CASH 時富


# Celestial Asia Securities Holdings Limited

(Stock Code: 1049)

2015 Annual Report

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# CORPORATE PROFILE

## Corporate Profile (1049)

Celestial Asia Securities Holdings Limited ("CASH Group", SEHK: 1049) is a multi-faceted investment conglomerate focusing on enhancing client experience through technology and innovation. Headquartered in Hong Kong, we serve 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), Pricerite Group, CASH Algo Finance Group (CASH Algo), and Net2Gather (China) Holdings.

### Financial Services – CFSG

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

Headquartered in Hong Kong, CFSG has already built a solid foothold in China. With 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 Group

Pricerite is the largest home furnishing specialist in Hong Kong. Upholding the "Living Smart" principle, we are committed to offering total smart home solutions to improve the quality of living and enhance space utilisation for our customers.

We have always been operating with a meticulous attention to detail, actively seeking for innovative ideas to further improve our brand, product and service portfolios, sales channels and store ambience. We uphold the Group's "People-oriented" Principle to foster a caring culture for our customers, employees, vendors, communities and natural environment.

Pricerite is the first home furnishing specialist in Hong Kong to develop 'Omni Channel'. This has revolutionised the Hong Kong home furnishing market with easy access to our comprehensive network of outlets and a variety of e-shopping channels, enabling our customers to enjoy a quality shopping experience, anytime, anywhere. We have a long heritage of adopting advanced technologies to enhance our operating efficiency. From back office support to product and service offerings, marketing communication and supply chain management, we strengthen our competitive edges through a balanced fusion of technology and people.

Our extensive sourcing network in Mainland China and around the world best demonstrates our strengths in supply chain management and product development, offering a selection of versatile household offerings that are multi-functional, extensible, modular, as well as transformable, enabling us to work directly with manufacturing partners to ensure all our products are with great value.

Honouring a celebrated Hong Kong brand, Pricerite has received wide recognitions for its exceptional performance in various aspects such as brand management, product design, quality services and e-shopping platforms. As a result, many high acclaims have been awarded to Pricerite, including the Hong Kong Top Brand 10 Year Achievement Award and Premier Service Brand from the Hong Kong Brand Development Council, Consumer Product Design Award of the HK Awards for Industries, Marketing Excellence Awards from HKMA/TVB, "Outstanding QTS Merchant Awards" – Gold Award from Hong Kong Tourism Board, and numerous Service and Courtesy Awards from the Hong Kong Retail Management Association.

### 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

## BOARD OF DIRECTORS

**Executive:**

| | |
|---|---|
| KWAN Pak Hoo Bankee | (Chairman & CEO) |
| LAW Ping Wah Bernard | (CFO) |
| LAW Ka Kin Eugene | (Deputy CEO) |
| 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*

## AUTHORISED REPRESENTATIVES

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

## PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
CTBC Bank Co. Ltd.
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
OCBC Wing Hang Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
The Bank of East Asia, Limited
The Hong Kong and Shanghai Banking Corporation Limited
Wing Lung 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
Level 22, 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

Dear Fellow Shareholders,

In 2015, investors were confused with the worse-than-expected performance of the global economy and lingering concerns about an international downturn and political uncertainties. Despite the first US Federal Reserve rate rise since 2006, negative interest rates were prevalent in other major economies, including the EU, Japan and Switzerland, in a bid to rekindle growth. The situation was further complicated by China's transition from high growth to growth quality in medium rates. Locally, Hong Kong was hard hit by the global malaise, making 2015 the fourth consecutive year to record below average economic growth over the past decade, with trade, inbound tourism and domestic consumption all shrinking.

Despite the sluggish global economy, technological innovation has continued to disrupt the traditional business world, making the marketplace more people-centric and truly global. Corporate managers must now be prepared to empower frontline professionals to make decisions in order to meet individual client needs in a timely, flexibly and cost-effective manner while companies should design products and services better tailored to customers' needs. Indeed, technology is altering almost all business landscapes, even those sectors traditionally seen as conservative or driven by personal taste, such as investment, home furnishing and personal enjoyment.

Since establishment, the CASH Group has envisioned to embrace the latest technologies to communicate with clients in a more transparent, efficient and compelling way. In recent years, this has enabled our transformation into an investment conglomerate focused on enhancing client experience through technology and innovations. With the help of cutting-edge technologies, we have been able to leapfrog traditional investment and retail management approaches and work towards sustainable growth. We will continue to seek innovation and change in the years ahead.


CASH

CASH Financial Services Group, despite futile divestment as a result of the sluggish market condition, adopted new positioning as a technology-driven financial services house specialising in the provision of FinTech investment solutions. Leveraging our technological edge, direct market access (DMA) to world exchanges, product development capabilities and stringent risk management systems, we are building a world-class FinTech investment platform to provide innovative solutions to clients to preserve capital and provide solid growth.

Pricerite Group successfully transformed into one-stop space management specialist to cope with the genuine market demand from small-to-medium homeowners for an enhanced living experience. During the year, we were delighted to see multiple aspects of our business approach recognised through awards. These included honours for product design, branding, customer service, our e-commerce platform and social responsibility. Despite the sluggish local retail market, the Group will continue to tailor more products and services for micro-living to enable our customers to live out their lifestyle aspirations.

In relation to the slowdown in the China economy, we firmly believe that the adjustments being made will lay the foundation for more stable and healthy development over the next few years and long-term sustainable growth. Corporate governance has always been a priority of the Group, which in turn increases our operating costs. This makes the financial and retail businesses likely to experience testing times further in 2016.

In view of this difficult operating environment, the Group will continue to pursue our cost-leadership approach and develop our businesses prudently so as to be ready to capture the next market boom. As emerging technologies alter our lives, economy, and businesses, the Group is committed to staying at the forefront of these changing times. Our aim is to build sustainability in every facet of our business to enhance values to our stakeholders, the communities we serve and the natural environment we rely upon.

I would like to take this opportunity to thank all our staff members for their diligence, dedication and professionalism. In line with today's young "start-up" generation, they have been ready to adopt innovation and I am very pleased to see their eagerness to embrace change. With such wholehearted support from our staff, we believe that CASH Group will weather the overcast business environment and succeed in our evolution. I would also like to thank my fellow directors for their wisdom, support and guidance over the past year.


Yours sincerely,

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

# FINANCIAL REVIEW

## FINANCIAL PERFORMANCE

Facing weakening local and global economic conditions, tremendous uncertainties and turbulence in the markets throughout the year under review, the Group's Financial Service Business and Retail Management Business managed to weather through the difficulties in 2015 and recorded revenue of HK$1,634.6 million for the year ended 31 December 2015 as compared to HK$1,371.6 million the previous year. For the year ended 31 December 2015, the Group reported a net profit of HK$18.2 million (after taking into account (1) a gain on disposal of an intangible asset of approximately HK$12.1 million; and (2) a gain on disposal of available-for-sale financial assets of approximately HK$14.4 million) during the year as compared to a net profit of HK$43.6 million in 2014 (which had already included (1) a gain on disposal of a commercial property in Hong Kong of approximately HK$18.0 million; (2) an increase in fair value on its investment properties amounting to HK$37.1 million; and (3) a share of profit of an associate of HK$60.5 million on the disposal of its entire registered shares of its subsidiary which owned and managed an investment property in the PRC).

### Financial Services Business — FSG

For the year ended 31 December 2015, the Group's Financial Services Business (FSG) recorded revenue of HK$243.9 million, an increase of 23.1% as compared with HK$198.1 million in 2014.

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

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

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

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

As a result of the above, FSG recorded a net segment profit of HK$18.4 million for 2015 as compared to a net segment loss of HK$14.7 million in 2014.

## Retail Management Business — Pricerite Group

During the year under review, Hong Kong had experienced a deteriorating economy, highlighting the weak consumer sentiment and putting pressure on the local retailing business especially in the last quarter. Statistical figures revealed that Hong Kong's overall retail sales last year dropped 3.7% year-on-year at a time when Hong Kong's consumer spending was dampened by its strong local currency against major currencies including Japanese Yen and Euro dollar and by China's economic growth at the slowest pace in a quarter of a century in the same year. Meanwhile, our Retailing Management Business was still facing high inflationary pressure as the Statutory Minimum Wage (SMW) had been raised from HK$30 to HK$32.5 during the first half of the year. The rise in SMW had taken a heavy toll on our staff costs. As most of our shops are located in the second-tier shopping districts, the full-year downward rent adjustments of the retail outlets in the prime shopping districts for 2015 could not bring our rental costs down very much. Rental costs under the terms of the lease agreements contracted in earlier years which were still in force during the current year continued to remain at relatively high levels in 2015. To tackle the above challenges, we had continued to intensify our cost rationalisation measures and to improve our operational efficiency. In the meantime, we had reformulated our sales mix strategy in response to the fast growing demand for small and medium sized apartments by the young home-seekers. Our furniture design team had developed a series of new space-saving solutions and products that are more easily fitted into the small sizes of these starter homes. At the same time, we had introduced more high quality and trendy Japanese and Korean household products which further reinforce our space-saving philosophy. To gain greater market recognition, we had been implementing comprehensive marketing plans to strengthen our branding to reflect our leading position in the market and our commitment to providing smart and lively home solutions tailored for young families living in small and medium sized apartments.

As a result of the above, the Group's Retailing Management Business reported revenue of HK$1,390.3 million, representing an increase of 18.6% as compared with HK$1,172.0 million in 2014. Overall, our Retailing Management Business recorded a net profit before taxation of HK$32.7 million for 2015 as compared to net profit before taxation of HK$19.2 million the previous year. Despite the encouraging results in 2015, we remain very cost-cautious about the operations against the backdrop of a deteriorating business environment.

## Mobile Internet Services Business — Net2Gather

During the year under review, the Group had implemented new mobile gaming business strategy to explore the development of overseas game licensing business. The commercial operation of "EDEN Online" was scheduled in Q4 2015, so that it was expected the revenue would be recognized in later months after settlement with app stores and publishers. Overall, for the year ended 31 December 2015, the Group's Mobile Internet Services Business recorded revenue of HK$0.4 million and a net segment loss of HK$2.3 million as compared to the revenue of HK$1.5 million and a net segment loss of HK$0.4 million the previous year.

**Liquidity and Financial Resources**

The Group's total equity amounted to HK$811.9 million as at 31 December 2015 as compared to HK$691.6 million at the end of the previous year. This increase in the equity was mainly due to (1) the reported result for the year; and (2) the issue of 277 million new shares by way of rights issue at a subscription price of HK$0.40 per share in September 2015.

As at 31 December 2015, the Group had total outstanding borrowings of approximately HK$397.0 million compared to HK$426.4 million as at 31 December 2014. The decrease in bank borrowings was mainly due to the decrease in margin loans granted to our margin clients as at 31 December 2015. The bank borrowings of approximately HK$373.9 million and HK$23.1 million were denominated in Hong Kong dollars and US dollars respectively. The above bank loans of approximately HK$397.0 million were secured by the Group's investment properties with carrying amounts of approximately HK$188.6 million, pledged deposits of HK$44.0 million, corporate guarantees and its margin clients' securities pledged to it.

As at 31 December 2015, our cash and bank balances totalled HK$1,627.4 million as compared to HK$1,156.6 million at the end of the previous year. The increase in cash and bank balances was mainly due to (1) the gross proceeds of approximately HK$110.8 million raised from the issue of 277 million new shares by way of rights issue at a subscription price of HK$0.40 per share in September 2015; and (2) the decrease in margin loans granted to our clients for their investment needs amid the weak investor sentiment at the year-end date. For the same reason, the balances of our clients' money which were kept in the trust and segregated accounts had also increased on the same date. As at 31 December 2015, bank balances in our house accounts amounting to HK$570.9 million and HK$109.7 million were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances of approximately HK$946.8 million in the trust and segregated accounts are denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable to the clients from the business of dealing in securities.

The liquidity ratio as at 31 December 2015 remained healthy at 1.22 times, signifying a mild improvement as compared with 1.18 times as at 31 December 2014.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 49.0% as at 31 December 2015 as compared to 61.7% as at 31 December 2014. The drop in gearing ratio was mainly due to (1) the decrease in the borrowings; and (2) the increase in the share capital as mentioned above. On the other hand, we have no material contingent liabilities at the end of the year.

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

**Foreign Exchange Risks**

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

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

**Material Acquisitions and Disposals**

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

In May 2015, the Group disposed of the licence of The Chinese Gold & Silver Exchange Society to an independent third party at a consideration of HK$13 million.

In June 2015, the Company acquired algorithmic trading and alternative trading business from CFSG at a consideration of HK$1.55 million as determined based on the unaudited net asset value of the business unit as at 30 April 2015.

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

**Capital Commitment**

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

**Material Investments**

As at 31 December 2015, the market value of a portfolio of investments held for trading amounted to approximately HK$68.9 million. The net gain derived from investments held for trading of HK$158.9 million was recorded for the year. In addition, a gain on disposal of an available-for-sale financial assets amounted to approximately HK$14.4 million during the year.

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

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

### Revenue

| (HK$'m) | **2015** | 2014 | % change |
|---|---|---|---|
| Financial Services | **243.9** | 198.1 | 23.1% |
| Retailing | **1,390.3** | 1,172.0 | 18.6% |
| Online Game | **0.4** | 1.5 | (73.3%) |
| Group Total | **1,634.6** | 1,371.6 | 19.2% |

### Key Financial Metrics

| | **2015** | 2014 | % change |
|---|---|---|---|
| **The Group** | | | |
| Net Profit Attributable to Shareholders (HK$'m) | **15.2** | 2.4 | 533.3% |
| Earnings per Share (HK cents) | **2.03** | 0.34 | 497.1% |
| Total Assets (HK$'m) | **3,052.4** | 2,537.9 | 20.3% |
| Cash on Hand (HK$'m) | **1,627.4** | 1,156.6 | 40.7% |
| Bank Borrowings (HK$'m) | **397.0** | 426.4 | (6.9%) |
| **Financial Services** | | | |
| Brokerage Commission per Active Client (HK$'000) | **73.7** | 56.4 | 30.7% |
| **Retailing** | | | |
| Revenue per Sq. Ft. (HK$) | **4,296** | 3,684 | 16.6% |
| Growth for Same Stores (vs last year) | **14.4%** | 2.9% | N/A |
| Inventory Turnover Days | **27.6** | 29.8 | (7.4%) |

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Services Business — FSG



## Industry Review

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

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

## Business Review

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

*Broking*

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

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

*Investment Banking*

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

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

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

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

*Asset Management*

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

*Wealth Management*

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

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


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

*Direct Market Access (DMA)*

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

*Mobile Trading*

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

## Outlook and Corporate Strategy

The 2016 world economy is precariously balanced between continued recovery and a third leg of the global financial crisis. Uncertainties amid fears of a slowdown in Mainland China's economy, plunging


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

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

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

## Retail Management Business — Pricerite Group



## Industry Review

The sales registration in the private residential property market saw a decline in the second half of 2015, which composed of a significant decline in second hand property registration compared to a modest decline for first hand registration. The decline is brought by property cooling policies, the uncertain economy and adjustment of the US interest rate. However, the demand for mid to small and more affordable flats remains strong and the government is still catching up to enhance supply of land. Pricerite has a strategic focus on offering smart home solutions, especially to optimise living space. Pricerite uniquely addresses the compressed living space and space management challenges encountered by most families in Hong Kong. We have added smart and multifunctional design features to help customers optimise living space.

## Business Review

*Well-Received Branding Campaign*

In January 2015, we have devised the "Small Space: Big Universe" campaign to communicate Pricerite's branding and positioning to all customers, which emphasises that no matter how small a home is, we are there to help customers create their own universe. The campaign starred young and talented artists Ivana Wong and Kandy Wong, together with golden oldie 'Childhood' with new lyrics, to bring to mind a home that is both cosy and creative when supported by Pricerite's innovative, multifunctional and stylish products for young couples and individuals.


*Store Network Expansion*

Pricerite continued to expand its store network to serve customers in more locations. We opened five new stores, in Wong Tai Sin, Tsuen Wan Plaza, Tsuen Wan Discovery Park, Tuen Mun and Cheung Sha Wan. Two stores, in Wan Chai and Shatin, were revitalised and expanded respectively to deliver our revamped brand image and extra product selection to customers. In the year, Pricerite also introduced the showroom concept of 'My Little Apartment' to stores. 'My Little Apartment' featured a relatively small door as entrance to a 150 square feet studio flat, with smart furniture and home solutions to cater the nowadays modern lifestyle of living, dining, studying and sleeping in a compact arrangement. 'My Little Apartment' highlighted the infinite imagination of Pricerite home solutions and decorations in a micro-living.

*Tailor-Made Furniture Business Expansion*

Due to the growing demand and promising responses from our tailor-made furniture and home design ("TMF") services, we expanded our '家匠TMF' centres to 24 stores to provide reliable premium customised home furnishing service to more customers. Apart from the TMF centres in stores, a stand-a-lone '家匠TMF' store was opened in North Point. New smart functional hardwares sourced globally were introduced to provide extra customisable options for customers. With the comprehensive development, our TMF business achieved approximately 50% growth in sales in the past year.

*Customer Experience Enhancement*

Pricerite emphasises a smart and innovative customer experience through continuous improvement in interactive channels in store


to maximise efficiency and convenience. Tablets and interactive displays were utilised not only to provide product information, but also for customers to design a shelf system for easy shopping of components, and to participate in instant lucky draw game. Shopping experience becomes more fun and innovative, and checkout process is smoothened and accelerated.

*Product Development and Right Merchandise Mix*

Pricerite translated our brand promise into real product offerings to cater to the crowded living space and limited storage spaces in local homes. In 2015, we have designed and launched a number of creative, transformable, extensible, multi-functional and modular furniture and home products. New series of WinSill® and Transformer Furniture were introduced as our successive effort of providing multifunctional home furnishing solutions. Our dedication in product design was recognised by the industry as WinSill® received the HK Awards for Industries — Consumer Product Design Award by Federation of Hong Kong Industries.

On the other hand, our buying and merchandising team sourced and looked for more quality home products and solutions from international vendors in Japan, Korea, Malaysia, Singapore and other countries. Our imported merchandise mix rose to 25% in the past year.

*E-commerce Development*

Pricerite's online store continued its effort to improve on aspects such as order fulfillment and browsing experience. A distribution centre is set up to streamline the stock management and delivery process in one place. The delivery lead time significantly reduced and customers could now enjoy next day delivery or self-pickup services when shopping online. The website also carried out a major interface revamp in July to offer customers better navigation, especially by series and by themes. Our effort paid off by industry recognition and awards, including the Best.hk Website Award 2014 presented by HK Internet Registration Corporation Limited and Top 10 eCommerce Website Award 2015 presented by GS1 Hong Kong Limited.

*Awards and Recognitions*

Pricerite persistently pursue quality in aspects across products and services. Its dedication was recognised and honoured with a variety of awards accrediting our outstanding effort in service excellence, marketing leadership, and effort corporate social responsibility.

Pricerite received the HKMA/TVB Awards for Marketing Excellence in various categories such as the Excellence Award, Citation for Outstanding TV Campaign, Distinguished Marketing Leadership Award and Outstanding Marketing Professional Award, in recognition of our successful branding campaign. We also received the Hong Kong Top Brand 10 Year Achievement Award by the Brand Development Council.

Our staff received the Individual Award in Supervisory Level and Outstanding Performance Awards in Junior Level in the Service & Courtesy Award presented by the Hong Kong Retail Management Association. For twelve consecutive years, our staff received the Distinguished Salesperson Awards presented by Hong Kong Management Association.

With regard to our corporate social responsibility, Pricerite was awarded the 10 Years Plus Caring Company Logo by the Hong Kong Council of Social Service and Good MPF Employer Award by the Mandatory Provident Fund Schemes Authority. In terms of efforts to protect the environment, the company was awarded the GREEN$^{Plus}$ award programme (Retail-Chain Store) by CLP Power and the HSBC Living Business Award by HSBC.

All achievements best evidenced our total caring culture and continuous commitment to our various stakeholders.

## Outlook

Pricerite's mission and philosophy resemble our successful "Small Space: Big Universe" branding campaign. In the coming year, Pricerite is dedicated to making Micro-living enjoyable and to facilitate Hong Kong people to build their universe in tiny flats. With increasing residential property supply in coming year yet uncertainties in global economy, we will closely monitor the market and be agile in our strategies for a sustainable development.


## Mobile Internet Services Business — Net2Gather

### Industry Review

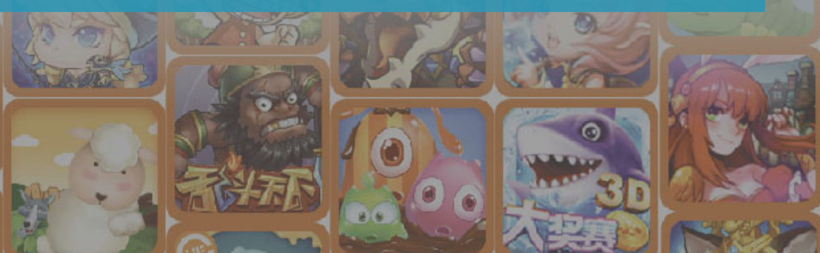
According to the research jointly released by the China Audio-video and Digital Publishing Association (CADPA), Gamma Data and International Data Corporation (IDC), total revenue for gaming services in Mainland market in 2015 reached RMB140.7 billion, a year-on-year increase of 22.9%. There were 534 million gamers in Mainland China in 2015, up only 3.3% from last year. Inevitably, the mobile gaming market is becoming increasingly saturated and competition further intensified.

Hence, gaming companies are discovering new avenues of growth in overseas markets. Overseas sales of Chinese online games surged 72.4% to USD5.31 billion in 2015. Overseas game publishers start to look for Chinese games in recent years due to improvements in quality with creative game designs and rich contents. It leads to increasing demand for specialised publishing services, such as deal liaison, game localisation, expertise in overseas market, and technical implementation and porting to various app stores in global markets.

### Business Review and Outlook

During the year, we formed strategic partnerships and built a mobile game portfolio with over 40 development teams to secure global game licensing rights, whereas we solicit overseas distribution partners to launch selected game titles in respective regions. We have provided full-fledged services to facilitate game distributions in iOS AppStore, Google Play and other third-party distribution platforms outside of Mainland China. We have successfully formed licensing agreements and launched commercial operations of "EDEN Online" with two leading mobile gaming operators in Southeast Asia and North America respectively. The game has topped the list of most popular role playing games in iOS AppStore and Google Play charts. We have also reached a licensing agreement with another leading mobile gaming operator in Southeast Asia to publish a casual game, "Candy Craze". Commercial operation is expected to be launched in the first half of 2016.

We will continue to explore collaboration and investment opportunities with game development teams and distribution partners, to enhance our product offerings and distribution capabilities, with an aim to raise our market share in overseas licensing business.

# EMPLOYEE INFORMATION

At 31 December 2015, the Group had 1,167 employees, of which 197 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$340.6 million.

## BENEFITS

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

## TRAINING

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management, listing rules and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant 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.

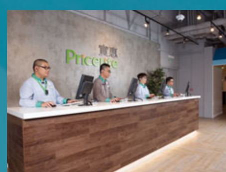
The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures and rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense 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


CASH
時富


實惠
Pricerite


時富金融
CFSG



## EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN, JP

**Chairman and CEO**

*MBA, BBA, FFA, FHKSI, CPM(HK), MHKIM*

Mr Kwan, aged 56, 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 and the Hong Kong Securities and Investment Institute, a Certified Professional Marketer (HK) and a member of the Hong Kong Institute of Marketing.

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

In addition to education, Mr Kwan is also active in serving the community. He is a member of the standing committee of the Chinese People's Political Consultative Conference (CPPCC), Shanghai Committee, and a Justice of Peace (JP) of the HKSAR; a member of the Election Committee for the Fourth Term of the Chief Executive Election of the HKSAR; and the immediate past chairman and honorary advisor of the Hong Kong Retail Management Association. Mr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR. Currently, he is a member of the Minimum Wage Commission; the Small and Medium Enterprises Committee (SMEC), Trade and Industry Department; the Corporate Advisory Council of Hong Kong Securities Institute and the Business Facilitation Advisory Committee (BFAC). He is also the Convenor of the Wholesale and Retail Task Force (WRTF) of the BFAC. Mr Kwan is also an honorary advisor of the CEPA Business Opportunities Development Alliance and The Hong Kong Institute of Education Foundation, and a member of the Organising Committee of the HKMA/TVB awards for Marketing Excellence.

In December 2009, Mr Kwan was named "Entrepreneur of the Year 2009" in the Asia Pacific Entrepreneurship Awards as organised by Enterprise Asia, which recognised his outstanding entrepreneurial success and significant contributions to economic life and society. In April 2016, Mr Kwan was named "Man of the Year for Leadership in Asia" by IAIR, the world's leading financial magazine. The annual IAIR Awards recognize outstanding professionals who actively promote excellences in innovation and sustainability.

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.

Bernard Ping-wah LAW

**CFO**

*MBA, FCCA, FCPA, FHKSI*

Mr Law, aged 57, 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, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Securities and Investment Institute. Mr Law is also an executive director and chief financial officer of CFSG.

Eugene Ka-kin LAW

**Deputy CEO**

*BA, FHKSI*

Mr Law, aged 55, joined the Board on 2 November 2015. He is in charge of the Group's corporate management 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 management professional specializing in areas of 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 of the Hong Kong Securities and Investment Institute.

Derek Hin-sing NG

**ED**

*MBA, BA, CFP^CM^*

Mr Ng, aged 47, 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 PLANNER^CM^ 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**

*LL.B*

Mr Leung, aged 58, 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 54, 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 54, 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

Majone Pui-lai CHENG

**Chief Executive Officer of CFSG**
*MSc, BEcon, MHKSI*
Ms Cheng, aged 43, 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. She is a member of the Hong Kong Securities and Investment Institute. Ms Cheng is a responsible officer of Celestial Securities and Celestial Commodities respectively.

Raymond Kung-chit NG

**Executive Director of CFSG**
*M Mgmt, B Comm, MHKSI*
Mr Ng, aged 47, 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. He is a member of the Hong Kong Securities and Investment Institute.

Michael Man LAM

**Executive Director of CFSG and Managing Director & Head of Investment Banking Group of CFSG**
*BA, MHKSI*
Mr Lam, aged 39, joined the Group in November 2008. He is also the managing director and head of investment banking of CFSG and is in charge of the investment banking business of the CFSG Group. Mr Lam also assists in the strategic planning and corporate development of the CFSG Group. He possesses extensive experience in corporate finance and capital markets. Mr Lam received a Bachelor of Arts (Hons) Degree in Business Studies from The City University of Hong Kong and is a member of the Hong Kong Securities and Investment Institute. He is also a responsible officer of Celestial Capital. In 2016, Mr Lam was awarded "Head of Investment Banking of the Year" in the IAIR Awards, as organised by International Alternative Investment Review.

James Siu-pong LEUNG

**Deputy Chief Executive Officer, Pricerite**
*MBA, BSocSc*
Mr Leung, aged 53, 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 41, 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.

Alfred Ka-chun MA

**Managing Director, CASH Algo Finance Group**

*PhD, MPhil, BSc, CFA, PRM, ASA*

Dr Ma, aged 36, joined the Group in August 2013. He is responsible for algo trading development. He has extensive experience in the field of financial engineering. He received a Doctor of Philosophy Degree in Operations Research from the Columbia University, a Master of Philosophy Degree in Mathematics and a Bachelor of Science Degree in Mathematics from The Chinese University of Hong Kong.

Caesar Shi-chang SHE

**Assistant Vice President, CASH Algo Finance Group**

*PhD, BSc*

Dr She, aged 29, joined the Group in September 2014. He is responsible for building and managing strategies and risk management. He has extensive experience in the field of statistical arbitrage strategies and portfolio management. He received a Doctor of Philosophy Degree in Mathematics and a Bachelor of Science (Hons) Degree in Computing Mathematics from the City University of Hong Kong.

Johnson Siu-kei SUN

**Managing Director, CASH Algo Finance Group**

*PhD, MSc, BSc*

Dr Sun, aged 36, joined the Group in March 2010. He is responsible for data analytics and trading strategies. He has extensive experience in the field of Statistical Modeling. He received a Doctor of Philosophy Degree in Statistics from The University of New Mexico, a Master of Science Degree in Mathematics and a Bachelor of Science Degree in Mathematics from The Hong Kong University of Science & Technology.

### Eric Di WU

**Vice President, CASH Algo Finance Group**
*PhD, BCS*
Dr Wu, aged 32, joined the Group in February 2014. He is responsible for algorithm strategy development and trading operation. He has extensive experience in the field of quantitative trading and system development. He received a Doctor of Philosophy Degree in Systems Engineering and Engineering Management from The Chinese University of Hong Kong and a Bachelor of Engineering Degree in Computer Science & Technology from the University of Science and Technology of China.

### Hanh HUYNH HUU

**Chief Architect, CASH Algo Finance Group**
*Dipl. – Ing (MEng)*
Mr Hanh Huynh Huu, aged 43, joined the Group in May 2015. He is in charge of technology operations of CASH Algo Finance Group. He has extensive experience in the field of system design and functional reactive application development. He received a Diplome D'Ingenieur from Ecole Nationale Superieure De L'Aeronautique Et De L'Espace, France.

### Suzanne Wing-sheung LUKE

**Company Secretary**
*FCIS, FCS*
Ms Luke, aged 47, joined the Group in May 2000. She has extensive listed company secretarial experience. She is a fellow of The Institute of Chartered Secretaries and Administrators, UK and The Hong Kong Institute of Chartered Secretaries. In addition to taking the role as company secretary of the Company, Ms Luke is also the company secretary of 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 2015, the Company has complied with all the code provisions of the CG Code, except for the deviations with explanation described below:

(i) 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.

(ii) Mr Kwan (Chairman of the Board) also acted as CEO of the Company during the underlying year. According to code provision A.2.1, the roles of Chairman and CEO of the Company should be separate. The dual role of Mr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. Upon the appointment of Mr Law Ka Kin Eugene as deputy CEO of the Company in November 2015, he assisted Mr Kwan in performing the CEO's responsibilities. The balance of power and authorities is also ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals.

## THE BOARD COMPOSITION

As at the date of this report, the Board comprised seven Directors (four EDs and three INEDs) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The INEDs will also share their valuable impartial view on matters to be discussed at the board meetings. The biographies of the Directors are set out from pages 32 to 36 of this annual report under the "Board of Directors and Senior Management" section.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Kwan Pak Hoo Bankee, the Chairman of the Board and the CEO of the Company, is responsible for formulating the strategies and policies of the business development of the Group, and overseeing the functioning of the Board. Mr Law Ka Kin Eugene, the deputy CEO of the Company, is responsible for the Group's corporate management and business development. In addition, the three INEDs provide independent and impartial opinion on issues to be considered by the Board. The board is of the opinion that the current Board structure functions effectively.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## ROLES AND RESPONSIBILITIES OF THE BOARD

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

# CORPORATE GOVERNANCE REPORT

## DELEGATION TO THE MANAGEMENT

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

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

— Publication of final and interim results of the Company

— Dividend distribution or other distribution

— Major issues of treasury policy, accounting policy and remuneration policy

— Review on internal control system and risk management

— Corporate governance functions

— Review on the succession plan and consideration of the appointment, re-election and removal of the Directors

— Changes to major group structure or board composition requiring notification by announcement

— Notifiable transaction and non-exempted connected transaction/continuing connected transaction

— Proposed transaction requiring the Shareholders' approval

— Capital restructuring

— Joint venture with outside party involving substantial capital commitment from the Group that requires notification by announcement

— Financial assistance to the Directors

## RELATIONSHIP BETWEEN THE BOARD MEMBERS

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

## INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

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

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

| Name of the Directors | Topics on training covered (Notes) |
|---|---|
| Kwan Pak Hoo Bankee | (a) to (e) |
| Law Ping Wah Bernard | (a) to (e) |
| Law Ka Kin Eugene (was appointed on 2 November 2015) | (a), (b), (c), (e) |
| Ng Hin Sing Derek | (a), (b), (d) |
| Leung Ka Kui Johnny | (b), (c), (e) |
| Wong Chuk Yan | (b) |
| Chan Hak Sin | (b) |

Notes:

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

(b) Regulatory and corporate governance

(c) Finance, law and taxation

(d) Leadership, management and language skills

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

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

## DIRECTORS' INSURANCE

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

## DIRECTORS' ATTENDANCE AND TIME COMMITMENT

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

| | Meetings attended/held | | | | | |
|---|---|---|---|---|---|---|
| **Name of Directors** | **Executive Committee Meeting** | **Full Board Meeting** | **Audit Committee Meeting** | **Remuneration Committee Meeting** | **Annual General Meeting** | **Special General Meeting** |
| ***EDs*** | | | | | | |
| Kwan Pak Hoo Bankee | 7/7 | 7/7 | N/A | 2/2 | 1/1 | 2/2 |
| Law Ping Wah Bernard | 7/7 | 7/7 | N/A | N/A | 1/1 | 2/2 |
| Law Ka Kin Eugene (was appointed on 2 November 2015) | 1/1 | 2/3 | N/A | N/A | 0/0 | 1/1 |
| Ng Hin Sing Derek | 7/7 | 7/7 | N/A | N/A | 0/1 | 2/2 |
| ***INEDs*** | | | | | | |
| Leung Ka Kui Johnny | N/A | 7/7 | 4/4 | 2/2 | 0/1 | 0/2 |
| Wong Chuk Yan | N/A | 7/7 | 4/4 | 2/2 | 0/1 | 2/2 |
| Chan Hak Sin | N/A | 7/7 | 4/4 | N/A | 1/1 | 1/2 |
| **Total number of meetings held:** | 7 | 7 | 4 | 2 | 1 | 2 |

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 was revised on 17 November 2015 and is available on the Company's website.

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

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

i. reviewed the annual and interim financial statements and the quarterly business operation and development of the Group;

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

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

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

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

## REMUNERATION COMMITTEE *(SET UP ON 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 two meetings during the year.

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

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

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

## NOMINATION POLICY FOR THE DIRECTORS

### Nomination of the Directors

The Company had adopted a nomination policy incorporating the diversity policy for the criteria, procedures, and process of the appointment and removal of the Directors. The criteria to select candidates for directorship is based on a range of diversity perspectives, including gender, age, culture and educational background, professional skill, experience in relevant areas, personal qualities, and whether the candidate can demonstrate his commitment, competence and integrity required for the position of the Director, and in case of INEDs, the independence requirements set out in the Listing Rules and their time commitment to the Company. Nomination of new Director(s) will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for our business model and specific needs from time to time. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

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

During the year under review, 1 meeting was held by the executive Directors in resolving appointment of an ED and Deputy 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 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 briefings and media interviews from time to time; and (iv) the upkeeping of the latest information of the Group on the Company's website at 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 materials by the Shareholders. The Shareholders may choose to receive printed or electronic copies. In line with our social caring policies, the Shareholders are encouraged to access corporate communication materials of the Company through the Company's website.

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

## CONSTITUTIONAL DOCUMENTS

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

## SHAREHOLDERS' RIGHTS

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

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

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

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

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

### Enquiries from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or tel: (852) 2980 1333 or email: cash1049@cash.com.hk.

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

## AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Committee were of the view that the Company's auditor, Messrs. Deloitte Touche Tohmatsu is independent and has recommended the Board to re-appoint it as the Company's auditor at the forthcoming 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**<br>HK$ |
|---|---|
| Audit services | 4,825,000 |
| Non-audit services: | |
| Review of the continuing connected transactions | 50,000 |
| Review of the preliminary results announcement | 70,000 |
| Preparation for very substantial disposal circular and rights issue prospectus | 3,355,000 |
| Application for licences | 514,812 |
| | 8,814,812 |

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

Hong Kong, 24 March 2016

# DIRECTORS' REPORT

# DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group 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) retail management business including 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) mobile internet services business including provision of mobile internet (to include content, operations and distribution activities) services and online game (sales of online game auxillary products and licensing) services; and (d) investment holding.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 68 of this annual report.

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

## BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the section of "Financial Review", "Management Discussion and Analysis" and "Chairman's Letter" of this annual report and note 6 to the consolidated financial statements.

The financial risk management objectives and policies of the Group are shown in note 6 to the consolidated financial statements.

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

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

## RELATIONSHIPS WITH STAKEHOLDERS

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

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

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

We are dedicated to creating an enjoyable work environment to highly engage our employees so as to maximise their potential, meeting the needs of our customers with quality products and innovative services and enhancing cooperation with our suppliers so as to provide high-quality products and services to our customers so as to ensure our sustainable development. Please refer to the "Chairman's Letter" in this annual report for more information.

### Employees

Our staff is regarded as the most important resource of the Group. We offer a competitive remuneration package and great opportunities for career advancement based on performance-linked appraisal system. Our passion in fostering a learning culture is recognized. The Group has been honoured as "Manpower Developer" at this year's Employees Retraining Board ("ERB") Manpower Developer Award Scheme in recognition of the Group's efforts and commitment to training and development. We also provide our staff with regular trainings, including internal trainings and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market, industry and various businesses. We have been awarded the accolade of "Manpower Developer 1st (MD1st) Award" by ERB since 2010 to recognize us which demonstrates outstanding achievements in manpower training and development. ERB Manpower Developer Award Scheme is the first accreditation system to assess the level of maturity of manpower training and development strategies and practices of organizations in Hong Kong. The accreditation is conducive to corporate image, staff loyalty and attraction to talents.

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

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

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

### Customers

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

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

### Suppliers

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

### Community

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

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

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

# DIRECTORS' REPORT

## ENVIRONMENTAL POLICY AND PERFORMANCE

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

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

Over the years, the Group has participated in various environmental protection programmes and campaigns organized by reputable institutions and have been recognized with awards. In year 2015, we received Bronze award in Shops and Retailers and Certificate of Merit in Servicing and Trading at Hong Kong Awards for Environmental Excellence, Hong Kong Green Organisation of Wastewi$e Certificate (Excellence Level) in Environmental Campaign Committee, Certificate of Merit in HSBC Living Business (Green Achievement) and GREEN$^{Plus}$ award programme (Retail-Chain Store) by CLP Power respectively.

## COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. During the year, the Group has complied with the relevant laws and regulations on corporate level as well as those that have a significant impact on the operations of the Group namely, among other things, the Listing Rules, the Companies Ordinance, Cap. 622 of the laws of Hong Kong, the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong, the Trade Descriptions Ordinance, Cap. 362 of the laws of Hong Kong, the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 of the laws of Hong Kong and the Competition Ordinance, Cap. 619 of the laws of Hong Kong.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2015 is set out on pages 164 to 165 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 71 to 72 of this annual report.

Details of movements in the reserves of the Company during the year are shown in the note 47 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## CONTINUING CONNECTED TRANSACTIONS

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

**Margin Financing Arrangement for two/three financial years up to 31 December 2015**

Celestial Securities (a subsidiary of the Group) entered into, inter alia, the following margin financing agreements with each of the connected clients:

*(i) Margin financing agreements all dated 14 December 2012 (as disclosed in the Company's announcement dated 21 March 2013)*

(a) Mr Kwan Pak Hoo Bankee

(b) Mr Law Ping Wah Bernard

(c) Ms Cheng Pui Lai Majone

(d) Mr Ng Kung Chit Raymond

(e) Mr Chan Chi Ming Benson

(f) Mr Cheng Man Pan Ben

(g) Dr Chan Yau Ching Bob

(h) Cash Guardian

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

(a) Mr Ng Hin Sing Derek

(b) Mr Kwan Pak Leung Horace

(c) Ms Chan Siu Fei Susanna

(d) Mr Tsui Wing Cheong Sammy

Pursuant to the respective margin financing agreements, Celestial Securities granted margin financing facilities to each of the connected clients at an annual cap of up to HK$30 million (which represents the maximum outstanding balance, including accrued outstanding interests of the margin financing facility) for each of the three financial years (for (i) above) and for each of the two financial years (for (ii) above) ending 31 December 2015. Each of the margin financing facilities granted to the connected client was a stand alone facility and will not be aggregated. The terms and rates of the margin financing agreements are in line with the rates offered by Celestial Securities to other independent margin clients. The margin financing facilities are repayable on demand and secured by listed securities held by the respective connected clients.

During the financial year ended 31 December 2015, the above connected clients were either directors or substantial shareholder of the Group and/or their respective associates, and were connected persons of the Company (as defined under the Listing Rules). The granting of margin financing facilities by the Group under the margin financing arrangements constituted continuing connected transactions relating to financial assistance for the Company under the Listing Rules.

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

During the year ended 31 December 2015, the maximum amount of margin financing facilities utilised by each of the above connected clients did not exceed the annual cap of HK$30 million. Details of the maximum amounts of the margin financing facilities granted to the above connected clients during the year under review are set out in note 26 to the consolidated financial statements. The commission and interest income received from the above connected clients during the year under review are disclosed in note 44 to the consolidated financial statements.

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

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

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

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

#### Margin Financing Arrangement for three financial years ending 31 December 2018

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

*Margin financing agreements all dated 24 November 2015 with each of the following connected persons*

(a) Mr Kwan Pak Hoo Bankee

(b) Mr Law Ping Wah Bernard

(c) Ms Cheng Pui Lai Majone

(d) Mr Ng Kung Chit Raymond

(e) Mr Lam Man Michael

(f) Mr Law Ka Kin Eugene

(g) Mr Ng Hin Sing Derek

(h) Mr Kwan Pak Leung Horace

(i) Ms Chan Siu Fei Susanna

(j) Cash Guardian

Pursuant to the respective margin financing agreements, Celestial Securities granted margin financing facilities to each of the above connected clients at an annual cap of up to HK$30 million (which represents the maximum outstanding balance, including accrued outstanding interests of the margin financing facility) for each of the three financial years starting from 1 January 2016 and ending 31 December 2018. Each of the margin financing facilities granted to the connected client was a stand alone facility and will not be aggregated. The interest rates charged are in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services.

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

The margin financing agreements for the above connected clients were approved by the independent Shareholders at a SGM held on 31 December 2015. Details of the transactions were disclosed in the Company's announcement dated 24 November 2015 and circular dated 15 December 2015.

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

# DIRECTORS' REPORT

## RELATED PARTIES TRANSACTIONS

The Group has entered into related 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

On 31 July 2015, the Company announced a proposed 2-for-1 rights issue at a subscription price of HK$0.40 per share to raise approximately HK$110.8 million. 277,073,892 rights Shares were issued on 17 September 2015. The net proceeds of approximately HK$107.8 million were used as to approximately 50% for retail management business (mainly for the expenses including rental, staff and inventory holding costs for the next 24 months) and approximately 40% for general working capital of the Company as well as approximately 10% for financing potential acquisitions or new investments as and when opportunities arise. Details of the rights issue are set out in the announcement of the Company dated 31 July 2015 and the prospectus dated 19 August 2015. Save as disclosed herein, the Company did not have any other 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
Law Ka Kin Eugene (was appointed on 2 November 2015)
Ng Hin Sing Derek

**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 Law Ka Kin Eugene, being newly appointed ED, shall retire at the annual general meeting of the Company in accordance with the bye-laws of the Company; and

(ii) 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.

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

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

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as 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 transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the financial year under review.

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

### A. The Company

#### 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 | 4,260,000 | 281,767,807* | 34.41 |
| Law Ping Wah Bernard | Beneficial owner | 27,345,312 | — | 3.29 |
| | | 31,605,312 | 281,767,807 | 37.70 |

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

## 2. Long positions in the underlying Shares

*Options under share option scheme*

| Name | Date of grant | Option period | Exercise price per Share (HK$) | Notes | Number of options: outstanding as at 1 January 2015 | adjusted during the year (Note (6)) | granted during the year (Notes (7) & (8)) | outstanding as at 31 December 2015 | Percentage to issued Shares as at 31 December 2015 (%) |
|---|---|---|---|---|---|---|---|---|---|
| Kwan Pak Hoo Bankee | 2/9/2014 | 2/9/2014–31/8/2018 | 0.478 | (1) & (4) | 5,000,000 | 1,480,000 | — | 6,480,000 | 0.77 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (1), (3) & (4) | — | — | 8,000,000 | 8,000,000 | 0.96 |
| Law Ping Wah Bernard | 2/9/2014 | 2/9/2014–31/8/2018 | 0.478 | (4) | 5,000,000 | 1,480,000 | — | 6,480,000 | 0.77 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (3) & (4) | — | — | 4,800,000 | 4,800,000 | 0.57 |
| Law Ka Kin Eugene (Note (5)) | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (3) & (4) | N/A | N/A | 4,800,000 | 4,800,000 | 0.57 |
| Ng Hin Sing Derek | 2/9/2014 | 2/9/2014–31/8/2018 | 0.478 | (4) | 4,000,000 | 1,184,000 | — | 5,184,000 | 0.62 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (3) & (4) | — | — | 4,800,000 | 4,800,000 | 0.57 |
| | | | | | 14,000,000 | 4,144,000 | 22,400,000 | 40,544,000 | 4.83 |

Notes:

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

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

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

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

(5) Mr Law Ka Kin Eugene was appointed as Director of the Company during the year.

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

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

(8) During the year ended 31 December 2015, the options were granted to Directors on 18 December 2015 for the provision of services to the Group. The options are subject to approval from the Board and will be vested upon achievement of performance target (based on non-market condition) for the financial year ending 31 December 2016 to 2019 and discretion of the Board .

As at 31 December 2015, approval from the Board has not been obtained and no share-based compensation expense was recognised in the financial year ended 31 December 2015.

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

(10) The options were held by the Directors in the capacity of beneficial owners.

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

### CFSG

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

| Name | Capacity | Number of shares<br>Corporate interest | Shareholding<br>(%) |
|---|---|---|---|
| Kwan Pak Hoo Bankee | Interest in a controlled corporation | 1,667,821,069* | 40.34 |

* The shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company). The Company was beneficially owned as to approximately 34.41% by Mr Kwan Pak Hoo Bankee, details of which were disclosed in the "Substantial Shareholders" below. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee was deemed to be interested in all the shares held by CIGL in CFSG.

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

| Name | Date of grant | Option period | Exercise price per share (HK$) | Notes | Number of options: outstanding as at 1 January 2015 | Number of options: granted during the year (Notes (3) & (4)) | Number of options: outstanding as at 31 December 2015 | Percentage to issued shares as at 31 December 2015 (%) |
|---|---|---|---|---|---|---|---|---|
| Kwan Pak Hoo Bankee | 3/12/2015 | 3/12/2015–31/12/2019 | 0.315 | (1) | — | 40,000,000 | 40,000,000 | 0.96 |
| Law Ping Wah Bernard | 3/12/2015 | 3/12/2015–31/12/2019 | 0.315 | (1) | — | 40,000,000 | 40,000,000 | 0.96 |
| Law Ka Kin Eugene (Note (2)) | 3/12/2015 | 3/12/2015–31/12/2019 | 0.315 | (1) | N/A | 20,000,000 | 20,000,000 | 0.48 |
| Ng Hin Sing Derek | 3/12/2015 | 3/12/2015–31/12/2019 | 0.315 | (1) | — | 16,000,000 | 16,000,000 | 0.38 |
| | | | | | — | 116,000,000 | 116,000,000 | 2.78 |

Notes:

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

(2) Mr Law Ka Kin Eugene was appointed as director of the Company during the year.

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

(4) The options were granted on 3 December 2015 for the provision of services to the Group but are subject to approval from the CFSG Board and also subject to the achievement of performance target for the financial years ending 31 December 2016 to 2019. At 31 December 2015, approval from the CFSG Board has not been obtained and thus no share-based compensation expense was recognised in the financial year ended 31 December 2015.

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

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

Save as disclosed above, as at 31 December 2015, none of the Directors, chief executive or their associates had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

# DIRECTORS' REPORT

## THE SHARE OPTION SCHEMES

### (A) The Company

The Share Option Scheme was adopted pursuant to an ordinary resolution passed at the 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 Shares granted under the Share Option Scheme during the year are set out below:–

| Name of scheme | Date of grant | Option period | Exercise price per share HK$ | Notes | Number of options: outstanding as at 1 January 2015 | adjusted during the year (Note (6)) | granted during the year (Notes (7) & (8)) | outstanding as at 31 December 2015 |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| The Share Option Scheme | 2/9/2014 | 2/9/2014–31/8/2018 | 0.478 | (1) | 14,000,000 | 4,144,000 | — | 18,144,000 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (1) | — | — | 22,400,000 | 22,400,000 |
| | | | | | 14,000,000 | 4,144,000 | 22,400,000 | 40,544,000 |
| **Employees and consultants** | | | | | | | | |
| The Share Option Scheme | 2/9/2014 | 2/9/2014–31/8/2018 | 0.478 | (2) & (4) | 17,400,000 | 5,148,000 | — | 22,548,000 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (3) & (4) | — | — | 26,200,000 | 26,200,000 |
| | 18/12/2015 | 18/12/2015–31/12/2019 | 0.460 | (5) | — | — | 6,800,000 | 6,800,000 |
| | | | | | 17,400,000 | 5,148,000 | 33,000,000 | 55,548,000 |
| | | | | | 31,400,000 | 9,292,000 | 55,400,000 | 96,092,000 |

Notes:

(1) Details of the options granted to the directors are set out in the section headed "Directors' Interests in Securities".

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

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

(4) The vesting conditions of the options is 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.

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

(6) The exercise price and the number of share options granted on 2 September 2014 have been adjusted due to 2-for-1 rights issue of the Company during the year. The exercise price per share was adjusted from HK$0.620 to HK$0.478.

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

(8) During the year ended 31 December 2015, the options were granted to directors, employees and consultants of the Group on 18 December 2015 for the provision of services to the Group. The options are subject to approval from the Board and will be vested upon achievement of performance target (based on non-market condition) for the financial year ending 31 December 2016 to 2019 and discretion of the Board.

As at 31 December 2015, approval from the Board has not been obtained and no share-based compensation expense was recognised in the financial year ended 31 December 2015.

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

## (B) The subsidiary

### (i) CFSG

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:–

| | | | | | Number of options | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name of scheme | Date of grant | Option period | Exercise price per share HK$ | Notes | outstanding as at 1 January 2015 | cancelled during the year (Note (5)) | exercised during the year (Note (6)) | granted during the year (Notes (7) & (8)) | outstanding as at 31 December 2015 |
| **Directors** | | | | | | | | | |
| CFSG Option Scheme | 3/12/2015 | 3/12/2015–31/12/2019 | 0.315 | (1) | – | – | – | 116,000,000 | 116,000,000 |
| **Employees and consultants** | | | | | | | | | |
| CFSG Option Scheme | 11/4/2014 | 11/4/2014–31/12/2017 | 0.097 | (3) | 75,000,000 | (50,500,000) | (24,500,000) | – | – |
| | 22/5/2014 | 22/5/2014–31/12/2017 | 0.091 | (3) | 46,000,000 | (8,000,000) | (38,000,000) | – | – |
| | 3/12/2015 | 3/12/2015–31/12/2019 | 0.315 | (2) & (3) | – | – | – | 192,000,000 | 192,000,000 |
| | 3/12/2015 | 3/12/2015–31/12/2019 | 0.315 | (4) | – | – | – | 30,000,000 | 30,000,000 |
| | | | | | 121,000,000 | (58,500,000) | (62,500,000) | 222,000,000 | 222,000,000 |
| | | | | | 121,000,000 | (58,500,000) | (62,500,000) | 338,000,000 | 338,000,000 |

Notes:

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

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

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

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

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

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

| **Date of exercise** | **Number of options** | **Exercise price per share** (HK$) | **Weighted average closing price of shares immediately before the date of exercise** (HK$) |
|---|---|---|---|
| 11 March 2015 | 24,500,000 | 0.097 | 0.430 |
| 11 March 2015 | 38,000,000 | 0.091 | 0.430 |
| Total | 62,500,000 | | |

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

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

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

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

| **Name** | **Capacity** | **Number of Shares** | **Shareholding** (%) |
|---|---|---|---|
| Hobart Assets Limited (Notes (1) & (2)) | Interest in a controlled corporation | 281,767,807 | 33.89 |
| Cash Guardian (Notes (1) & (2)) | Interest in a controlled corporation | 281,767,807 | 33.89 |
| Mr Wang Shui Ming (Note (3)) | Beneficial owner, interest in a controlled corporation and other interest | 74,721,576 | 8.98 |

Notes:

(1) 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.

(2) Mr Kwan Pak Hoo Bankee (a Director whose interests is not shown in the above table) was interested and/or deemed be interested in a total of 286,027,807 Shares (34.41%), which were held as to 281,767,807 Shares by Cash Guardian and as to 4,260,000 Shares in his personal name. Detail of his interest is set out in the section "Directors Interests in Securities" above.

(3) The Shares were held as to 19,631,226 in his personal name, as to 39,430,800 held by Mingtak Holdings Limited (a 100%-owned controlled corporation of Mr Wang), and 15,659,550 held by him as nominee under a power of attorney. Pursuant to the SFO, Mr Wang was deemed to be interested in all these Shares.

Save as disclosed above, as at 31 December 2015, the Directors and chief executive of the Company were not aware of any other parties or corporation (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, any interests 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 2015, 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.

# DIRECTORS' REPORT

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

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

## DONATIONS

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

## CONFIRMATION OF INDEPENDENCE

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

## AUDITOR

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

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

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

Hong Kong, 24 March 2016

# 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 68 to 162, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

24 March 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 December 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| Revenue | 7 | **1,634,613** | 1,371,608 |
| Cost of inventories and services | | **(791,344)** | (671,176) |
| Other income | 9 | **9,867** | 13,200 |
| Other gains and losses | 10 | **177,248** | 84,121 |
| Salaries, allowances and commission | 11 | **(419,553)** | (328,699) |
| Other operating, administrative and selling expenses | | **(527,752)** | (449,711) |
| Depreciation of property and equipment | | **(39,616)** | (31,682) |
| Finance costs | 12 | **(15,775)** | (17,647) |
| Fair value change on investment properties | | **(1,726)** | 37,088 |
| Share of results of an associate | 23 | **95** | 60,463 |
| Impairment loss recognised in respect of goodwill | 20 | **—** | (2,661) |
| **Profit before taxation** | | **26,057** | 64,904 |
| Income tax expense | 14 | **(7,852)** | (21,302) |
| **Profit for the year** | 15 | **18,205** | 43,602 |
| **Other comprehensive expense for the year, net of income tax** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference on translation of foreign operations | | **(5,179)** | (3,044) |
| **Total comprehensive income for the year** | | **13,026** | 40,558 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **15,229** | 2,422 |
| Non-controlling interests | | **2,976** | 41,180 |
| | | **18,205** | 43,602 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **12,245** | 1,375 |
| Non-controlling interests | | **781** | 39,183 |
| | | **13,026** | 40,558 |
| | | | (restated) |
| **Earnings per share** | 16 | | |
| Basic (HK cents) | | **2.03** | 0.34 |
| Diluted (HK cents) | | **2.00** | 0.27 |

# Consolidated Statement of Financial Position

At 31 December 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 18 | **83,751** | 74,486 |
| Investment properties | 19 | **188,583** | 213,666 |
| Goodwill | 20 | **60,049** | 60,049 |
| Intangible assets | 21 | **53,212** | 53,212 |
| Interest in an associate | 23 | **—** | 1,434 |
| Available-for-sale financial assets | 24 | **8,415** | 21,031 |
| Rental and utilities deposits | | **32,963** | 44,160 |
| Other assets | 25 | **5,039** | 4,792 |
| Deferred tax assets | 14 | **6,200** | 6,200 |
| | | **438,212** | 479,030 |
| **Current assets** | | | |
| Inventories — finished goods held for sale | | **63,382** | 56,396 |
| Accounts receivable | 26 | **774,449** | 707,859 |
| Loans receivable | 27 | **4,509** | 44,442 |
| Other assets | 25 | **5,240** | 7,317 |
| Prepayments, deposits and other receivables | 30 | **57,130** | 40,662 |
| Tax recoverable | | **29** | 1,111 |
| Investments held for trading | 28 | **68,871** | 44,545 |
| Financial asset designated at fair value through profit or loss | 40 | **13,161** | — |
| Bank deposits subject to conditions | 29 | **44,000** | 64,155 |
| Bank balances — trust and segregated accounts | 30 | **946,810** | 792,117 |
| Bank balances (general accounts) and cash | 30 | **636,632** | 300,299 |
| | | **2,614,213** | 2,058,903 |
| **Current liabilities** | | | |
| Accounts payable | 31 | **1,638,408** | 1,287,188 |
| Accrued liabilities and other payables | 32 | **156,975** | 100,752 |
| Taxation payable | | **21,513** | 16,493 |
| Obligations under finance leases — amount due within one year | 33 | **396** | — |
| Financial liabilities held for trading | 39 | **—** | 1,055 |
| Financial liabilities designated at fair value through profit or loss | 40 | **13,161** | — |
| Borrowings — amount due within one year | 34 | **318,571** | 334,868 |
| | | **2,149,024** | 1,740,356 |
| **Net current assets** | | **465,189** | 318,547 |
| **Total assets less current liabilities** | | **903,401** | 797,577 |

# Consolidated Statement of Financial Position (continued)

At 31 December 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 35 | **83,122** | 55,415 |
| Reserves | | **406,777** | 311,211 |
| Equity attributable to owners of the Company | | **489,899** | 366,626 |
| Non-controlling interests | 38 | **322,013** | 324,926 |
| **Total equity** | | **811,912** | 691,552 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 14 | **12,435** | 14,509 |
| Obligations under finance leases — amount due after one year | 33 | **642** | — |
| Borrowings — amount due after one year | 34 | **78,412** | 91,516 |
| | | **91,489** | 106,025 |
| | | **903,401** | 797,577 |

The consolidated financial statements on pages 68 to 162 were approved and authorised for issue by the board of directors on 24 March 2016 and are signed on its behalf by:

**KWAN PAK HOO BANKEE**
*DIRECTOR*

**LAW PING WAH BERNARD**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

| | Notes | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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$'000 (Note 38) | Total HK$'000 |
| At 1 January 2014 | | 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 | | — | — | — | — | — | — | — | — | 2,422 | 2,422 | 41,180 | 43,602 |
| Other comprehensive expense for the year | | — | — | — | — | — | (1,047) | — | — | — | (1,047) | (1,997) | (3,044) |
| Total comprehensive (expense) income for the year | | — | — | — | — | — | (1,047) | — | — | 2,422 | 1,375 | 39,183 | 40,558 |
| Recognition of equity-settled share-based payments | | — | — | — | — | — | — | 3,604 | — | — | 3,604 | — | 3,604 |
| Share-based payments of CFSG's share options | | — | — | — | — | — | — | — | — | — | — | 15,335 | 15,335 |
| Transfer to accumulated losses upon expiration of CFSG's share options | | — | — | — | — | — | — | — | — | 618 | 618 | (618) | — |
| Dividend paid to non-controlling shareholders of subsidiaries | | — | — | — | — | — | — | — | — | — | — | (51,313) | (51,313) |
| Change in shareholding in subsidiaries without losing control | (d) | — | — | — | — | 3,771 | — | — | — | — | 3,771 | 14,781 | 18,552 |
| At 31 December 2014 | | 55,415 | 510,677 | 88,926 | 1,160 | 59,110 | 12,390 | 3,604 | 11,164 | (375,820) | 366,626 | 324,926 | 691,552 |
| Profit for the year | | — | — | — | — | — | — | — | — | 15,229 | 15,229 | 2,976 | 18,205 |
| Other comprehensive expense for the year | | — | — | — | — | — | (2,984) | — | — | — | (2,984) | (2,195) | (5,179) |
| Total comprehensive (expense) income for the year | | — | — | — | — | — | (2,984) | — | — | 15,229 | 12,245 | 781 | 13,026 |
| Recognition of equity-settled share-based payments | | — | — | — | — | — | — | 854 | — | — | 854 | — | 854 |
| Transfer to accumulated losses upon cancellation of CFSG's share options | | — | — | — | — | — | — | — | — | 1,168 | 1,168 | (1,168) | — |
| Issue of new shares | | 27,707 | 83,122 | — | — | — | — | — | — | — | 110,829 | — | 110,829 |
| Transaction costs attributable to issue of new shares | | — | (2,362) | — | — | — | — | — | — | — | (2,362) | — | (2,362) |
| Purchase of non-controlling interest of a non-wholly owned subsidiary of CFSG | | — | — | — | — | — | — | — | — | — | — | (4,855) | (4,855) |
| Change in shareholding in subsidiaries without losing control | (d) | — | — | — | — | 1,709 | — | — | — | — | 1,709 | 4,125 | 5,834 |
| Acquisition on additional interest in CFSG | (d) | — | — | — | — | (1,518) | — | — | — | — | (1,518) | (1,448) | (2,966) |
| Acquisition of a non-wholly owned subsidiary of CFSG | (d) | — | — | — | — | 348 | — | — | — | — | 348 | (348) | — |
| **At 31 December 2015** | | **83,122** | **591,437** | **88,926** | **1,160** | **59,649** | **9,406** | **4,458** | **11,164** | **(359,423)** | **489,899** | **322,013** | **811,912** |

# Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2015

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 2014 and 2015 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 2015 are disclosed in note 36.

(e) 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 2015

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | **26,057** | 64,904 |
| Adjustments for: | | |
| Write back of bad and doubtful loans receivable, net | **(4,519)** | (2,700) |
| Allowance (write back) of bad and doubtful accounts receivable, net | **1,432** | (2,631) |
| Depreciation of property and equipment | **39,616** | 31,682 |
| Share-based payments | **854** | 18,939 |
| Write-down on inventories | **6,500** | 4,518 |
| Impairment loss recognised in respect of goodwill | **—** | 2,661 |
| Impairment loss on an available-for-sale financial asset | **—** | 3,500 |
| Fair value change on investment properties | **1,726** | (37,088) |
| Interest expense | **15,775** | 17,647 |
| Loss on disposal of property and equipment | **97** | 480 |
| Gain on disposal of an investment property/a commercial property | **(1,881)** | (18,002) |
| Gain on disposal of available-for-sale financial assets | **(14,381)** | — |
| Gain on disposal of an intangible asset | **(12,094)** | — |
| Share of results of an associate | **(95)** | (60,463) |
| Operating cashflow before movements in working capital | **59,087** | 23,447 |
| Increase in inventories | **(13,486)** | (7,672) |
| Increase in accounts receivable | **(68,022)** | (96,532) |
| Decrease (increase) in loans receivable | **44,452** | (16,311) |
| (Increase) decrease in prepayments, deposits and other receivables | **(5,271)** | 26,789 |
| (Increase) decrease in listed investments held for trading | **(24,326)** | 10,482 |
| Increase in financial assets designated at FVTPL | **(13,161)** | — |
| Increase in bank balances — trust and segregated accounts | **(154,693)** | (7,413) |
| Increase in accounts payable | **351,220** | 89,658 |
| Increase (decrease) in accrued liabilities and other payables | **53,965** | (28,013) |
| Decrease in financial liabilities held for trading | **(1,055)** | (18,646) |
| Increase in financial liabilities designated at FVTPL | **13,161** | — |
| Net cash from (used in) operations | **241,871** | (24,211) |
| Income taxes refunded | **1,167** | 6,075 |
| Income taxes paid | **(4,991)** | (5,714) |
| Net cash from (used in) operating activities | **238,047** | (23,850) |

# Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Decrease in bank deposits under conditions | | **20,155** | 26,400 |
| Proceeds from disposal of property and equipment | | **—** | 107 |
| Purchase of property and equipment | | **(45,349)** | (46,166) |
| Refund of statutory and other deposits | | **1,830** | 4,602 |
| Net proceeds from disposal of an intangible asset | | **12,094** | — |
| Net proceeds from disposal of available-for-sale financial assets | | **26,997** | — |
| Proceeds from disposal of an investment property/a commercial property | | **22,961** | 133,592 |
| Purchases of investment properties | 19 | **—** | (96,844) |
| Purchase of a commercial property | 19 | **—** | (92,253) |
| Capital distributed from an associate | | **1,529** | 214,704 |
| Repayment of loan to an associate | | **—** | 10,296 |
| Net cash from investing activities | | **40,217** | 154,438 |
| **Financing activities** | | | |
| Proceeds on issue of shares of CFSG | 36 | **5,834** | 18,552 |
| Purchase of non-controlling interest of a non-wholly owned subsidiary of CFSG | | **(4,855)** | — |
| Decrease in borrowings | | **(29,401)** | (32,307) |
| Repayment of obligations under finance leases | | **(385)** | (54) |
| Purchase of additional interests in CFSG | 36 | **(2,966)** | — |
| Dividends paid to non-controlling shareholders of CFSG | | **—** | (51,313) |
| Interest paid on obligations under finance leases | | **(83)** | (6) |
| Interest paid on borrowings | | **(15,692)** | (17,641) |
| Repayment of loan from non-controlling shareholder | | **—** | (27,437) |
| Proceeds on issue of shares of the Company | | **110,829** | — |
| Expenses directly attributable to issue of shares | | **(2,362)** | — |
| Net cash from (used in) financing activities | | **60,919** | (110,206) |
| Net increase in cash and cash equivalents | | **339,183** | 20,382 |
| Cash and cash equivalents at beginning of year | | **300,299** | 279,450 |
| Effect of foreign exchange rate changes | | **(2,850)** | 467 |
| Cash and cash equivalents at end of year | | **636,632** | 300,299 |
| Being: | | | |
| Bank balances (general accounts) and cash | | **636,632** | 300,299 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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")

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

| | |
|---|---|
| Amendments to HKAS 19 | Defined benefit plans: Employee contributions |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2010-2012 cycle |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2011-2013 cycle |

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

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

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

| | |
|---|---|
| HKFRS 9 | Financial instruments[1] |
| HKFRS 15 | Revenue from contracts with customers[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception[2] |
| Amendments to HKFRS 11 | Accounting for acquisitions of interests in joint operations[2] |
| Amendments to HKAS 1 | Disclosure initiative[2] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation[2] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer plants[2] |
| Amendments to HKAS 27 | Equity method in separate financial statements[2] |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2012-2014 cycle[2] |

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

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

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

**HKFRS 9 Financial instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2012 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 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' (FVTOCI) 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.

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

## 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 investments 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**

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The consolidated financial statements have been prepared on the historical cost basis except for 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 HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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.

## 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.

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

**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.

## 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.

## 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.

## 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 profit 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.

## 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets

***Intangible assets acquired separately***

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

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

***Research and development expenditures***

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

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

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

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

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

***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).

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

***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.

*Financial assets at fair value through profit or loss*

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

A financial asset is classified as held for trading if:

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

***Financial assets (continued)***

*AFS financial assets*

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

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

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of 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, 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).

***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 of the financial assets 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

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

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; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of loans and receivables, such as loans receivable and accounts receivable arising from the business of dealing in securities and equity options with margin clients, amounts that are assessed not to be impaired individually are 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 AFS equity investments carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial 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.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**

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

*Financial liabilities at FVTPL (continued)*

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

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

*Other financial liabilities*

Other financial liabilities (including accounts payable, accrued liabilities and other payables and borrowings) are subsequently measured at amortised cost using the effective interest method.

*Derivative financial instruments*

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

***Derecognition***

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

On derecognition of a financial asset in its entirety, 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.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The fair value of services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of share options granted at the grant date without taking into account any service and non-market performance vesting conditions. 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 estimates, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are cancelled after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share 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***

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

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

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

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

### 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 40.10% to 40.71% during the year ended 31 December 2015. 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, rights arising from other contractual arrangements, 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 2015 and 2014.

***Deferred taxation on investment properties***

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

### Key sources of estimation uncertainty

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.

## 4. 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$48,311,000 and HK$844,586,000 respectively (2014: HK$48,747,000 and HK$881,159,000) 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 2015, assessed the provision for estimated compensation on potential uncollectable amount of an account balance held on behalf of its client of HK$6,147,000 (2014: HK$6,147,000) maintained in MF Global Hong Kong Limited ("MFG HK") which is in the process of liquidation. The directors 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, aging analysis of accounts, the values of underlying collateral and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of those clients in default of settlement. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2015, the aggregate carrying amount of accounts receivable and loans receivable, net of allowance for bad and doubtful debts, are HK$774,449,000 and HK$4,509,000 (2014: HK$707,859,000 and HK$44,442,000) respectively.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the borrowings disclosed in note 34 and equity attributable to owners of the Company, comprising issued share capital disclosed in note 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 ("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**

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Financial assets | | |
| FVTPL | | |
| — held for trading | **68,871** | 44,545 |
| — financial assets designated at FVTPL | **13,161** | — |
| Available-for-sale financial assets | **8,415** | 21,031 |
| Loans and receivables (including cash and cash equivalents) | **2,482,785** | 1,981,820 |
| Financial liabilities | | |
| FVTPL | | |
| — held for trading | **—** | 1,055 |
| — financial liabilities designated at FVTPL | **13,161** | — |
| Amortised cost | **2,192,366** | 1,814,324 |
| Obligations under finance leases | **1,038** | — |

**Financial risk management objectives and policies**

The Group's major financial instruments include accounts receivable and payable, deposits and other receivables, financial assets/liabilities at FVTPL, available-for-sale financial assets, bank balances and deposits, loans receivable, accrued liabilities and other payables, obligations under finance leases 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.

## 6. 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 (2014: held-for-trading investments in equity securities and financial liabilities held for trading) which are carried at fair value and expose the Group to price risk. In both years, the directors of the Company manage the exposure by closely monitoring the portfolio of equity securities and imposing trading limits on individual trades.

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

*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 unlisted investment fund (2014: listed equity investments and financial liabilities held for trading) outstanding at the end of reporting period were outstanding for the whole year.

As at 31 December 2015, if the quoted prices of the Group's listed equity investments and unlisted investment fund (2014: listed equity investments and financial liabilities held for trading) had been 15 percent (2014: 15 percent) higher/lower, the Group's profit after taxation would increase/decrease by approximately HK$8,626,000 (2014: HK$5,447,000). This is attributable to the changes in fair values of the listed equity investments, unlisted investment fund and financial liabilities held for trading.

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

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Market risk (continued)***

*Interest rate risk*

Cash flow interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 50 basis points (2014: 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 2015, if the interest rate had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's profit after taxation would decrease/increase by HK$926,000 (2014: HK$448,000). This is mainly attributable to the Group 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"). 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.

## 6. 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:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| USD | **199,494** | 66,283 | **274,179** | 125,721 |
| RMB | **6,924** | 2,264 | **109,268** | 41,911 |

As at 31 December 2015, if RMB had strengthened/weakened by 5% (2014: 5%) against HK$ and all other variables were held constant, the Group's profit after taxation would increase/decrease by HK$4,273,000 (2014: HK$1,655,000). Under the pegged exchange rate system, the financial impact in exchange difference between HK$ and USD is considered to be immaterial and therefore no sensitivity analysis has been prepared.

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

***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.

## 6. 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 designated at FVTPL and financial liabilities held for trading. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

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

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Liquidity risk (continued)***

*Liquidity tables (continued)*

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

| | Weighted average effective interest rate | Within 1 year or repayable on demand | Between 1 to 2 years | Between 2 to 5 years | Over 5 years | Total undiscounted cash flows | Carrying amount at the end of the reporting period |
|---|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **At 31 December 2015** | | | | | | | |
| Accounts payable | N/A | 1,638,408 | — | — | — | 1,638,408 | 1,638,408 |
| Financial liabilities designated at FVTPL | N/A | 13,161 | — | — | — | 13,161 | 13,161 |
| Accrued liabilities and other payables | N/A | 156,975 | — | — | — | 156,975 | 156,975 |
| Borrowings | Note | 322,706 | 8,385 | 25,154 | 58,643 | 414,888 | 396,983 |
| Obligations under finance leases | 2.6% | 418 | 418 | 238 | — | 1,074 | 1,038 |
| | | 2,131,668 | 8,803 | 25,392 | 58,643 | 2,224,506 | 2,206,565 |
| **At 31 December 2014** | | | | | | | |
| Accounts payable | N/A | 1,287,188 | — | — | — | 1,287,188 | 1,287,188 |
| Financial liabilities held for trading | 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 |

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

## 6. FINANCIAL INSTRUMENTS (continued)

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

***Liquidity risk (continued)***

*Liquidity tables (continued)*

Borrowings with a repayment on demand clause are included in the "within 1 year or repayment on demand" time band in the above maturity analysis. The aggregate carrying amounts of these bank loans amounted to approximately HK$99,315,000 as at 31 December 2015 (2014: HK$132,823,000). 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 for such bank loans amount to approximately HK$101,755,000 as at 31 December 2015 (2014: HK$135,454,000), as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **88,101** | 135,454 |
| More than one year but not exceeding two years | **9,530** | — |
| More than two years but not exceeding five years | **4,124** | — |
| | **101,755** | 135,454 |

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

**Fair value measurement of financial instruments**

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

## 6. 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/ financial liabilities** | **Fair value as at 31 December 2015** HK$'000 | **31 December 2014** HK$'000 | **Fair value hierarchy** | **Valuation technique(s) and key input(s)** |
|---|---|---|---|---|
| *Financial assets* | | | | |
| Equity securities listed in Hong Kong | 19,120 | 41,583 | Level 1 | Quoted prices in an active market |
| Equity securities listed outside Hong Kong | 12,271 | 2,962 | Level 1 | Quoted prices in an active market |
| Unlisted investment fund classified as held for trading | 37,480 | — | Level 2 | Broker's quote |
| Unlisted investment fund classified as financial assets designated at FVTPL | 13,161 | — | Level 2 | Broker's quote |
| *Financial liabilities* | | | | |
| Return swap classified as financial liabilities designated at FVTPL | 13,161 | — | Level 2 | Broker's quote of the underlying unlisted investment fund |
| Obligation to deliver equity securities listed outside Hong Kong arising from short selling | — | 1,055 | Level 2 | By reference to quoted prices in an active market taking into consideration of the dividend and other rights arising from the underlying shares during the short selling period |

There were no transfers between Levels 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.

## 6. FINANCIAL INSTRUMENTS (continued)

**Financial asset and financial liabilities offsetting**

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

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

Under the agreement of Continuous Net Settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and 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.

**As at 31 December 2015**

| | Gross amounts of recognised financial assets after impairment | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position | Net amounts of financial assets presented in the consolidated the statement of financial position | Related amounts not set off in the consolidated statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Collateral received | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Financial assets** | | | | | | |
| Amount due from HKSCC, brokers and brokerage clients | **1,620,971** | **(1,119,044)** | **501,927** | **(14,009)** | **(216,951)** | **270,967** |
| Deposit placed with HKSCC | **5,666** | **—** | **5,666** | **—** | **—** | **5,666** |

## 6. FINANCIAL INSTRUMENTS (continued)

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

As at 31 December 2014

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

| | Gross amounts of recognised financial liabilities HK$'000 | Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000 | Net amount of financial liabilities presented in the consolidated statement of financial position HK$'000 | Related amounts not set off in the consolidated statement of financial position | | Net amount HK$'000 |
|---|---|---|---|---|---|---|
| | | | | Financial instruments HK$'000 | Collateral pledged HK$'000 | |
| **Financial liabilities** | | | | | | |
| Financial liabilities held for trading | 1,055 | — | 1,055 | (1,055) | — | — |

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

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

## 7. REVENUE

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| An analysis of the Group's revenue for the year is as follows: | | |
| Fee and commission income | **217,258** | 169,891 |
| Interest income — financial services | **26,639** | 28,172 |
| Sales of furniture and household goods and electrical appliances, net of discounts and returns | **1,390,312** | 1,172,040 |
| Online game subscription income and licensing income | **404** | 1,505 |
| | **1,634,613** | 1,371,608 |

## 8. SEGMENT INFORMATION

**Segment information**

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources 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 |

## 8. SEGMENT INFORMATION (continued)

### Segment revenue and results

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

***For the year ended 31 December 2015***

| | Financial services HK$'000 | Retailing HK$'000 | Online game services HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| Revenue | **243,897** | **1,390,312** | **404** | **1,634,613** |
| Segment profit (loss) | **18,368** | **32,743** | **(2,269)** | **48,842** |
| Unallocated other income | | | | **605** |
| Corporate expenses | | | | **(46,813)** |
| Gain on disposal of an investment property | | | | **1,881** |
| Gain on disposal of available-for-sale financial assets | | | | **14,381** |
| Gain on disposal of an intangible asset | | | | **12,094** |
| Fair value change on investment properties | | | | **(1,726)** |
| Share of results of an associate | | | | **95** |
| Unallocated finance costs | | | | **(3,302)** |
| Profit before taxation | | | | **26,057** |

*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 | | | | 483 |
| Corporate expenses | | | | (52,482) |
| Gain on disposal of a commercial property | | | | 18,002 |
| Fair value change on investment properties | | | | 37,088 |
| Share of results of an associate | | | | 60,463 |
| Unallocated finance costs | | | | (2,750) |
| Profit before taxation | | | | 64,904 |

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 an investment property/a commercial property, gain on disposal of available-for-sale financial assets, gain on disposal of an intangible asset, 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.

## 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 2015***

| | Financial services HK$'000 | Retailing HK$'000 | Online game services HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| ASSETS | | | | |
| Segment assets | **2,350,984** | **475,823** | **2,527** | **2,829,334** |
| Investment properties | | | | **188,583** |
| Unallocated property and equipment | | | | **397** |
| Available-for-sale financial assets | | | | **8,415** |
| Deferred tax assets | | | | **6,200** |
| Unallocated prepayments, deposits and other receivables | | | | **5,673** |
| Unallocated bank balances and cash | | | | **13,823** |
| Total assets | | | | **3,052,425** |
| LIABILITIES | | | | |
| Segment liabilities | **1,728,899** | **462,106** | **4,021** | **2,195,026** |
| Unallocated accrued liabilities and other payables | | | | **10,501** |
| Taxation payable | | | | **21,513** |
| Deferred tax liabilities | | | | **12,435** |
| Obligations under finance leases | | | | **1,038** |
| Total liabilities | | | | **2,240,513** |

## 8. SEGMENT INFORMATION (continued)

**Segment assets and liabilities (continued)**

*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 |
| LIABILITIES | | | | |
| Segment liabilities | 1,439,714 | 363,499 | 4,141 | 1,807,354 |
| 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 purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segment other than investment properties, certain property and equipment, interest in an associate, 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 reportable and operating segment other than certain accrued liabilities and other payables, taxation payable, certain borrowings, obligations under finance leases and deferred tax liabilities.

## 8. SEGMENT INFORMATION (continued)

**Other segment information**

***For the year ended 31 December 2015***

| | **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 | **6,543** | **42,297** | **18** | **172** | **49,030** |
| Interest income | **26,652** | **270** | **6** | **68** | **26,996** |
| Depreciation of property and equipment | **13,457** | **25,413** | **69** | **677** | **39,616** |
| Finance costs | **6,765** | **5,708** | **—** | **3,302** | **15,775** |
| Net gain on investments held for trading | **158,926** | **—** | **—** | **—** | **158,926** |
| Write-down on inventories | **—** | **6,500** | **—** | **—** | **6,500** |
| Loss on disposal/written-off of property and equipment | **—** | **97** | **—** | **—** | **97** |
| Allowance of bad and doubtful accounts receivable, net | **1,432** | **—** | **—** | **—** | **1,432** |
| Write back of bad and doubtful loans receivable, net | **4,519** | **—** | **—** | **—** | **4,519** |

*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 | 11,702 | 18,370 | 240 | 1,370 | 31,682 |
| Finance costs | 9,485 | 5,412 | — | 2,750 | 17,647 |
| Net gain on investment held for trading | 66,473 | — | — | — | 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 and doubtful accounts receivable, net | 2,631 | — | — | — | 2,631 |
| Write back of bad and doubtful loans receivable, net | 2,700 | — | — | — | 2,700 |
| Impairment loss recognised in respect of goodwill | 2,661 | — | — | — | 2,661 |

## 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:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Income from financial services | 243,897 | 198,063 |
| Sales of furniture and household goods | 1,209,698 | 1,011,106 |
| Sales of electrical appliances | 180,614 | 160,934 |
| Income from online game services | 404 | 1,505 |
| | 1,634,613 | 1,371,608 |

**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 and information about its non-current assets (excluding available-for-sale financial assets and deferred tax assets) by geographical location of the assets are detailed below:

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2015 HK$'000 | 2014 HK$'000 | 2015 HK$'000 | 2014 HK$'000 |
| Hong Kong | 1,634,131 | 1,366,572 | 389,558 | 390,757 |
| PRC | 482 | 5,036 | 34,039 | 61,042 |
| | 1,634,613 | 1,371,608 | 423,597 | 451,799 |

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

## 9. OTHER INCOME

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Dividends from listed investments held for trading | 1,539 | 1,821 |
| Consulting fee income | 526 | 2,345 |
| Sundry income | 7,802 | 9,034 |
| | 9,867 | 13,200 |

## 10. OTHER GAINS AND LOSSES

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Net gain on investments held for trading | **158,926** | 66,473 |
| Impairment loss on an available-for-sale financial asset | **—** | (3,500) |
| Loss on disposal/written off of property and equipment | **(97)** | (480) |
| Net foreign exchange loss | **(13,024)** | (1,705) |
| (Allowance) write back of bad and doubtful accounts receivable, net | **(1,432)** | 2,631 |
| Write back of bad and doubtful loans receivable, net | **4,519** | 2,700 |
| Gain on disposal of an investment property/a commercial property (Note (a)) | **1,881** | 18,002 |
| Gain on disposal of available-for-sale financial assets | **14,381** | — |
| Gain on disposal of an intangible asset (Note (b)) | **12,094** | — |
| | **177,248** | 84,121 |

Notes:

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

(b) During the year ended 31 December 2015, the Group disposed of trading rights that confer eligibility of the Group to trade on The Chinese Gold & Silver Exchange Society to an independent third party at a consideration of HK$13,000,000. As this intangible asset was fully impaired in previous years, the disposal resulted a gain of HK$12,094,000, net of transaction cost and recognised to profit or loss.

## 11. SALARIES, ALLOWANCES AND COMMISSION

| | 2015 HK$'000 | 2014 HK$'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 | **290,519** | 214,041 |
| Sales commission | **116,149** | 84,799 |
| Contributions to retirement benefits schemes | **12,031** | 10,920 |
| Share-based payments | **854** | 18,939 |
| | **419,553** | 328,699 |

## 12. FINANCE COSTS

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Interest on: | | |
| — Bank overdrafts, bank and other borrowings | **15,124** | 14,070 |
| — Finance lease | **83** | 6 |
| — Others | **568** | 3,571 |
| | **15,775** | 17,647 |

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

**Directors' and chief executive's remuneration**

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

| | Executive directors | | | | Independent non-executive directors | | | |
|---|---|---|---|---|---|---|---|---|
| | Kwan Pak Hoo Bankee HK$'000 (Note (1)) | Law Ka Kin Eugene HK$'000 (Note (2)) | 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 |
| **2015** | | | | | | | | |
| Fee | — | — | — | — | 150 | 150 | — | 300 |
| Other remuneration: | | | | | | | | |
| Salaries and allowances | 1,560 | 300 | 1,320 | 1,260 | — | — | — | 4,440 |
| Performance related bonuses | 15,000 | — | — | — | — | — | — | 15,000 |
| Contributions to retirement benefit scheme | 78 | 15 | 66 | 63 | — | — | — | 222 |
| Total remuneration | 16,638 | 315 | 1,386 | 1,323 | 150 | 150 | — | 19,962 |

Notes:

(1) 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.

(2) Mr Law Ka Kin Eugene was appointed as director of the Company on 2 November 2015.

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

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

| | Executive directors | | | | Independent non-executive directors | | | |
|---|---|---|---|---|---|---|---|---|
| | Kwan Pak Hoo Bankee HK$'000 (Note (1)) | Tsui Wing Cheong Sammy HK$'000 (Note (2)) | 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 | — | — | — | — | 150 | 150 | — | 300 |
| Other remuneration: | | | | | | | | |
| Salaries and allowances | 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:

(1) 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.

(2) Mr Tsui Wing Cheong Sammy resigned as director of the Company on 1 July 2014.

The emoluments of executive directors were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of independent non-executive directors were mainly for their services as directors of the Company.

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. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

The performance related bonuses (if any) of executive directors are based on the review and recommendation from the remuneration committee of the Company with reference to the performance in discharging their duties and responsibilities within the Group, the Group's performance and prevailing market situation.

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

**Employees' remuneration**

The five highest paid employees of the Group during the year included one director (2014: two directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining four (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and allowances | **5,160** | 6,110 |
| Contributions to retirement benefit scheme | **275** | 307 |
| Performance related bonuses (Note) | **9,288** | 2,598 |
| | **14,723** | 9,015 |

Note: The performance related bonuses are based on the performance of individuals and market trends.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | **Number of Employees** | |
|---|---|---|
| | **2015** | 2014 |
| HK$1,500,001 to HK$2,000,000 | **3** | 1 |
| HK$2,500,001 to HK$3,000,000 | — | 1 |
| HK$4,000,001 to HK$4,500,000 | — | 1 |
| HK$9,000,001 to HK$9,500,000 | **1** | — |

## 14. INCOME TAX EXPENSE

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax: | | |
| — Hong Kong Profits Tax | **10,020** | 12,165 |
| (Over)underprovision in prior years | **(94)** | 1,846 |
| Deferred tax (credit) charge | **(2,074)** | 7,291 |
| | **7,852** | 21,302 |

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

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

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

## 14. INCOME TAX EXPENSE (continued)

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

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| Profit before taxation | **26,057** | 64,904 |
| Tax at domestic income tax rate of 16.5% (2014: 16.5%) | **4,299** | 10,709 |
| Tax effect of share of results of an associate | **(16)** | (9,976) |
| (Over)underprovision in prior years | **(94)** | 1,846 |
| Tax effect of expenses not deductible for tax purpose | **3,833** | 8,986 |
| Tax effect of income not taxable for tax purpose | **(5,336)** | (940) |
| Tax effect of deductible temporary difference not recognised | **—** | 36 |
| Tax effect of utilisation of deductible temporary difference previously not recognised | **(72)** | — |
| Tax effect of estimated tax losses not recognised | **11,451** | 9,936 |
| Tax effect of utilisation of estimated tax losses previously not recognised | **(2,882)** | (994) |
| Others | **(3,331)** | 1,699 |
| Income tax expense | **7,852** | 21,302 |

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 2014 | 7,200 |
| Charge to profit or loss for the year | (1,000) |
| **At 31 December 2014 and 31 December 2015** | 6,200 |

## 14. INCOME TAX EXPENSE (continued)

**Deferred tax liabilities**

| | Revaluation of investment properties HK$'000 | Fair value adjustment on intangible assets under business combination HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2014 | (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) |
| Credit to profit or loss for the year | 2,074 | — | 2,074 |
| **At 31 December 2015** | (5,786) | (6,649) | (12,435) |

As at 31 December 2015, the Group has deductible temporary differences and estimated unused tax losses of approximately HK$48,311,000 and HK$844,586,000 (2014: HK$48,747,000 and HK$881,159,000) available for offset against future profits, while HK$88,507,000 of estimated unused tax losses was expired for certain subsidiaries operating in the PRC during year ended 31 December 2015. No deferred tax asset has been recognised as at 31 December 2015 and 31 December 2014 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$207,794,000 (2014: HK$274,790,000) will expire in various dates up to 2019 (2014: 2018). The remaining unrecognised tax losses of the Group can be carried forward indefinitely.

## 15. PROFIT FOR THE YEAR

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging: | | |
| Auditor's remuneration | **3,820** | 3,820 |
| Operating lease rentals in respect of land and buildings | **253,060** | 227,669 |
| Handling expenses for securities dealing | **27,419** | 18,134 |
| Advertising and promotion expenses | **43,687** | 29,652 |
| Utilities expenses | **28,667** | 27,459 |
| Telecommunication expenses | **34,873** | 26,020 |
| Legal and professional fee | **23,649** | 15,183 |
| Other selling and distribution expenses | **55,552** | 42,299 |
| Cost of inventories in retailing business | **791,344** | 671,175 |
| Cost of inventories and services for online game business | **—** | 1 |
| Write-down on inventories (included in cost of inventories in retailing business) | **6,500** | 4,518 |

## 16. EARNINGS PER SHARE

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share | **15,229** | 2,422 |
| Effect of dilutive potential ordinary shares: | | |
| Decrease in share of profits in CFSG | **(2)** | (497) |
| Earnings for the purpose of diluted earnings per share | **15,227** | 1,925 |

| | 2015<br>'000 | 2014<br>'000<br>(restated) |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **751,090** | 718,730 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **11,542** | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **762,632** | 718,730 |

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the years ended 31 December 2015 and 2014 has been adjusted to reflect the impact of the bonus element of rights issue on 17 September 2015.

The incremental shares from assumed exercise of share options granted by the Company are excluded in calculating the diluted earnings per share during the year ended 31 December 2014 because the exercise price is higher than the average market price of shares of the Company in 2014.

## 17. DIVIDENDS

No dividend was paid or proposed during 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

## 18. PROPERTY AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2014 | 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 |
| Additions | 31,937 | 15,693 | 1,400 | 49,030 |
| Disposals/written off | (1,819) | (413) | — | (2,232) |
| Exchange adjustments | (204) | (573) | — | (777) |
| **At 31 December 2015** | 157,175 | 122,144 | 5,637 | 284,956 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | |
| At 1 January 2014 | 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 |
| Provided for the year | 26,293 | 12,679 | 644 | 39,616 |
| Eliminated on disposals/written off | (1,819) | (316) | — | (2,135) |
| Exchange adjustments | (202) | (523) | — | (725) |
| **At 31 December 2015** | 111,022 | 85,912 | 4,271 | 201,205 |
| **CARRYING AMOUNTS** | | | | |
| **At 31 December 2015** | 46,153 | 36,232 | 1,366 | 83,751 |
| At 31 December 2014 | 40,511 | 33,365 | 610 | 74,486 |

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 |

The carrying amounts of motor vehicles include amounts of approximately HK$1,234,000 in respect of assets held under finance leases as at 31 December 2015.

## 19. INVESTMENT PROPERTIES

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

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

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

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, which are all classified as level 3 fair value hierarchy was determined based on the direct comparison approach assuming sale of the property interest in its existing state with the benefit of vacant procession and by making reference to recent comparable sales evidence as available in the relevant market. There was no change on the valuation technique used from the prior year.

## 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 are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

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

The carrying value of investment properties shown above are situated:

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

## 20. GOODWILL

| | HK$'000 |
|---|---|
| **COST** | |
| At 1 January 2014, 31 December 2014 and 31 December 2015 | 261,707 |
| **IMPAIRMENT** | |
| At 1 January 2014, 31 December 2014 and 31 December 2015 | 201,658 |
| **CARRYING AMOUNTS** | |
| At 31 December 2014 and 31 December 2015 | 60,049 |

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

| | **2015 & 2014**<br>HK$'000 |
|---|---|
| Financial services | 20,606 |
| Retailing | 39,443 |
| | 60,049 |

Particulars regarding impairment testing on goodwill as at 31 December 2015 and 2014 are disclosed in note 22.

## 21. INTANGIBLE ASSETS

| | Trading rights HK$'000 (Note (a)) | Club membership HK$'000 (Note (b)) | Online game development costs HK$'000 | Domain name HK$'000 (Note (c)) | Trademarks HK$'000 (Note (d)) | Gaming licences HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| At 1 January 2014, 31 December 2014 and 31 December 2015 | 9,392 | 660 | 63,271 | 5,460 | 38,000 | 40,295 | 157,078 |
| **AMORTISATION AND ACCUMULATED IMPAIRMENT** | | | | | | | |
| At 1 January 2014, 31 December 2014 and 31 December 2015 | 300 | — | 63,271 | — | — | 40,295 | 103,866 |
| **NET BOOK VALUES** | | | | | | | |
| At 31 December 2014 and 31 December 2015 | 9,092 | 660 | — | 5,460 | 38,000 | — | 53,212 |

Notes:

(a) At 31 December 2015, intangible assets amounting to HK$9,092,000 (2014: HK$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights 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 trading right 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.

(b) At 31 December 2015, intangible assets amounting to HK$660,000 (2014: HK$660,000) represent club memberships. For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs of disposal. The fair value less costs of disposal is the second-hand market price less cost of disposal. During the years ended 31 December 2015 and 2014, management of the Group determines that there was no impairment of the club memberships since the recoverable amount of the club memberships exceeds its carrying amount.

(c) At 31 December 2015, intangible assets with carrying amounts of HK$5,460,000 (2014: 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 2015 and 2014, 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 2015 and 2014 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.

(d) At 31 December 2015, trademark amounting to HK$38,000,000 (2014: 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.

## 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 2015 and 2014 allocated to these units are as follows:

| | Goodwill 2015 & 2014 | Trading rights 2015 & 2014 | Trademarks 2015 & 2014 |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| Financial services | 20,606 | 9,092 | — |
| Retailing | 39,443 | — | 38,000 |
| | 60,049 | 9,092 | 38,000 |

**Financial services CGU**

Goodwill of HK$20,606,000 (2014: HK$20,606,000) and trading rights of HK$9,092,000 (2014: HK$9,092,000) are allocated to CGU of broking of securities. The recoverable amount of the CGU of broking of securities has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period, and discount rate of 8% (2014: one-year period, and discount rate of 8%). The cash flows beyond the one-year period are extrapolated for two years using a zero growth rate. The zero growth rate is determined based on management's expectations for the Group's development and is not expected to exceed the average long-term growth rate for the relevant industry. No impairment on this CGU is made for the year ended 31 December 2015 as the recoverable amount exceeded the carrying amount. Management believes that any reasonably possible change in any of the assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

**Retailing CGU**

Goodwill of HK$39,443,000 (2014: HK$39,443,000) and trademark of HK$38,000,000 (2014: 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 8% and discount rate of 11% (2014: five-year period, annual growth rate of 6% and discount rate of 10.9%) and projection of terminal value using the perpetuity method at a growth rate of 4% (2014: 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.

## 23. INTEREST IN AN ASSOCIATE

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

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

| Name of entity | Form of business structure | Country of incorporation/ date of incorporation | Principal place of operation | Class of share held | Proportion of nominal value of issued capital held by the Group 2015 % | 2014 % | Proportion of voting power held 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| China Able Limited | Incorporated | British Virgin Islands ("BVI") 23 May 2007 | PRC | Ordinary | — | 33.33 | — | 33.33 | Investment holding with its subsidiaries involved in property investment in Shanghai up to the disposal of its subsidiaries in 2014 and became inactive thereafter |

### Summarised financial information of associate

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

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

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

## 23. INTEREST IN AN ASSOCIATE (continued)

**China Able Limited**

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

| | 2014 HK$'000 |
|---|---|
| Revenue | 15,048 |
| Gain on disposal of a subsidiary | 220,962 |
| Profit for the year | 181,389 |
| Capital distribution from associate | 214,704 |

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

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

## 24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Unlisted investments | | |
| — equity securities of investee incorporated in Hong Kong (at cost) | **8,415** | 21,031 |

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

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

## 25. OTHER ASSETS

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

The above deposits are non-interest bearing.

## 26. ACCOUNTS RECEIVABLE

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Accounts receivable arising from the business of dealing in securities: | | |
| Clearing houses, brokers and dealers | **275,930** | 84,844 |
| Cash clients | **55,373** | 57,949 |
| Margin clients | **170,624** | 283,423 |
| Accounts receivable arising from the business of dealing in futures and options: | | |
| Clients | **159** | 139 |
| Clearing houses, brokers and dealers | **266,452** | 274,998 |
| Commission receivable from brokerage of mutual funds and insurance-linked investment products | **2,247** | 4,697 |
| Accounts receivable arising from the business of provision of corporate finance services | **1,046** | 390 |
| Accounts receivable arising from the business of provision of online game services | **50** | 205 |
| Accounts receivable arising from the business of retailing | **2,568** | 1,214 |
| | **774,449** | 707,859 |

The credit quality of accounts receivable are summarised as follows:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Neither past due nor impaired: | | |
| — Margin clients | **170,624** | 283,423 |
| — Other non-margin clients | **32,849** | 44,142 |
| — Clearing houses, brokers and dealers | **536,235** | 353,695 |
| — Online game services customers | **50** | 205 |
| — Retail business customers | **1,817** | 926 |
| Past due but not impaired | **32,874** | 25,468 |
| Impaired | **3,497** | 2,632 |
| | **777,946** | 710,491 |
| Less: Allowance for impairment | **(3,497)** | (2,632) |
| | **774,449** | 707,859 |

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 aging analysis does not give additional value in view of the nature of broking business.

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

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

In general, accounts receivable due from margin clients are included in "Neither past due nor impaired" category. As at 31 December 2015 and 2014, the fair value of each client's listed securities is higher than the carrying amount of each individual loan to margin client in this category. Accounts receivable due from margin clients of approximately HK$3,497,000 (2014: HK$2,632,000) which are fully impaired and not secured by any clients' listed securities, are included in "Impaired" category as at 31 December 2015 and 2014.

The clients' listed securities can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's 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 to margin clients 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$50,000 (2014: HK$205,000) 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 aging analysis based on the invoices date, which approximately the revenue recognition date, is as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0–30 days | **1,817** | 926 |
| 31–60 days | **420** | 123 |
| 61–90 days | **56** | 77 |
| Over 90 days | **275** | 88 |
| | **2,568** | 1,214 |

Included in the Group's accounts receivable are debtors (excluding margin clients), with a carrying amount of HK$32,123,000 (2014: HK$25,180,000) from financial services business and HK$751,000 (2014: HK$288,000) 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.

## 26. ACCOUNTS RECEIVABLE (continued)

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

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| 0–30 days | **14,060** | 12,903 |
| 31–60 days | **10,560** | 4,911 |
| 61–90 days | **274** | 51 |
| Over 90 days | **7,229** | 7,315 |
| Total accounts receivable from financial services | **32,123** | 25,180 |
| 0–30 days | **420** | 123 |
| 31–60 days | **56** | 77 |
| 61–90 days | **12** | 88 |
| Over 90 days | **263** | — |
| Total accounts receivable from retailing business | **751** | 288 |
| | **32,874** | 25,468 |

As at 31 December 2015, in connection with the business of dealing in futures and options account, an amount of HK$6,147,000 (2014: HK$6,147,000) is held with MFG HK on behalf of a client. The directors of the Company have been in contact with the liquidators of MFG HK, being appointed since 2 November 2011 following the filing for bankruptcy protection by MF Global UK Limited (its ultimate parent company) in the United States of America on 31 October 2011, for the return of the account balance to the Group with no subsequent partial settlement (2014: HK$9,221,000) for the year ended 31 December 2015. 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$3,497,000 (2014: HK$2,632,000) which included individual allowance of HK$3,216,000 (2014: HK$2,268,000) and collective allowance of HK$371,000 (2014: HK$364,000) respectively.

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

Movement in the allowance for bad and doubtful debts:

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

## 26. ACCOUNTS RECEIVABLE (continued)

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

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

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

| Name | Balance at 1 January | Balance at 31 December | Maximum amount outstanding during the year | Market value of pledged securities at fair value at 31 December |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Directors of the Company** | | | | |
| Mr Kwan Pak Hoo Bankee and associates (Notes (1) and (4)) | | | | |
| 2014 | — | — | 259 | 1,850 |
| 2015 | — | — | 2,345 | 3,099 |
| Mr Law Ping Wah Bernard and associates (Note (1)) | | | | |
| 2014 | — | — | 10,109 | — |
| 2015 | — | — | 18,036 | — |
| Mr Ng Hin Sing Derek and associates (Note (1)) | | | | |
| 2014 | — | — | 10,109 | — |
| 2015 | — | — | 16,546 | — |
| **A substantial shareholder with significant influence over the Company** | | | | |
| Cash Guardian Limited (Note (2)) | | | | |
| 2014 | — | — | 840 | 11,555 |
| 2015 | — | — | 4,058 | 10,493 |

## 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** | | | | |
| Ms Cheng Pui Lai Majone and associates (Note (1)) | | | | |
| 2014 | — | — | 22,545 | 8,246 |
| 2015 | — | — | 26,197 | 345 |
| Mr Ng Kung Chit Raymond and associates (Notes (1) and (3)) | | | | |
| 2014 | — | — | 6,110 | — |
| 2015 | — | — | 18,200 | — |
| **Other connected clients** | | | | |
| Mr Kwan Pak Leung Horace and associates (Notes (1) and (4)) | | | | |
| 2014 | — | — | 7,780 | — |
| 2015 | — | — | 24,818 | — |
| Ms Chan Siu Fei Susanna and associates (Notes (1) and (4)) | | | | |
| 2014 | — | — | 7,582 | 9 |
| 2015 | — | — | 16,559 | 7 |

Notes:

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

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

(3) Mr Ng Kung Chit Raymond was appointed as an executive director of CFSG during the year ended 31 December 2014.

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

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

## 27. LOANS RECEIVABLE

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Loans receivable denominated in Hong Kong dollars | **4,509** | 75,037 |
| Less: Allowance for bad and doubtful debts | **—** | (30,595) |
| | **4,509** | 44,442 |

The credit quality of loans receivable are summarised as follows:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Neither past due nor impaired | **4,108** | 33,675 |
| Past due but not impaired | **401** | 6,737 |
| Impaired | **—** | 34,625 |
| | **4,509** | 75,037 |
| Less: Allowance for impairment | **—** | (30,595) |
| | **4,509** | 44,442 |

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

Except for the fixed-rate loans receivable and loans receivable with the carrying amount of HK$10,767,000 as at 31 December 2014 which was non-interest bearing, the loans receivable bear variable-rate interest of Hong Kong Prime Rate plus a spread for both years.

The Group has 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 aging analysis of accounts and on management's judgment, including the current creditworthiness, collateral and the past collection history of each client.

## 27. LOANS RECEIVABLE (continued)

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

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| Balance at the beginning of the year | **30,595** | 42,997 |
| Amount written back during the year | **(4,519)** | (2,700) |
| Amount written off during the year | **(26,076)** | (9,702) |
| Balance at the end of the year | **—** | 30,595 |

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

The loans receivable included a total carrying amount of HK$4,108,000 (2014: HK$33,675,000) which are neither past due nor impaired, at the reporting date for which the Group believes that the amounts are considered recoverable since an amount of HK$545,000 (2014: HK$14,080,000) are fully secured by a residential property at a fair value of approximately HK$2,100,000 (2014: HK$43,300,000) and the remaining amount of HK$3,563,000 (2014: HK$19,595,000) are unsecured and due from borrowers with no recent history of default.

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

The Group has concentration of credit risk from five highest borrowers of HK$4,271,000 (2014: HK$43,575,000) in total at 31 December 2015. The balance includes an amount of HK$3,870,000 (2014: HK$26,496,000) which is neither past due nor impaired, of which HK$545,000 (2014: HK$14,080,000) is fully secured by a residential property. As at 31 December 2014, the balance included an amount of HK$6,737,000 which is past due at the reporting date for which the Group has not provided any impairment as the balance is secured by listed securities amounting to HK$7,569,000. The remaining balance of HK$401,000 as at 31 December 2015 is past due but not impaired based on the assessment of the management. At 31 December 2014, the remaining balance of HK$10,342,000, net of allowance for bad debt of HK$9,302,000 is past due and impaired up to the fair value of the collateral.

## 27. LOANS RECEIVABLE (continued)

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| On demand or within one year | **4,509** | 21,675 |

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

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

## 28. INVESTMENTS HELD FOR TRADING

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Equity securities listed in Hong Kong (Note (a)) | **19,120** | 41,583 |
| Equity securities listed outside Hong Kong (Note (a)) | **12,271** | 2,962 |
| Unlisted investment fund (Note (b)) | **37,480** | — |
| | **68,871** | 44,545 |

Notes:

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

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

## 29. BANK DEPOSITS SUBJECT TO CONDITIONS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Other bank deposits | — | 17,155 |
| Pledged bank deposits | 44,000 | 47,000 |
| | 44,000 | 64,155 |

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

## 30. OTHER FINANCIAL ASSETS

**Prepayments, deposits and other receivables**

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Prepayments | 10,727 | 4,158 |
| Rental and other deposits | 37,221 | 27,856 |
| Other receivables | 9,182 | 8,648 |
| | 57,130 | 40,662 |

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

**Bank balances — trust and segregated accounts**

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

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

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

## 31. ACCOUNTS PAYABLE

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Accounts payable arising from the business of dealing in securities: | | |
| Clearing houses | **9,432** | 34,418 |
| Cash clients | **947,082** | 640,349 |
| Margin clients | **160,949** | 140,309 |
| Accounts payable to clients arising from the business of dealing in futures and options | **312,364** | 293,230 |
| Trade creditors arising from retailing business | **208,190** | 178,463 |
| Accounts payable arising from the online game services | **391** | 419 |
| | **1,638,408** | 1,287,188 |

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 aging 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 business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. At 31 December 2015, an account payable to a client of HK$38,578,000 (2014: HK$63,532,000) includes an amount of HK$6,147,000 (2014: HK$6,147,000) maintained with MFG HK as 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 aging 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.

Accounts payable amounting to HK$946,810,000 (2014: HK$792,117,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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 aging analysis (from trade date) of trade creditors arising from retailing business at reporting date:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| 0–30 days | **137,193** | 68,983 |
| 31–60 days | **17,531** | 45,529 |
| 61–90 days | **18,015** | 38,604 |
| Over 90 days | **35,451** | 25,347 |
| | **208,190** | 178,463 |

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

## 32. OTHER FINANCIAL LIABILITIES

**Accrued liabilities and other payables**

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Accrued liabilities | | |
| — Salaries and commission payables | **53,164** | 14,821 |
| — Other accrued liabilities | **46,176** | 60,736 |
| Other payables | **57,635** | 25,195 |
| | **156,975** | 100,752 |

## 33. OBLIGATIONS UNDER FINANCE LEASES

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Analysed for reporting purpose as: | | |
| Current liabilities | **396** | — |
| Non-current liabilities | **642** | — |
| | **1,038** | — |

It was the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term was four years (2014: nil) for the year ended 31 December 2015. Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 2.5% to 2.7% (2014: nil) per annum. No arrangements had been entered into for contingent rental payments.

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2015 HK$'000 | 2014 HK$'000 | 2015 HK$'000 | 2014 HK$'000 |
| Amount payable under finance leases | | | | |
| Within one year | **418** | — | **396** | — |
| Within a period of more than one year but not more than two years | **418** | — | **407** | — |
| Within a period of more than two years but not more than five years | **238** | — | **235** | — |
| Less: Future finance charges | **(36)** | — | **—** | — |
| Present value of lease obligations | **1,038** | — | **1,038** | — |
| Less: Amount due for settlement within one year (shown under current liabilities) | | | **(396)** | — |
| Amount due for settlement after one year | | | **642** | — |

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

## 34. BORROWINGS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Secured bank overdrafts | **2** | 10,158 |
| Secured bank borrowings | **242,816** | 276,264 |
| Unsecured bank borrowings | **10,249** | 12,527 |
| Unsecured other borrowings | **—** | 16,224 |
| Secured trust receipt loans | **78,835** | 60,132 |
| Unsecured trust receipt loans | **65,081** | 51,079 |
| | **396,983** | 426,384 |
| Carrying amount repayable based on schedule repayment terms: | | |
| Within one year | **219,256** | 202,045 |
| More than one year but not exceeding two years | **6,502** | 6,750 |
| More than two years but not exceeding five years | **20,510** | 21,350 |
| More than five years | **51,400** | 63,416 |
| | **297,668** | 293,561 |
| Carrying amount of borrowings (shown under current liabilities) containing a repayment on demand clause: | | |
| Within one year | **86,026** | 132,823 |
| More than one year but not exceeding two years | **9,289** | — |
| More than two years but not exceeding five years | **4,000** | — |
| | **396,983** | 426,384 |
| Less: Amount due within one year shown under current liabilities | **(318,571)** | (334,868) |
| Amount shown under non-current liabilities | **78,412** | 91,516 |

As at 31 December 2015, the Group's secured bank borrowings of HK$321,653,000 (2014: HK$346,554,000) 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 with fair value of HK$212,602,000 at 31 December 2015 (2014: HK$335,527,000) (with client's consent);

(d) investment properties of the Group as disclosed in note 19 with carrying amount of approximately HK$188,583,000 (2014: HK$213,666,000); and

(e) pledged deposit of HK$44,000,000 (2014: HK$47,000,000) for short-term bank borrowings as disclosed in note 29.

## 34. BORROWINGS (continued)

Pursuant to a letter of undertaking given by the Group to a bank, the Group undertook to maintain deposits of not less than HK$15,000,000 with a bank as a pre-condition for an overdraft facility granted by the bank as at 31 December 2014 (see note 29). The facilities expired during the year ended 31 December 2015.

As at 31 December 2015, bank loans amounting to approximately HK$253,065,000 (2014: HK$288,791,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Hong Kong Prime Rate plus a spread. Bank overdrafts amounting to HK$2,000 (2014: HK$10,158,000) carried interest at Hong Kong Prime Rate. Trust receipts loans amounting to HK$143,916,000 (2014: HK$111,211,000) carry interest at Hong Kong Prime Rate plus a spread.

As at 31 December 2014, the unsecured other borrowings amounting to approximately HK$2,210,000 and HK$14,014,000 carry interest at Hong Kong Prime Rate plus 3% per annum and fixed rate of 15% per annum respectively.

The unsecured bank borrowings amounting to approximately HK$10,249,000 (2014: HK$12,527,000) and unsecured trust receipt loans amounting to approximately HK$65,081,000 (2014: HK$51,079,000) are guaranteed by the Company.

The effective interest rates on the Group's borrowings ranged from 2.2% to 12% (2014: 2.5% to 15%) per annum.

## 35. SHARE CAPITAL

| | **Par value of each ordinary share** | **Number of shares** | **Amount** |
|---|---|---|---|
| | HK$ | '000 | HK$'000 |
| Ordinary shares | | | |
| Authorised: | | | |
| At 1 January 2014, 31 December 2014 and 31 December 2015 | 0.1 | 3,000,000 | 300,000 |
| Issued and fully paid: | | | |
| At 1 January 2014 and 31 December 2014 | 0.1 | 554,148 | 55,415 |
| Issue of rights shares (Note) | | 277,074 | 27,707 |
| At 31 December 2015 | 0.1 | 831,222 | 83,122 |

Note: On 17 September 2015, 277,073,892 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.40 per share.

All the shares issued during the year ended 31 December 2015 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 2015**

During the year, CFSG acquired 50% equity interest of CASH Dynamic Opportunities Investment Limited ("DOI"), a non-wholly owned subsidiary of CFSG, from the non-controlling shareholder at a consideration of HK$4,855,000. DOI became the wholly owned subsidiary of CFSG upon acquisition. The consideration paid is equal to the share of net assets attributable to non-controlling interests of DOI.

During the year, the Group's equity interest in CFSG was decreased from 40.71% to 40.10% due to exercise of share options of CFSG with net proceeds of HK$5,834,000. The difference of HK$1,709,000 between the increasing in the non-controlling interests, being proportionate share of carrying amount of net assets of CFSG amounting to HK$4,125,000 and the proceeds paid for share purchases has credited to other reserve.

On 30 June 2015, Celestial Investment Group Limited ("CIGL"), the immediate holding company of CFSG and the wholly-owned subsidiary of the Group, completed the acquisition of the entire equity interest in Confident Profits Limited ("CPL") from CFSG at a cash consideration of HK$1,549,000. Upon the completion of the acquisition, the Group's equity interest over CPL is increased from 40.10% to 100%. The non-controlling interest attributable to CFSG of HK$348,000 is then transferred to other reserve and accumulated in equity.

In December 2015, CIGL acquired 10,020,000 shares on CFSG at a consideration of HK$2,966,000. Upon the completion of the acquisition, the Group's equity interest over CFSG is increased from 40.10% to 40.34%. The difference between the proportionate share of net assets attributable to non-controlling interests of CFSG and the consideration paid by CIGL is HK$1,518,000 and then debited to other reserve and accumulated in equity.

**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.

## 37. RESERVES

**Translation reserve**

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| At 1 January | **12,390** | 13,437 |
| Exchange differences arising on translation to presentation currency | **(2,984)** | (1,047) |
| At 31 December | **9,406** | 12,390 |

## 38. NON-CONTROLLING INTERESTS

| | Share of net assets of subsidiaries | Share option reserve of subsidiaries | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2014 | 307,558 | — | 307,558 |
| Share of profit and total comprehensive income 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 |
| Share of profit and total comprehensive income for the year | 781 | — | 781 |
| Purchase of non-controlling interest of a non-wholly owned subsidiary of CFSG | (4,855) | — | (4,855) |
| Transfer to accumulated losses upon expiration of CFSG's share options | 1,745 | (2,913) | (1,168) |
| Change in shareholding in CFSG without losing control | 7,063 | (2,938) | 4,125 |
| Acquisition on additional interest in CFSG | (1,448) | — | (1,448) |
| Acquisition of a non-wholly owned subsidiary of CFSG | (348) | — | (348) |
| **At 31 December 2015** | 322,013 | — | 322,013 |

## 39. FINANCIAL LIABILITIES HELD FOR TRADING

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

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

## 40. FINANCIAL ASSET/LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Notes:

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

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

## 41. 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:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Within one year | **157,817** | 171,593 |
| In the second to fifth year inclusive | **150,201** | 177,051 |
| Over five years | **21,051** | 1,050 |
| | **329,069** | 349,694 |

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$1,722,000 (2014: HK$2,087,000), based on certain percentage of the gross sales of the relevant shop when the sales meets certain specified level.

## 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:

(i) The purpose was to provide incentives to:

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

(ii) The participants included any employee, director, consultant, adviser or agent of any Member of the Group.

(iii) The maximum number of shares in respect of which options might be granted under the 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 55,414,778 shares, representing 6.67% of the issued share capital of the Company as at 31 December 2015. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

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

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

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

## 42. SHARE OPTION SCHEMES (continued)

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

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

| | | | | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of scheme | Date of grant | Exercise price per share | Exercise period | outstanding as at 1.1.2014 | granted in 2014 | lapsed in 2014 | outstanding as at 31.12.2014 | adjusted in 2015 | granted in 2015 | outstanding as at 31.12.2015 |
| | | HK$ | | | (Note (2)) | | | (Note (3)) | (Note (4)) | |
| **Directors** | | | | | | | | | | |
| Share Option Scheme | 11.10.2012 | 0.624 | (Note (1)) | 10,350,000 | — | (10,350,000) | — | — | — | — |
| | 7.10.2013 | 0.480 | 7.1.2014–31.10.2015 | 5,500,000 | — | (5,500,000) | — | — | — | — |
| | 2.9.2014 | 0.478 | (Note (2) & (3)) | — | 14,000,000 | — | 14,000,000 | 4,144,000 | — | 18,144,000 |
| | 18.12.2015 | 0.460 | (Note (4)) | — | — | — | — | — | 22,400,000 | 22,400,000 |
| | | | | 15,850,000 | 14,000,000 | (15,850,000) | 14,000,000 | 4,144,000 | 22,400,000 | 40,544,000 |
| **Employees** | | | | | | | | | | |
| Share Option Scheme | 11.10.2012 | 0.624 | (Note (1)) | 13,050,000 | — | (13,050,000) | — | — | — | — |
| | 2.9.2014 | 0.478 | (Note (2) & (3)) | — | 17,400,000 | — | 17,400,000 | 5,148,000 | — | 22,548,000 |
| | 18.12.2015 | 0.460 | (Note (4)) | — | — | — | — | — | 26,200,000 | 26,200,000 |
| | | | | 13,050,000 | 17,400,000 | (13,050,000) | 17,400,000 | 5,148,000 | 26,200,000 | 48,748,000 |
| **Consultants** | | | | | | | | | | |
| Share Option Scheme | 11.10.2012 | 0.624 | (Note (1)) | 10,116,000 | — | (10,116,000) | — | — | — | — |
| | 18.12.2015 | 0.460 | (Note (4)) | — | — | — | — | — | 6,800,000 | 6,800,000 |
| | | | | 39,016,000 | 31,400,000 | (39,016,000) | 31,400,000 | 9,292,000 | 55,400,000 | 96,092,000 |

## 42. SHARE OPTION SCHEMES (continued)

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

Notes:

(1) 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 were granted to the consultants of the Company on 11 October 2012 for the provision of consultancy services to the Company 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 year ended 31 December 2014, 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.

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

(2) 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 approves 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; (ii) 25% exercisable from 1 September 2015; (iii) 25% exercisable from 1 September 2016 and (iv) 25% exercisable from 1 September 2017. During the year ended 31 December 2014, the directors of the Company considered that the performance target is achieved by the grantees and thus share-based compensation expense of HK$854,000 (2014: HK$3,604,000) was recognised during the year ended 31 December 2015.

(3) The number and the exercise price of options which remained outstanding have been adjusted from HK$0.620 per share to HK$0.478 per share with effect from 17 September 2015 due to rights issue of the Company during the year.

(4) During the year ended 31 December 2015, the options were granted to directors, employees and consultants of the Group on 18 December 2015 for the provision of services to the Group. The options are subject to approval from the board of directors of the Company and will be vested upon achievement of performance target for the financial year ending 31 December 2016 to 2019 and discretion of the board of directors of the Company.

As at 31 December 2015, approval from the directors of the Company has not been obtained and no share-based compensation expense was recognised in the financial year ended 31 December 2015.

The options were granted to the consultants of the Company on 18 December 2015 for the provision of consultancy services to the Company up to the contract period until 31 December 2019. The options are subject to approval from the board of directors of the Company and will be vested upon the provision of satisfactory services determined at the sole discretion of the board of directors of the Company. During the year ended 31 December 2015, approval from the directors of the Company has not been obtained and no share-based compensation expense was recognised in the financial year ended 31 December 2015.

## 42. SHARE OPTION SCHEMES (continued)

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

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** |
|---|---|
| Share price at grant date | HK$0.62 |
| Exercise price | HK$0.62 |
| Expected volatility | 82% |
| Expected life | 4 years |
| Risk-free rate | 1.0% |
| Expected dividend yield | Nil |

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

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

During the year ended 31 December 2015, HK$854,000 (2014: HK$3,604,000) of share-based compensation expenses has been recognised in profit or loss. The corresponding amount of HK$854,000 (2014: HK$3,604,000) has been credited to share-based payment reserve. No liabilities were recognised due to share-based payment transactions.

### (B) Share option scheme of CFSG

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

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

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the 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.

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

## 42. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

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

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

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

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

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

## 42. SHARE OPTION SCHEMES (continued)

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

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

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

| | | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| **Grant date** | **Exercisable period** | Notes | **Number of outstanding share options as at 31 December** | **Exercise price HK$** | Number of outstanding share options as at 31 December | Exercise price HK$ |
| 11.04.2014 | 11.4.2015–31.12.2017 | (c) | — | — | 75,000,000 | 0.097 |
| 22.05.2014 | 22.5.2015–31.12.2017 | (e) | — | — | 46,000,000 | 0.091 |
| | | | — | | 121,000,000 | |

## 42. SHARE OPTION SCHEMES (continued)

### (B) 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 CFSG 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. 275,000,000 options and 39,000,000 options lapsed during the financial years ended 31 December 2014 and 2013 respectively, because the performance target was not met within the vesting period.

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

(c) The options of 261,000,000 were granted to the employees and directors of the Group 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 2015, 50,500,000 options were cancelled and 24,500,000 options were exercised.

During the financial year ended 31 December 2014, 30,000,000 options lapsed as the grantee resigned from the member of the Group and 156,000,000 options were exercised and in addition, the directors of CFSG considered that the performance target has been achieved by the grantees and thus share-based compensation expense of HK$13,206,000 was recognised in the financial year ended 31 December 2014.

(d) The options of 38,000,000 were granted to the consultants of the Group on 2 May 2014 for the provision of consultancy service to the Group up to 31 December 2014. The options will be vested upon the provision of satisfactory services determined at the sole discretion of the board 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 options were exercised and share-based compensation expense of HK$72,000 was recognised in the financial years ended 31 December 2014.

(e) The options of 46,000,000 were granted to the employees of the Group on 22 May 2014 for the provision of service to the Group. The options will be vested upon achievement of performance target (based on non-market condition) for the respective financial years up to 31 December 2017. During the financial year ended 31 December 2015, 8,000,000 options were cancelled and 38,000,000 options were exercised. During the financial year ended 31 December 2014, the directors of CFSG considered that the performance target has been achieved by the grantees and thus share-based compensation expense of HK$2,056,000 was recognised in the financial 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 2015 is 3 years (2014: 3 years).

The fair values of share options granted during the year 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$0.090 | HK$0.090 |
| Exercise price | HK$0.097 | HK$0.090 | HK$0.091 |
| Expected volatility (Note (a)) | 69.38% | 37.87% | 69.00% |
| Expected life of option (Note (b)) | 3 years | 8 months | 3 years |
| Risk-free rate (Note (c)) | 1.00% | 1.00% | 0.88% |
| Expected dividend yield | Nil | Nil | Nil |

Notes:

(a) Expected volatility: being the approximate historical volatility of closing prices of the shares of 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.

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

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

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

In total, HK$15,334,400 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 had been credited to share-based payment reserve. No liabilities were recognised due to share-based payment transactions.

During the year ended 31 December 2015, 58,500,000 (2014: 305,000,000) share options with aggregate fair value of HK$2,913,000 (2014: HK$1,518,000) were cancelled or lapsed and HK$1,168,000 (2014: HK$618,000) in non-controlling interest had been transferred to accumulated losses.

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.

## 42. SHARE OPTION SCHEMES (continued)

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

The Netfield share option scheme ("Netfield Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 6 June 2008. During the years ended 31 December 2015 and 2014, 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 Group.

(ii) The participants included any employee, executive, officer, consultant, adviser or agent of any member of the Netfield Group.

(iii) The maximum number of shares in respect of which share options might be granted under the Netfield Share Option Scheme must not 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.

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

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

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

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

(viii) The exercise price of a share option shall be such price as the board of directors of Netfield at its absolute discretion shall determine, save that such price must not always be less than the nominal value of Netfield's share, which is currently of HK$0.10 each.

## 42. SHARE OPTION SCHEMES (continued)

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

(ix) The exercise price of a share option granted at any time after Netfield has resolved to seek a separate listing of Netfield and up to the listing date or during the period commencing 6 months before the lodgement of listing application and up to the listing date, shall not be less than the new issue price at listing.

(x) After the Netfield's share have been listed, the exercise price of a share option must be the highest of:

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

(xi) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 5 June 2018.

## 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 contributions to the MPF Schemes and various benefits schemes in the PRC are disclosed in note 11.

## 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 | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|---|
| Commission and interest income received from the following major shareholders of the Company | | | |
| Cash Guardian | (a) | **52** | 11 |
| Mr Kwan Pak Hoo Bankee and associates | (a) | **86** | 14 |
| | | **138** | 25 |
| Commission and interest income received from the following directors of the Company | | | |
| Mr Law Ping Wah Bernard and associates | | **58** | 24 |
| Mr Ng Hin Sing Derek and associates | | **30** | 6 |
| | | **88** | 30 |
| Commission and interest income received from the following directors of the CFSG | | | |
| Ms Cheng Pui Lai Majone and associates | | **92** | 52 |
| Mr Ng Kung Chit Raymond and associates | (b) | **53** | 15 |
| Mr Chan Chi Ming Benson and associates | (c) | **—** | 15 |
| | | **145** | 82 |
| Commission and interest income received other connected clients | | | |
| Mr Kwan Pak Leung Horace and associates | (d) | **33** | 24 |
| Ms Chan Siu Fei Susanna and associates | (d) | **29** | 31 |
| | | **62** | 55 |
| Rental expenses paid to an associate | | **—** | 2,615 |

## 44. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) Cash Guardian has significant influence over the Company. 33.89% (2014: 31.91%) equity interest of the Company is held by Cash Guardian at 31 December 2015. Cash Guardian is controlled by Mr Kwan Pak Hoo, Bankee, an executive director of the Company.

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

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

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

**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. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2015, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$1,423,000.

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

**Year 2015 and 2014**

| Name | Place of incorporation | Paid up issued share capital/registered capital | Proportion of nominal value of issued share capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | **2015** | 2014 | |
| | | | **%** | % | |
| CASH Group Limited | BVI | Ordinary US$1 | **100** | 100 | Investment holding |
| CASH Retail Management (HK) Limited ("CRM(HK)") | BVI | Ordinary HK$3,877,860 | **90.98** | 90.98 | Investment holding |
| CIGL | BVI | Ordinary US$10,000 | **100** | 100 | Investment holding |
| Libra Capital Management (HK) Limited | BVI | Ordinary US$1 | **100** | 100 | Trading of securities |
| Moli Mobile Digital Entertainment Holdings Limited ("MMDE") | BVI | Ordinary US$10,000 | **89.7** | 89.7 | Investment holding |
| Mov2Gather (HK) Limited | Hong Kong | Ordinary HK$1 | **89.7** | 89.7 | Investment holding |

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

**Year 2015 and 2014 (continued)**

| Name | Place of incorporation | Paid up issued share capital/registered capital | Proportion of nominal value of issued share capital held by the Company 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|---|
| Joy2Gather Limited | BVI | Ordinary US$1 | **89.7** | 89.7 | Investment holding |
| Praise Joy Limited | BVI | Ordinary US$1 | **100** | 100 | Investment holding |
| Pricerite Stores Limited | Hong Kong | Ordinary HK$201,170,000 | **90.98** | 90.98 | Retailing of furniture and household goods |
| Wealthy View Investment Limited | BVI | Ordinary US$10 | **100** | 100 | Investment holding |
| CASH E-Trade Limited | Hong Kong | Ordinary HK$4,000,000 | **100** | 40.71 | Provision of management services for group companies |
| Celestial Investments (HK) Limited | Hong Kong | Ordinary HK$10,000,000 | **100** | 40.71 | Money lending |
| Marvel Champ Investments Limited ("Marvel Champ") | BVI | Ordinary US$100 | **65** | 26.46 | Investment holding |
| DOI | BVI | Ordinary US$50,000 | **100** | 26.36 | Investment holding |
| CASH Talent Investment Limited | Hong Kong | Ordinary HK$1 | **100** | 40.71 | Investment holding |
| **Subsidiaries of CFSG** | | | | | |
| CASH Asset Management Limited | Hong Kong | Ordinary HK$10,000,000 | **40.34** | 40.71 | Provision of asset management services |
| CASH Wealth Management Limited | Hong Kong | Ordinary HK$15,000,000 | **40.34** | 40.71 | Financial advisory consultancy |
| CASH Payment Services Limited | Hong Kong | Ordinary HK$2 | **40.34** | 40.71 | Provision of payment gateway services |
| Celestial Asset Management Limited | Hong Kong | Ordinary HK$6,781,401 | **40.34** | 40.71 | Provision of treasury management functions |

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

**Year 2015 and 2014 (continued)**

| Name | Place of incorporation | Paid up issued share capital/registered capital | Proportion of nominal value of issued share capital held by the Company 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|---|
| Celestial Capital Limited | Hong Kong | Ordinary HK$30,000,000 | **40.34** | 40.71 | Provision of corporate finance, investment and financial advisory services |
| Celestial Commodities Limited | Hong Kong | Ordinary HK$50,000,000 | **40.34** | 40.71 | Futures and options broking and trading |
| Celestial Finance Limited | Hong Kong | Ordinary HK$121,000,002 | **40.34** | 40.71 | Money lending |
| Celestial Securities Limited | Hong Kong | Ordinary HK$140,000,000 | **40.34** | 40.71 | Securities, equity options broking and trading, leveraged foreign exchange contracts |
| Agostini Limited | Hong Kong | Ordinary HK$1 | **40.34** | 40.71 | Investment holding and trading |
| Think Right Investments Limited | BVI | Ordinary US$1 | **40.34** | 40.71 | Properties holding |
| Cheer Wise Investments Limited | Hong Kong | Ordinary HK$1 | **40.34** | 40.71 | Properties holding |
| Celestial Financial Services Limited | BVI | Ordinary US$10,000 | **40.34** | 40.71 | Investment holding |
| CASH Mobile Financial Services Limited | Hong Kong | Ordinary HK$10,000,000 | **40.34** | 40.71 | Provision of management services for group companies |

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. Majority of these subsidiaries which operate in Hong Kong and are investment holding or inactive companies.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2015

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

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 | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit (loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| | | | | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| CFSG | Bermuda/Hong Kong | **59.66%** | 59.29% | **1,035** | 18,214 (Note (3)) | **350,443** | 350,442 (Note (3)) |
| *Non-wholly owned subsidiaries of CFSG* | | | | | | | |
| Marvel Champ (Note (1)) | BVI/The PRC | **—** | 35% | **(196)** | 21,652 | **—** | 502 |
| Individual immaterial subsidiaries with non-controlling interests | | | | **—** | — | **—** | 5,084 |
| CFSG | | | | **839** | 39,866 | **350,443** | 356,028 |
| CRM(HK) (Note (2)) | BVI/Hong Kong | **9.02%** | 9.02% | **2,137** | 1,314 | **11,080** | 8,943 |
| MMDE | BVI/Hong Kong | **10.3%** | 10.3% | **—** | — | **(40,045)** | (40,045) |
| Individual immaterial subsidiaries with non-controlling interests | | | | **—** | — | **535** | — |
| | | | | **2,976** | 41,180 | **322,013** | 324,926 |

Notes:

(1) Marvel Champ was a 65% owned subsidiary of CFSG and acquired by the Group during the year ended 31 December 2015. The non-controlling interests of Marvel Champ is included in the Group's Individual immaterial subsidiaries with non-controlling interest.

(2) CRM(HK) is 90.98% owned by the Company.

(3) 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 40.10% and 40.71% during the year ended 31 December 2014 and 2015. 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.

## 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**

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Non-current assets | **231,846** | 290,899 |
| Current assets | **2,070,842** | 1,795,830 |
| Non-current liabilities | **(84,198)** | (99,376) |
| Current liabilities | **(1,622,915)** | (1,391,026) |
| Net assets of CFSG | **595,575** | 596,327 |
| Equity attributable to owners of the Company | **245,132** | 240,299 |
| Non-controlling interests of CFSG | **350,443** | 350,442 |
| Non-controlling interests of CFSG's subsidiaries | **—** | 5,586 |
| | **595,575** | 596,327 |
| Revenue | **252,290** | 198,063 |
| Expenses | **(238,880)** | (143,736) |
| Profit for the year | **13,410** | 54,327 |
| Profit (loss) for the year attributable to | | |
| — the owners of the Company | **12,571** | 14,461 |
| — non-controlling interests of CFSG | **1,035** | 18,214 |
| — non-controlling interests of CFSG's subsidiaries | **(196)** | 21,652 |
| Profit for the year | **13,410** | 54,327 |
| Other comprehensive expense for the year attributable to | | |
| — the owners of the Company | **(5,858)** | (775) |
| — non-controlling interests of CFSG | **(8,748)** | (1,130) |
| — non-controlling interests of CFSG's subsidiaries | **—** | (867) |
| Other comprehensive expense for the year | **(14,606)** | (2,772) |
| Total comprehensive income (expense) for the year attributable to | | |
| — the owners of the Company | **6,713** | 13,686 |
| — non-controlling interests of CFSG | **(7,713)** | 17,084 |
| — non-controlling interests of CFSG's subsidiaries | **(196)** | 20,785 |
| Total comprehensive (expense) income for the year | **(1,196)** | 51,555 |
| Net cash inflow (outflow) from operating activities | **121,567** | (41,147) |
| Net cash inflow from investing activities | **39,143** | 157,647 |
| Net cash inflow (outflow) from financing activities | **39,045** | (112,084) |
| Net cash inflow | **199,755** | 4,416 |
| Dividend paid to non-controlling interests of CFSG's subsidiaries | **—** | 51,313 |

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.

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

**Marvel Champ**

| | 2014<br>HK$'000 |
|---|---|
| Current assets | 1,936 |
| Equity attributable to owners of the Company | 1,434 |
| Non-controlling interests | 502 |
| | 1,936 |
| Profit attributable to owners of the Company | 38,811 |
| Profit attributable to the non-controlling interests | 21,652 |
| Profit for the year | 60,463 |
| Other comprehensive expenses attributable to owners of the Company | (1,612) |
| Other comprehensive expenses attributable to the non-controlling interests | (867) |
| Other comprehensive expenses income for the year | (2,479) |
| Total comprehensive income attributable to owners of the Company | 37,199 |
| Total comprehensive income attributable to the non-controlling interests | 20,785 |
| Total comprehensive income for the year | 57,984 |
| Dividend paid to non-controlling interests of Marvel Champ | 51,313 |
| Net cash inflow from investing activities | 225,000 |
| Net cash outflow from financing activities | (225,000) |
| Net cash flow | — |

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

**CRM(HK)**

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Non-current assets | **128,199** | 123,924 |
| Current assets | **308,921** | 341,084 |
| Non-current liabilities | **(6,649)** | (6,649) |
| Current liabilities | **(318,713)** | (359,213) |
| | **111,758** | 99,146 |
| Equity attributable to owners of the Company | **100,678** | 90,203 |
| Non-controlling interests of CRM(HK) | **11,080** | 8,943 |
| | **111,758** | 99,146 |
| Revenue | **1,390,312** | 1,172,040 |
| Expenses | **(1,366,620)** | (1,157,478) |
| Profit and total comprehensive income for the year | **23,692** | 14,562 |
| Profit and total comprehensive income for the year attributable to | | |
| — the owners of the Company | **21,555** | 13,248 |
| — non-controlling interests of CRM(HK) | **2,137** | 1,314 |
| Profit and total comprehensive income for the year | **23,692** | 14,562 |
| Net cash inflow from operating activities | **95,978** | 37,832 |
| Net cash outflow from investing activities | **(86,213)** | (3,022) |
| Net cash inflow (outflow) from financing activities | **46,152** | (19,917) |
| Net cash inflow | **55,917** | 14,893 |

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.

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

**MMDE**

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Non-current assets | **6,257** | 6,029 |
| Current assets | **2,077** | 1,674 |
| Current liabilities | **(402,188)** | (398,797) |
| | **(393,854)** | (391,094) |
| Equity attributable to owners of the Company | **(353,809)** | (351,049) |
| Non-controlling interests of MMDE | **(40,045)** | (40,045) |
| | **(393,854)** | (391,094) |
| Revenue | **404** | 1,505 |
| Expenses | **(2,673)** | (1,894) |
| Loss for the year | **(2,269)** | (389) |
| Loss for the year attributable to | | |
| — the owners of the Company | **(2,269)** | (389) |
| — non-controlling interests of MMDE | **—** | — |
| Loss for the year | **(2,269)** | (389) |
| Other comprehensive expense for the year attributable to | | |
| — the owners of the Company | **(491)** | (301) |
| — non-controlling interests of MMDE | **—** | — |
| Other comprehensive expense for the year | **(491)** | (301) |
| Total comprehensive expense for the year attributable to | | |
| — the owners of the Company | **(2,760)** | (690) |
| — non-controlling interests of MMDE | **—** | — |
| Total comprehensive expense for the year | **(2,760)** | (690) |
| Net cash outflow from operating activities | **(1,837)** | (2,057) |
| Net cash outflow from investing activities | **(18)** | — |
| Net cash inflow from financing activities | **2,740** | 1,863 |
| Net cash inflow (outflow) | **885** | (194) |
| 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.

## 47. 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:

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Non-current asset | | |
| Amounts due from subsidiaries | **421,315** | 281,183 |
| Current assets | | |
| Other receivables | **373** | 55 |
| Bank balance and cash | **5,076** | 165 |
| | **5,449** | 220 |
| Current liabilities | | |
| Other payables and accruals | **583** | 557 |
| Amounts due to subsidiaries | **41,281** | 1,630 |
| | **41,864** | 2,187 |
| Net current liabilities | **(36,415)** | (1,967) |
| Net assets | **384,900** | 279,216 |
| Capital and reserves | | |
| Share Capital | **83,122** | 55,415 |
| Reserves (Note) | **301,778** | 223,801 |
| Total equity | **384,900** | 279,216 |

Note: Reserves

| | Share premium<br>HK$'000 | Contributed surplus<br>HK$'000 | Share option reserve<br>HK$'000 | Accumulated losses<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | 510,677 | 149,719 | — | (435,405) | 224,991 |
| Loss and total comprehensive expense for the year | — | — | — | (4,794) | (4,794) |
| Recognition of equity-settled share-based payments | — | — | 3,604 | — | 3,604 |
| At 31 December 2014 | 510,677 | 149,719 | 3,604 | (440,199) | 223,801 |
| Loss and total comprehensive expense for the year | — | — | — | (3,637) | (3,637) |
| Issue of new shares | 83,122 | — | — | — | 83,122 |
| Transaction costs attributable to issue of new shares | (2,362) | — | — | — | (2,362) |
| Recognition of equity-settled share-based payments | — | — | 854 | — | 854 |
| At 31 December 2015 | 591,437 | 149,719 | 4,458 | (443,836) | 301,778 |

# Appendix I — Investment Properties

Held as at 31 December 2015

| Location | Approximate gross floor area (sq. ft.) | Land use |
|---|---|---|
| Room 1606 (also known as 19G), Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC | 891 | The property is vacant |
| Room 1607 (also known as 19A), Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC | 1,593 | The property is vacant |
| Room 1806 (also known as 21G), Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC | 891 | The property is rent out |
| 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 — 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 ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **RESULTS** | | | | | |
| Revenue | **1,634,613** | 1,371,608 | 1,306,493 | 1,290,314 | 1,376,290 |
| Profit (loss) before taxation | **26,057** | 64,904 | (132,268) | (243,687) | (138,949) |
| Income tax (expense) credit | **(7,852)** | (21,302) | 3,903 | (8,769) | (7,002) |
| Profit (loss) for the year | **18,205** | 43,602 | (128,365) | (252,456) | (145,951) |
| Attributable to: | | | | | |
| Equity holders of the Company | **15,229** | 2,422 | (87,835) | (228,552) | (126,499) |
| Non-controlling interests | **2,976** | 41,180 | (40,530) | (23,904) | (19,452) |
| | **18,205** | 43,602 | (128,365) | (252,456) | (145,951) |

# Appendix II — Five-Year Financial Summary (continued)

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **ASSETS AND LIABILITIES** | | | | | |
| Property and equipment | **83,751** | 74,486 | 60,600 | 84,297 | 124,589 |
| Investment property | **188,583** | 213,666 | 57,112 | 68,832 | 185,484 |
| Goodwill | **60,049** | 60,049 | 62,710 | 62,710 | 146,071 |
| Interest in an associate | **—** | 1,434 | 158,154 | 152,939 | 138,894 |
| Intangible assets | **53,212** | 53,212 | 53,212 | 96,600 | 141,028 |
| Other non-current assets | **52,617** | 76,183 | 107,901 | 88,107 | 59,670 |
| Current assets | **2,614,213** | 2,058,903 | 2,012,378 | 2,479,802 | 2,274,554 |
| Total assets | **3,052,425** | 2,537,933 | 2,512,067 | 3,033,287 | 3,070,290 |
| Current liabilities | **2,149,024** | 1,740,356 | 1,816,458 | 2,235,261 | 1,925,508 |
| Long term borrowings | **78,412** | 91,516 | 22,575 | 26,331 | 111,732 |
| Other non-current liabilities | **13,077** | 14,509 | 8,218 | 16,187 | 19,341 |
| Total liabilities | **2,240,513** | 1,846,381 | 1,847,251 | 2,277,779 | 2,056,581 |
| Net assets | **811,912** | 691,552 | 664,816 | 755,508 | 1,013,709 |
| Equity attributable to equity holders of the Company | **489,899** | 366,626 | 357,258 | 369,473 | 585,361 |
| Non-controlling interests | **322,013** | 324,926 | 307,558 | 386,035 | 428,348 |
| | **811,912** | 691,552 | 664,816 | 755,508 | 1,013,709 |

# Definitions

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

| | |
|---|---|
| "AGM(s)" | the annual general meeting(s) of the Company |
| "Audit Committee" | the audit committee of the Company established pursuant to the CG Code of the Listing Rules |
| "Board" | the board of Directors |
| "CASH 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 since June 2015 |
| "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 Capital" | Celestial Capital 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 types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities |
| "Celestial Commodities" | Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability, is a 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: 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 Board" | the board of directors of CFSG |
| "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 2015 as required to be included in this annual report under the Listing Rules |
| "CIGL" | Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, 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 Group" | CASH Retail Management (HK) Limited, a company incorporated in the British Virgin Islands with limited liability, and its subsidiaries (including Pricerite Group), 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 |
| "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 |
| "Net2Gather" or "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 mobile internet services business |
| "Pricerite" or "Pricerite Group" | Pricerite Group Limited, a company incorporated in the British Virgin Islands with limited liability, and its subsidiaries (including Pricerite Stores Limited), which mainly conduct the retail management business in Hong Kong under the brand name of "Pricerite" |
| "Remuneration Committee" | the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SGM(s)" | the special general meeting(s) of the Company |
| "Share(s)" | ordinary shares of HK$0.10 each in the share capital of the Company |
| "Share Option Scheme" | the existing share option scheme of the Company adopted by the Shareholders at an AGM of the Company held on 21 May 2012 |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "HK$" | 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 |

# Definitions (continued)

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|---|---|
| "Hong Kong" or "HKSAR" | the Hong Kong Special Administrative Region of the PRC |
| "PRC" | the People's Republic of China |
| "UK" | United Kingdom |
| "US" | United States |

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