (translated as Pin Zhi Sheng Huo) for each of three years ended 31 December 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 深圳誠華會計師事務所 (translated as Shenzhen Cheng Hua Hui Ji Shi Shi Wu Suo), certified public accountants registered in the PRC and the audited financial statements of 廣州派思惠 (translated as Guangzhou Pai Si Hui) and 廣州時富 (translated as Guangzhou Shi Fu) for the period from the respective dates of incorporation to 31 December 2011 and the year ended 31 December 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 廣州市正大中信會計師事務所 (translated as Guangzhou Shi Zheng Da Zhong Xin Hui Ji Shi Shi Wu Suo), certified public accountants registered in the PRC.

For the purpose of this report, the directors of CRM(HK) have prepared the consolidated management accounts of the CRM(HK) Group for the Relevant Periods ("Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the CRM(HK) Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of CRM(HK). The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the CRM(HK) Group and CRM(HK) as at 31 December 2010, 2011 and 2012 and of the consolidated results and consolidated cash flows of the CRM(HK) Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

| | <i>Notes</i> | Year ended 31 December | | |
|--|--------------|-------------------------------|-----------------|-----------------|
| | | 2010 | 2011 | 2012 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 6 | 1,011,241 | 1,072,752 | 1,095,681 |
| Other income | 8 | 14,252 | 6,113 | 12,451 |
| Other gains and losses | | (174) | 32,387 | (4,726) |
| Cost of sales for retailing business | | (591,049) | (638,297) | (647,983) |
| Salaries, commission and related benefits | | (107,871) | (131,901) | (120,576) |
| Depreciation | | (17,274) | (21,432) | (24,425) |
| Other operating, administrative and selling expenses | | (257,054) | (296,375) | (286,035) |
| Finance costs | 9 | (4,375) | (3,913) | (4,040) |
| Profit before taxation | | 47,696 | 19,334 | 20,347 |
| Income tax expense | 11 | (5,124) | (3,000) | (7,000) |
| Profit for the year | 12 | 42,572 | 16,334 | 13,347 |
| Other comprehensive income: | | | | |
| Exchange differences arising on translation of foreign operations | | 14 | 22 | 209 |
| Surplus on revaluation of leasehold land and buildings | | 3,815 | 22,582 | – |
| Deferred taxation arising on revaluation of leasehold land and buildings | | (630) | (3,631) | – |
| Other comprehensive income for the year | | 3,199 | 18,973 | 209 |
| Total comprehensive income for the year | | 45,771 | 35,307 | 13,556 |

Consolidated Statements of Financial Position

| | Notes | As at 31 December | | |
|--|-------|-------------------|------------------|------------------|
| | | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 |
| Non-current assets | | | | |
| Property and equipment | 14 | 106,421 | 41,034 | 28,314 |
| Rental and utilities deposits | | 24,959 | 26,920 | 26,017 |
| Deferred tax assets | 15 | 4,700 | 4,700 | 5,700 |
| Amounts due from fellow subsidiaries | 18 | – | 58,978 | – |
| | | <u>136,080</u> | <u>131,632</u> | <u>60,031</u> |
| Current assets | | | | |
| Inventories | 16 | 48,948 | 59,423 | 56,785 |
| Prepayments, deposits and other receivables | 17 | 18,225 | 23,178 | 24,048 |
| Amounts due from fellow subsidiaries | 18 | 1 | – | 162,927 |
| Tax recoverable | | – | 1,894 | – |
| Pledged bank deposits | 19 | 41,395 | 62,895 | 73,400 |
| Bank balances and cash | 19 | 160,233 | 179,483 | 110,869 |
| | | <u>268,802</u> | <u>326,873</u> | <u>428,029</u> |
| Current liabilities | | | | |
| Accounts payable | 20 | 153,597 | 165,234 | 166,400 |
| Accrued expenses and other payables | 20 | 22,027 | 32,864 | 31,091 |
| Tax payable | | 3,803 | – | 4,422 |
| Borrowings | 21 | 113,047 | 114,818 | 131,812 |
| | | <u>292,474</u> | <u>312,916</u> | <u>333,725</u> |
| Net current (liabilities) assets | | <u>(23,672)</u> | <u>13,957</u> | <u>94,304</u> |
| Total assets less current liabilities | | <u>112,408</u> | <u>145,589</u> | <u>154,355</u> |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 15 | 4,700 | – | – |
| Net assets | | <u>107,708</u> | <u>145,589</u> | <u>154,335</u> |
| Capital and reserves | | | | |
| Share capital | 22 | 1 | 1 | 1 |
| Reserves | | 107,707 | 145,588 | 154,334 |
| | | <u>107,708</u> | <u>145,589</u> | <u>154,335</u> |

Statements of Financial Position

| | <i>Notes</i> | As at 31 December | | |
|--------------------------------------|--------------|-------------------------|-------------------------|-------------------------|
| | | 2010 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
| Non-current assets | | | | |
| Investments in subsidiaries | 13 | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> |
| Current assets | | | | |
| Amounts due from fellow subsidiaries | 18 | <u>1</u> | <u>1</u> | <u>1</u> |
| Current liabilities | | | | |
| Amounts due to subsidiaries | 18 | <u>169,202</u> | <u>169,194</u> | <u>171,500</u> |
| Net current liabilities | | <u>(169,201)</u> | <u>(169,193)</u> | <u>(171,499)</u> |
| Net assets | | <u>30,799</u> | <u>30,807</u> | <u>28,501</u> |
| Capital and reserves | | | | |
| Share capital | 22 | 1 | 1 | 1 |
| Reserves | 23 | <u>30,798</u> | <u>30,806</u> | <u>28,500</u> |
| Total equity | | <u>30,799</u> | <u>30,807</u> | <u>28,501</u> |

Consolidated Statements of Changes in Equity

| | Share capital <i>HK\$'000</i> | Other reserve <i>HK\$'000</i> | Translation reserve <i>HK\$'000</i> | Properties revaluation reserve <i>HK\$'000</i> | Shareholders' transaction reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|---|---|--|--|--------------------------|
| At 1 January 2010 | 1 | 6,601 | 360 | 20,594 | 391,186 | (356,805) | 61,937 |
| Profit for the year | - | - | - | - | - | 42,572 | 42,572 |
| Exchange difference on translation of foreign operations | - | - | 14 | - | - | - | 14 |
| Change in revaluation of leasehold land and buildings | - | - | - | 3,815 | - | - | 3,815 |
| Deferred taxation arising on revaluation of leasehold land and buildings | - | - | - | (630) | - | - | (630) |
| Other comprehensive income for the year | - | - | 14 | 3,185 | - | - | 3,199 |
| Total comprehensive income for the year | - | - | 14 | 3,185 | - | 42,572 | 45,771 |
| At 31 December 2010 | 1 | 6,601 | 374 | 23,779 | 391,186 | (314,233) | 107,708 |
| Profit for the year | - | - | - | - | - | 16,334 | 16,334 |
| Exchange difference on translation of foreign operations | - | - | 22 | - | - | - | 22 |
| Change in revaluation of leasehold land and buildings | - | - | - | 22,582 | - | - | 22,582 |
| Deferred taxation arising on revaluation of leasehold land and buildings | - | - | - | (3,631) | - | - | (3,631) |
| Other comprehensive income income for the year | - | - | 22 | 18,951 | - | - | 18,973 |
| Total comprehensive income for the year | - | - | 22 | 18,951 | - | 16,334 | 35,307 |

| | Share capital HK\$'000 | Other reserve HK\$'000 | Translation reserve HK\$'000 | Properties revaluation reserve HK\$'000 | Shareholders' transaction reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------|------------------------------------|--|---|-----------------------------------|-----------------------|
| Amount transferred to accumulated losses upon disposal of assets classified as held for sale (<i>Note 24</i>) | - | - | - | (51,061) | - | 51,061 | - |
| Reversal of deferred taxation upon disposal of leasehold land and buildings | - | - | - | 8,331 | - | - | 8,331 |
| Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed distribution to shareholder | - | - | - | - | (5,757) | - | (5,757) |
| At 31 December 2011 | <u>1</u> | <u>6,601</u> | <u>396</u> | <u>-</u> | <u>385,429</u> | <u>(246,838)</u> | <u>145,589</u> |
| Profit for the year | - | - | - | - | - | 13,347 | 13,347 |
| Exchange difference on translation of foreign operations | - | - | 209 | - | - | - | 209 |
| Total comprehensive income for the year | - | - | 209 | - | - | 13,347 | 13,556 |
| Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed distribution to shareholder | - | - | - | - | (4,810) | - | (4,810) |
| At 31 December 2012 | <u><u>1</u></u> | <u><u>6,601</u></u> | <u><u>605</u></u> | <u><u>-</u></u> | <u><u>380,619</u></u> | <u><u>(233,491)</u></u> | <u><u>154,335</u></u> |

Consolidated Statements of Cash Flows

| | Year ended 31 December | | |
|---|------------------------|------------------|------------------|
| | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 |
| Operating activities | | | |
| Profit before taxation | 47,696 | 19,334 | 20,347 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 17,274 | 21,432 | 24,425 |
| Allowance for inventory obsolescence | 2,094 | 2,840 | 5,348 |
| Gain on disposal of assets held for sale | – | (32,400) | – |
| Interest expense | 4,375 | 3,913 | 4,040 |
| Effective interest income on amounts due from fellow subsidiaries | – | (2,808) | (7,759) |
| Loss on disposal of property and equipment | 174 | 13 | 62 |
| Impairment loss recognised in respect of property and equipment | – | – | 4,664 |
| Operating cashflows before movements in working capital | 71,613 | 12,324 | 51,127 |
| (Increase) decrease in rental and utility deposits | (7,104) | (1,961) | 903 |
| Increase in inventories | (7,588) | (13,315) | (2,710) |
| Decrease (increase) in prepayments, deposits and other receivables | 579 | (4,953) | (870) |
| Increase in accounts payable | 16,807 | 11,637 | 1,166 |
| (Decrease) increase in accrued expenses and other payables | (1,141) | 10,836 | (1,773) |
| Net cash from operations | 73,166 | 14,568 | 47,843 |
| Hong Kong Profits Tax paid | (659) | (8,697) | (1,684) |
| Net cash from operating activities | 72,507 | 5,871 | 46,159 |
| Investing activities | | | |
| Proceeds from disposal of assets held for sale | – | 123,500 | – |
| Purchase of property and equipment | (22,492) | (24,560) | (16,314) |
| Withdrawal of pledged bank deposits | 27,094 | 8,500 | 995 |
| Placement of pledged bank deposits | (7,591) | (30,000) | (11,500) |
| Repayment from (advance to) fellow subsidiaries | 2,000 | (61,926) | (101,000) |
| Net cash (used in) from investing activities | (989) | 15,514 | (127,819) |
| Financing activities | | | |
| New borrowings raised | 403,023 | 431,514 | 448,529 |
| Repayment of borrowings | (409,567) | (429,743) | (431,535) |
| Repayment to fellow subsidiaries | (185) | – | – |
| Interest paid on borrowings | (4,375) | (3,913) | (4,040) |
| Net cash (used in) from financing activities | (11,104) | (2,142) | 12,954 |
| Net increase (decrease) in cash and cash equivalents | 60,414 | 19,243 | (68,706) |
| Cash and cash equivalents at the beginning of the year | 99,815 | 160,233 | 179,483 |
| Effect of foreign exchange rate changes | 4 | 7 | 92 |
| Cash and cash equivalents at the end of the year, representing bank balances and cash | 160,233 | 179,483 | 110,869 |

Notes to Financial Information

1. GENERAL

CRM(HK) is an investment holding company and the principal activities of the CRM(HK) Group is sales of furniture and household goods and electrical appliance products. The ultimate holding company of CRM(HK) is the Company. The immediate holding company of CRM(HK) is CASH Financial Services Group Limited, a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of CRM(HK) and its subsidiaries.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the CRM(HK) Group has consistently applied HKFRSs issued by the HKICPA that are effective for its annual accounting period beginning on 1 January 2012 throughout the Relevant Periods.

The CRM(HK) Group has not early applied the following new and revised HKFRSs that have been issued by the HKICPA but are not yet effective at the date of this report:

| | |
|---|---|
| Amendments to HKFRSs | Annual improvements to HKFRSs 2009-2011 cycle ¹ |
| Amendments to HKFRS 7 | Disclosures – Offsetting financial assets and financial liabilities ¹ |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory effective date of HKFRS 9 and transition disclosures ³ |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹ |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment entities ² |
| HKFRS 9 | Financial instruments ¹ |
| HKFRS 10 | Consolidated financial statements ¹ |
| HKFRS 11 | Joint arrangements ¹ |
| HKFRS 12 | Disclosure of interests in other entities ¹ |
| HKFRS 13 | Fair value measurement ¹ |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income ⁴ |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities ² |
| HKAS 19 (Revised 2011) | Employee benefits ¹ |
| HKAS 27 (Revised 2011) | Separate financial statements ¹ |
| HKAS 28 (Revised 2011) | Investments in associates and joint ventures ¹ |
| HK(IFRIC) – INT 20 | Stripping costs in the production phase of a surface mine ¹ |

¹ Effective for accounting periods beginning on or after 1 January 2013.

² Effective for accounting periods beginning on or after 1 January 2014.

³ Effective for accounting periods beginning on or after 1 January 2015.

⁴ Effective for accounting periods beginning on or after 1 July 2012.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 “presentation of items of other comprehensive income” introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’. In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 will be adopted in the CRM(HK) Group's consolidated financial statements for the annual period beginning 1 January 2013. Upon adoption, the presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than as described above, the directors of CRM(HK) anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the CRM(HK) Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for leasehold land and buildings, which are measured at fair value, as explained in the accounting policies set out below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

Basis of consolidation

The Financial Information incorporates the financial statements of CRM(HK) and the entities controlled by CRM(HK) (its subsidiaries). Control is achieved where CRM(HK) has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the CRM(HK) Group.

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

Revenue recognition

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

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

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.

Non-current assets held for sale

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

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

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

Property and equipment

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

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

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

Depreciation is recognised so as to write off the cost or valuation 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.

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.

Leasing

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

The CRM(HK) Group as lessee

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

Leasehold land and buildings

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

Sale and leaseback transaction

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in 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 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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.

Borrowing costs

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information 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 difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises the initial recognition of 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, except where the CRM(HK) Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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.

Inventories

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

Impairment of assets

At the end of the reporting period, CRM(HK) Group reviews the carrying amounts of its 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, CRM(HK) 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.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when the 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The CRM(HK) Group's financial assets are classified into loans and receivables.

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.

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 deposits and other receivables, amounts due from fellow subsidiaries, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. The accounting policy on impairment loss of financial assets is set out below.

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of amounts due from fellow subsidiaries 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 an amount due from a fellow subsidiary 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.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by CRM(HK) 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

Financial liabilities including accounts payable, accrued expenses and other payables, amounts due to subsidiaries and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The CRM(HK) 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 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.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2010, 2011 and 2012, no deferred tax asset was recognised in the CRM(HK) Group's consolidated statement of financial position in relation to the remaining deductible temporary differences and estimated unused tax losses of approximately HK\$27,170,000, HK\$40,891,000 and HK\$55,073,000 and HK\$2,146,000, HK\$3,086,000 and HK\$4,690,000 respectively due to the unpredictability of future profit streams of the relevant subsidiaries. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, future recognition of deferred tax assets in relation to deductible temporary differences and unutilised tax losses may arise, which would be recognised in profit or loss in the period in which the future profits generated become probable.

Impairment loss recognised on inventories

Management reviews the inventories listing at the end of each reporting period, and impairs obsolete and slow-moving inventory items identified that are no longer suitable for sale. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than expected, a material write down may arise. The carrying amounts of inventories were approximately HK\$48,948,000, HK\$59,423,000 and HK\$56,785,000 as at 31 December 2010, 2011 and 2012, respectively.

5. FINANCIAL INSTRUMENTS

Capital risk management

The CRM(HK) Group manages its capital to ensure that it 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 CRM(HK) Group consists of debt, which includes the borrowings disclosed in note 21 and equity attributable to owners of CRM(HK), comprising issued share capital disclosed in note 22, reserves and accumulated losses as disclosed in consolidated statements 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 CRM(HK) Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt. The CRM(HK) Group's overall strategy remains unchanged throughout the Relevant Periods.

Categories of financial instruments

| | As at 31 December | | |
|---|-------------------|----------|----------|
| | 2010 | 2011 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| CRM(HK) Group | | | |
| Financial assets | | | |
| Loans and receivables (including cash and cash equivalents) | 213,755 | 314,486 | 359,739 |
| Financial liabilities | | | |
| Amortised cost | 288,671 | 312,916 | 329,303 |
| CRM(HK) | | | |
| Financial assets | | | |
| Loans and receivables (including cash and cash equivalents) | 1 | 1 | 1 |
| Financial liabilities | | | |
| Amortised cost | 169,202 | 169,194 | 171,500 |

Financial risk management objectives and policies

The CRM(HK) Group's major financial instruments include deposits and other receivables, amounts due from fellow subsidiaries, accounts payable, accrued expenses and other payables, borrowings, pledged bank deposits and bank balances and CRM(HK)'s major financial instruments include amounts due from fellow subsidiaries and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The CRM(HK) Group is mainly exposed to fair value interest rate risk in relation to interest-free amounts due from fellow subsidiaries. The CRM(HK) Group currently does not have a fair value interest rate hedging policy.

The CRM(HK) Group is mainly exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank balances. The CRM(HK) Group currently does not have a cash flow interest rate hedging policy.

The management considers that CRM(HK) Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The CRM(HK) 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") and arising from the CRM(HK) Group's variable interest-rate borrowings.

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of 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 the Relevant Periods. A 50 basis point change is used for sensitivity analysis during the Relevant Periods and represents management's assessment of the reasonably possible change in interest rates. If the interest rate of borrowings had been 50 basis point higher/lower, the CRM(HK) Group's pre-tax profit for each of the years ended 31 December 2010, 2011 and 2012 would decrease/increase by approximately HK\$565,000, HK\$554,000 and HK\$557,000 respectively. This is mainly attributable to the CRM(HK) Group's exposure to the interest rates on variable-rate borrowings.

Foreign currency risk

More than 99% of financial assets and financial liabilities of the CRM(HK) Group are denominated in the group entity's functional currency. No foreign currency sensitivity is disclosed as in the opinion of directors of CRM(HK), the foreign currency exposure is considered insignificant during the Relevant Periods.

Credit risk

The CRM(HK) Group's and CRM(HK)'s maximum exposure to credit risk which will cause a financial loss to the CRM(HK) Group and CRM(HK)'s in the event of the counterparties failure to perform their obligations as at the end of reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

The CRM(HK) Group and CRM(HK) have concentration of credit risk on amounts due from fellow subsidiaries. The management closely monitors the subsequent settlement of the counterparties. In this regard, the directors of CRM(HK) consider that the credit risk is significantly reduced.

Bank balances and deposits are placed in banks with good reputation and the Directors of CRM(HK) consider the credit risk is limited.

Liquidity risk

The CRM(HK) 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.

Liquidity tables

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

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

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

| | Weighted average effective interest rate % | Repayable on demand HK\$'000 | Less than 1 month HK\$'000 | Between 1 to 6 months HK\$'000 | Between 6 months to 1 year HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount at the end of the reporting date HK\$'000 |
|-------------------------------------|--|---------------------------------------|----------------------------------|---|--|---|---|
| At 31 December 2010 | | | | | | | |
| Accounts payable | N/A | - | 42,889 | 110,708 | - | 153,597 | 153,597 |
| Accrued expenses and other payables | N/A | - | 12,215 | 8,577 | 1,235 | 22,027 | 22,027 |
| Borrowings (note) | 5% | 7,280 | 85,034 | 21,052 | - | 113,366 | 113,047 |
| | | <u>7,280</u> | <u>140,138</u> | <u>140,337</u> | <u>1,235</u> | <u>288,990</u> | <u>288,671</u> |
| At 31 December 2011 | | | | | | | |
| Accounts payable | N/A | - | 46,909 | 118,325 | - | 165,234 | 165,234 |
| Accrued expenses and other payables | N/A | - | 14,478 | 14,224 | 3,982 | 32,684 | 32,684 |
| Borrowings (note) | 5% | 4,043 | 87,644 | 23,567 | - | 115,254 | 114,818 |
| | | <u>4,043</u> | <u>149,031</u> | <u>156,116</u> | <u>3,982</u> | <u>313,172</u> | <u>312,736</u> |
| At 31 December 2012 | | | | | | | |
| Accounts payable | N/A | - | 59,409 | 106,991 | - | 166,400 | 166,400 |
| Accrued expenses and other payables | N/A | - | 14,574 | 13,439 | 3,078 | 31,091 | 31,091 |
| Borrowings (note) | 5% | 20,541 | 91,559 | 20,174 | - | 132,274 | 131,812 |
| | | <u>20,541</u> | <u>165,542</u> | <u>140,604</u> | <u>3,078</u> | <u>329,765</u> | <u>329,303</u> |

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

Borrowings with a repayment on demand clause are included in the “repayable or on demand” time band in the above maturity analysis. The aggregate carrying amounts of these bank borrowings amounted to approximately HK\$7,280,000, HK\$4,043,000 and HK\$20,541,000 as at 31 December 2010, 2011 and 2012. Taking into account the CRM(HK) Group’s financial position, the Directors of CRM(HK) do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate payment. The Directors of CRM(HK) 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 are as follows:

| | 2010 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|-------------------------|
| Within one year | 3,468 | 2,030 | 8,396 |
| More than one year but not exceeding two years | 2,030 | 1,310 | 7,959 |
| More than two years but not exceeding five years | 2,183 | 874 | 5,313 |
| | <u>7,681</u> | <u>4,214</u> | <u>21,668</u> |

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.

The directors of CRM(HK) consider the future cash outflows of CRM(HK) is equal to the carrying amount of amounts due to subsidiaries which are required to repay on demand.

Fair values

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

The Directors of CRM(HK) consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

6. REVENUE

Revenue represents the invoiced value of sales of furniture and household goods and electrical appliances products, net of discounts and returns.

7. SEGMENT INFORMATION

Financial information is reported to the Chief Executive Officer of the CFSG, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The CRM(HK) Group is regarded as a single operating and reportable segment at CFSG level and represented the “Retailing Business”. Segment revenue and results are the same as the amounts presented in the consolidated statements of comprehensive income and segment assets and liabilities represented the assets and liabilities presented in the consolidated statements of financial position together with the trademark and related deferred tax liabilities arising from acquisition on CRM(HK) by CFSG in previous years.

Geographical information

The CRM(HK) Group’s operations are located in Hong Kong and the PRC.

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

| | Revenue | | | Non-current assets | | |
|-----------|------------------|------------------|------------------|--------------------|---------------|---------------|
| | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong | 1,011,241 | 1,068,941 | 1,086,397 | 130,827 | 59,586 | 52,850 |
| PRC | – | 3,811 | 9,284 | 553 | 8,368 | 1,481 |
| | <u>1,011,241</u> | <u>1,072,752</u> | <u>1,095,681</u> | <u>131,380</u> | <u>67,954</u> | <u>54,331</u> |

No revenue generated from customers during the Relevant Periods contributing over 10% of the total revenue as the revenue is generated from the sale to the public in the retail shops.

8. OTHER INCOME

| | Year ended 31 December | | |
|--|------------------------|--------------|---------------|
| | 2010 | 2011 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| CRM(HK) Group | | | |
| Bank interest income | 117 | 325 | 420 |
| Compensation of relocation of retail branch income | 10,592 | – | – |
| Effective interest income on amounts due from fellow subsidiaries | – | 2,808 | 7,759 |
| Others | 3,543 | 2,980 | 4,272 |
| | <u>14,252</u> | <u>6,113</u> | <u>12,451</u> |

9. FINANCE COSTS

| | Year ended 31 December | | |
|---|------------------------|--------------|--------------|
| | 2010 | 2011 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest on: | | | |
| Borrowings wholly repayable within five years | 4,375 | 3,913 | 4,040 |
| | <u>4,375</u> | <u>3,913</u> | <u>4,040</u> |

10. DIVIDENDS AND EARNINGS PER SHARE

No dividend was paid or declared by CRM(HK) during the Relevant Periods.

No earnings per share information is presented as its inclusion, for purpose of this report, is not meaningful.

11. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No Enterprise Income Tax is payable by the subsidiaries operating in the PRC since they had no assessable profit for the Relevant Periods.

| | Year ended 31 December | | |
|--|------------------------|--------------|--------------|
| | 2010 | 2011 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| CRM(HK) Group | | | |
| The charge (credit) comprises: | | | |
| Hong Kong Profits Tax | 6,900 | 3,161 | 7,640 |
| Under(over)provision of Hong Kong Profits Tax in prior years | 924 | (161) | 360 |
| Deferred taxation credit | (2,700) | – | (1,000) |
| | <u>5,124</u> | <u>3,000</u> | <u>7,000</u> |

The taxation for the year can be reconciled to the profit before taxation per the consolidated statements of comprehensive income as follows:

| | Year ended 31 December | | |
|---|------------------------|---------------|---------------|
| | 2010 | 2011 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Profit before taxation | <u>47,696</u> | <u>19,334</u> | <u>20,347</u> |
| Taxation at Hong Kong Profits Tax rate at 16.5% | 7,870 | 3,190 | 3,357 |
| Tax effect of expenses not deductible for tax purpose | 2 | 3,711 | 2,716 |
| Tax effect of income not taxable for tax purpose | (28) | (6,392) | (1,315) |
| Tax effect of estimated tax losses not recognised | 306 | 2,264 | 2,661 |
| Tax effect of deductible temporary differences not recognised | – | 155 | 267 |
| Under(over)provision in prior years | 924 | (161) | 360 |
| Utilisation of tax losses/deductible temporary difference previously not recognised | (3,872) | – | (321) |
| Others | (78) | 233 | (725) |
| Taxation | <u>5,124</u> | <u>3,000</u> | <u>7,000</u> |

12. PROFIT FOR THE YEAR

| | Year ended 31 December | | |
|---|------------------------|------------------|------------------|
| | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 |
| Profit for the year has been arrived at after charging (crediting): | | | |
| Advertising and promotion expenses | 20,355 | 28,066 | 18,939 |
| Auditor's remuneration | 900 | 859 | 1,051 |
| Allowance for inventory obsolescence (included in costs of sales for retailing business) | 2,094 | 2,840 | 5,348 |
| Cost of inventories recognised as an expense (including the allowance for inventory obsolescence) | 591,049 | 638,297 | 647,983 |
| Selling and distribution expenses | 33,896 | 37,714 | 37,211 |
| Staff costs: | | | |
| Directors' fees and emoluments | 2,208 | 2,176 | 2,001 |
| Other staff salaries, allowances and commission | 101,585 | 124,986 | 113,914 |
| Contributions to retirement benefits schemes | 4,078 | 4,739 | 4,661 |
| | 107,871 | 131,901 | 120,576 |
| Operating lease rentals in respect of land and buildings: | | | |
| Minimum lease payments | 142,349 | 153,512 | 168,593 |
| Contingent rents (<i>Note</i>) | 7,424 | 5,773 | 2,762 |
| | 149,773 | 159,285 | 171,355 |
| Written-off of property and equipment (included in other gains and losses) | 174 | 13 | 62 |
| Gain on disposal of assets held for sale (included in other gains and losses) | – | (32,400) | – |
| Impairment loss in respect of property and equipment (included in other gains and losses) | – | – | 4,664 |
| | <u>–</u> | <u>–</u> | <u>4,664</u> |

Note: The contingent rents are determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

13. INVESTMENTS IN SUBSIDIARIES

| | As at 31 December | | |
|-------------------------------|-------------------|------------------|------------------|
| | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 |
| Unlisted investments, at cost | 200,000 | 200,000 | 200,000 |
| | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> |

14. PROPERTY AND EQUIPMENT

| | Leasehold land and buildings <i>HK\$'000</i> | Leasehold improvements <i>HK\$'000</i> | Furniture, fixtures and equipment <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|--|--|--------------------------|
| CRM(HK) Group | | | | |
| COST OR VALUATION | | | | |
| At 1 January 2010 | 68,000 | 102,220 | 111,022 | 281,242 |
| Additions | – | 19,508 | 2,984 | 22,492 |
| Written-off | – | (5,729) | (2,978) | (8,707) |
| Exchange adjustments | – | – | 23 | 23 |
| Revaluation | 2,000 | – | – | 2,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2010 | 70,000 | 115,999 | 111,051 | 297,050 |
| Additions | – | 21,176 | 3,384 | 24,560 |
| Written-off | – | (6,455) | (3,244) | (9,699) |
| Revaluation | 21,100 | – | – | 21,100 |
| Exchange adjustments | – | – | 38 | 38 |
| Reclassified as assets classified as held for sale | (91,100) | – | – | (91,100) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2011 | – | 130,720 | 111,229 | 241,949 |
| Additions | – | 14,557 | 1,757 | 16,314 |
| Written-off | – | (11,122) | (6,601) | (17,723) |
| Exchange adjustments | – | 117 | 51 | 168 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2012 | – | 134,272 | 106,436 | 240,708 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Consisting: | | | | |
| At cost | – | 115,999 | 111,051 | 227,050 |
| At valuation | 70,000 | – | – | 70,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2010 | <u>70,000</u> | <u>115,999</u> | <u>111,051</u> | <u>297,050</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At cost at 31 December 2011 | <u>–</u> | <u>130,720</u> | <u>111,229</u> | <u>241,949</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At cost at 31 December 2012 | <u>–</u> | <u>134,272</u> | <u>106,436</u> | <u>240,708</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | Leasehold land and buildings <i>HK\$'000</i> | Leasehold improvements <i>HK\$'000</i> | Furniture, fixtures and equipment <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|--|--------------------------|
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | |
| At 1 January 2010 | – | 77,416 | 106,275 | 183,691 |
| Provided for the year | 1,815 | 12,962 | 2,497 | 17,274 |
| Eliminated on written-off | – | (5,722) | (2,811) | (8,533) |
| Exchange adjustments | – | – | 12 | 12 |
| Revaluation | (1,815) | – | – | (1,815) |
| At 31 December 2010 | – | 84,656 | 105,973 | 190,629 |
| Provided for the year | 1,482 | 17,516 | 2,434 | 21,432 |
| Eliminated on written-off | – | (6,456) | (3,230) | (9,686) |
| Exchange adjustments | – | – | 22 | 22 |
| Revaluation | (1,482) | – | – | (1,482) |
| At 31 December 2011 | – | 95,716 | 105,199 | 200,915 |
| Provided for the year | – | 21,839 | 2,586 | 24,425 |
| Eliminated on written-off | – | (11,122) | (6,539) | (17,661) |
| Exchange adjustments | – | 19 | 32 | 51 |
| Impairment loss recognised in profit or loss | – | 4,343 | 321 | 4,664 |
| At 31 December 2012 | – | 110,795 | 101,599 | 212,394 |
| CARRYING VALUES | | | | |
| At 31 December 2010 | 70,000 | 31,343 | 5,078 | 106,421 |
| At 31 December 2011 | – | 35,004 | 6,030 | 41,034 |
| At 31 December 2012 | – | 23,477 | 4,837 | 28,314 |

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

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

The CRM(HK) Group's leasehold land and buildings are located in Hong Kong under medium-term lease.

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

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

If the leasehold land and buildings had not been revalued, they would have been included in the Financial Information at historical cost less accumulated depreciation is HK\$39,834,000 as at 31 December 2010.

15. DEFERRED TAXATION

The following is the analysis of deferred tax (assets) liabilities for financial reporting purpose:

| | As at 31 December | | |
|--------------------------|-------------------|----------------|----------------|
| | 2010 | 2011 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| CRM(HK) Group | | | |
| Deferred tax assets | (4,700) | (4,700) | (5,700) |
| Deferred tax liabilities | 4,700 | - | - |
| | <u>-</u> | <u>(4,700)</u> | <u>(5,700)</u> |

The following are the deferred tax (assets) liabilities recognised and the movements thereon during the Relevant Periods:

| | Revaluation of leasehold land and buildings HK\$'000 | Accelerated accounting depreciation HK\$'000 |
|--|--|---|
| At 1 January 2010 | 4,070 | (2,000) |
| Credit to profit or loss for the year | - | (2,700) |
| Charge to other comprehensive income for the year | 630 | - |
| At 31 December 2010 | 4,700 | (4,700) |
| Charge to other comprehensive income for the year | 3,631 | - |
| Reversal to equity upon disposal of leasehold land and buildings | (8,331) | - |
| At 31 December 2011 | - | (4,700) |
| Credit to profit or loss for the year | - | (1,000) |
| At 31 December 2012 | <u>-</u> | <u>(5,700)</u> |

The CRM(HK) Group had estimated unused tax losses of HK\$27,170,000, HK\$40,891,000 and HK\$55,073,000 and deductible temporary difference in respect of accelerated accounting depreciation of HK\$30,631,000, HK\$31,571,000 and HK\$39,235,000 as at 31 December 2010, 2011 and 2012 respectively available to offset against future profits. As at 31 December 2010, 2011 and 2012, CRM(HK) Group recognised deductible temporary differences of HK\$28,485,000, HK\$28,485,000 and HK\$34,545,000 respectively as deferred tax assets. No deferred tax asset has been recognised in respect of the estimated unused tax losses and the remaining deductible temporary differences due to the unpredictability of future profit streams. Included in unused tax losses was nil, HK\$10,431,000 and HK\$24,260,000 that will expire by nil, 2016 and 2017, respectively. Other losses may be carried forward indefinitely.

16. INVENTORIES

| | As at 31 December | | |
|------------------------------|-------------------------|-------------------------|-------------------------|
| | 2010 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
| CRM(HK) Group | | | |
| Finished goods held for sale | 48,948 | 59,423 | 56,785 |

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | As at 31 December | | |
|-------------------------------|-------------------------|-------------------------|-------------------------|
| | 2010 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
| CRM(HK) Group | | | |
| Rental and utilities deposits | 14,788 | 17,731 | 16,998 |
| Prepayments | 1,075 | 1,362 | 1,748 |
| Others | 2,362 | 4,085 | 5,302 |
| Total | 18,225 | 23,178 | 24,048 |

18. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES

CRM(HK) Group

Amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed repayment term. The amounts due from fellow subsidiaries classified as current are expected to be recovered within twelve months from the end of the respective reporting period while the amounts due from fellow subsidiaries classified as non-current are expected to be recovered after twelve months from the end of respective reporting period. They are measured at fair value at initial recognition at an effective interest rate of 5% per annum.

CRM(HK)

Amounts due to subsidiaries are unsecured, interest-free and are repayable on demand.

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The CRM(HK) Group's bank deposits of HK\$41,395,000, HK\$62,895,000 and HK\$73,400,000 as at 31 December 2010, 2011 and 2012 respectively were pledged to secure the short-term general banking facilities granted by banks.

Bank balances and cash comprise cash held by the CRM(HK) Group and short-term bank deposits at market interest rates of 1.05%, 0.09% and 0.06% as at 31 December 2010, 2011 and 2012 respectively with an original maturity of three months or less.

20. OTHER FINANCIAL LIABILITIES

| | As at 31 December | | |
|---|-------------------------|-------------------------|-------------------------|
| | 2010 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
| CRM(HK) Group | | | |
| Accounts payable | 153,597 | 165,234 | 166,400 |
| Salaries payable | 3,914 | 4,517 | 5,070 |
| Other accrued expenses | 10,216 | 15,450 | 16,052 |
| Other payables | 7,897 | 12,897 | 9,969 |
| Total accrued expenses and other payables | 22,027 | 32,864 | 31,091 |

Accounts payable principally comprise amounts outstanding for trade purchases costs. The average credit period taken for trade purchase is 30 to 90 days.

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

| | As at 31 December | | |
|--------------|-------------------------|-------------------------|-------------------------|
| | 2010 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
| 0 – 30 days | 66,556 | 77,531 | 73,623 |
| 31 – 60 days | 37,518 | 39,679 | 54,195 |
| 61 – 90 days | 14,419 | 35,458 | 22,035 |
| Over 90 days | 35,104 | 12,566 | 16,547 |
| | 153,597 | 165,234 | 166,400 |

21. BORROWINGS

| | As at 31 December | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2010 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
| CRM(HK) Group | | | |
| Secured bank borrowings | 7,280 | 4,043 | 20,541 |
| Trust receipt loans | 105,767 | 110,775 | 111,271 |
| | 113,047 | 114,818 | 131,812 |

| | As at 31 December | | |
|---|-------------------|------------------|------------------|
| | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 |
| CRM(HK) Group | | | |
| Carrying amount repayable based on scheduled terms: | | | |
| Within one year | 105,767 | 110,775 | 111,271 |
| Carrying amount of borrowings (shown under current liabilities) contain a repayment on demand clause: | | | |
| – within one year | 3,237 | 1,925 | 7,723 |
| – in the second year | 1,925 | 1,256 | 7,592 |
| – in the third to fifth years | 2,118 | 862 | 5,226 |
| Amount due within one year shown under current liabilities | <u>113,047</u> | <u>114,818</u> | <u>131,812</u> |

At 31 December 2010, 2011 and 2012, bank borrowings of the CRM(HK) Group were secured by:

- a corporate guarantee from the immediate holding company of CRM(HK) during the Relevant Periods;
- pledged bank deposits as disclosed in note 19 during the Relevant Periods; and
- all the leasehold land and buildings as disclosed in note 14 during the year ended 31 December 2010.

The CRM(HK) Group's borrowings as at 31 December 2010, 2011 and 2012 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread.

The weighted average effective interest rates per annum (which are also equal to contracted interest rates) of the variable-rate bank borrowings are as follows:

| | As at 31 December | | |
|---------------|-------------------|------------------|------------------|
| | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 |
| CRM(HK) Group | <u>5%</u> | <u>5%</u> | <u>5%</u> |

22. SHARE CAPITAL

| | Number of shares | Amount | |
|---|---------------------|---------------|------------|
| | | US\$ | HK\$'000 |
| Ordinary shares of US\$1 each | | | |
| Authorised: | | | |
| At 1 January 2010, 31 December 2010, 31 December 2011 and 31 December 2012 | <u>50,000</u> | <u>50,000</u> | <u>390</u> |
| Issued and fully paid: | | | |
| At 1 January 2010, 31 December 2010, 31 December 2011 and 31 December 2012 | <u>100</u> | <u>100</u> | <u>1</u> |

23. RESERVES

CRM(HK)

| | Other reserve <i>HK\$'000</i> | Shareholders' transaction reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|-------------------------------------|--|--|--------------------------|
| At 1 January 2010 | 6,601 | 391,186 | (363,481) | 34,306 |
| Loss and total comprehensive expense for the year | - | - | (8) | (8) |
| At 31 December 2010 | 6,601 | 391,186 | (363,489) | 34,298 |
| Profit and total comprehensive income for the year | - | - | 5,765 | 5,765 |
| Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed contribution to shareholder | - | (5,757) | - | (5,757) |
| At 31 December 2011 | 6,601 | 391,186 | (363,481) | 34,306 |
| Profit and total comprehensive income for the year | - | - | 4,964 | 4,964 |
| Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed contribution to shareholder | - | (4,810) | - | (4,810) |
| At 31 December 2012 | <u>6,601</u> | <u>391,186</u> | <u>(363,327)</u> | <u>34,460</u> |

CRM(HK) Group

Other reserve is arisen from group reorganisation on 30 November 2005.

Shareholders' transaction reserve is arisen from the waiver of the current accounts due to its former immediate holding company of CRM(HK) and the imputed interest recognised on interest-free loans to fellow subsidiaries.

Details of the reserve movement of CRM(HK) Group are disclosed in the consolidated statement of equity.

24. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a board resolution passed on 20 June 2011, the directors determined to dispose the leasehold land and buildings in Hong Kong (the "Property") and considered that the disposal of the Property is highly probable, thus the Property is reclassified to assets classified as held for sale in accordance with HKFRS 5. The fair value of the Property at the date of reclassification amounting to HK\$91,100,000 is determined based on an offer price by an independent third party and valuation report carried out by Knight Frank Petty Limited.

Movement on assets classified as held for sale are as follows:

| | 2011 HK\$'000 |
|---|------------------|
| At 1 January | - |
| Reclassified from property and equipment (<i>note 14</i>) | 91,100 |
| Disposal | (91,100) |
| | <hr/> |
| At 31 December | <u>-</u> |

In October 2011, the Property has been disposed of to another independent third party with a consideration of HK\$123,500,000 and resulting in a gain of approximately HK\$32,400,000.

Upon completion of the disposal, the CRM(HK) Group and the third party entered into leaseback arrangement at a monthly rent approximate to the market rent for 24 months. This sale and leaseback transaction results in an operating lease and the lease commitment is included in note 25.

25. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the CRM(HK) Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | As at 31 December | | |
|---------------------------------------|-------------------|------------------|------------------|
| | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 |
| CRM(HK) Group | | | |
| Within one year | 106,457 | 137,387 | 125,127 |
| In the second to fifth year inclusive | 99,817 | 169,369 | 136,761 |
| | <hr/> | <hr/> | <hr/> |
| | <u>206,274</u> | <u>306,756</u> | <u>261,888</u> |

Operating lease payments represent rentals payable by the CRM(HK) Group for office premises and retail shops. Leases are mainly negotiated for lease term of two to three years and rentals are fixed for lease term of two to three years. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the CRM(HK) Group has to pay a rental based on certain percent of the gross sales of the relevant shop when the sales meets certain specified level.

26. RETIREMENT BENEFITS SCHEMES

The CRM(HK) 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 CRM(HK) Group, in funds under the control of trustees. Both the CRM(HK) Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. Effective from June 2012, the cap of contribution amount has been changed from HK\$1,000 to HK\$1,250 per employee per month.

The CRM(HK) 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 CRM(HK) 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.

27. RELATED PARTY TRANSACTIONS

(i) Related party balances

The CRM(HK) Group's balances with fellow subsidiaries and CRM(HK)'s balances with fellow subsidiaries and subsidiaries are set out in note 18.

(ii) Compensation of key management personnel

The remuneration of directors which is disclosed in note 12 is determined by the remuneration committee of CASH Financial Services Group Limited having referred to the performance of individuals and market trends.

(B) EVENTS FROM THE REPORTING PERIOD

Subsequent to 31 December 2012, an interim dividend in respect of the year ending 31 December 2013 of approximately HK\$111.7 million has been declared by the directors of CRM(HK) and paid on 31 March 2013.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the CRM(HK) Group, CRM(HK) or any of the subsidiaries have been prepared in respect of any period subsequent to 31 December 2012.

Yours faithfully,



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong