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時富金融
CFSG

CASH FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

ANNOUNCEMENT
OF
FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The audited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the year ended 31 December 2011 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2011** **HK$'000**	2010 HK$'000 (restated)
Revenue	(3)	**1,334,440**	1,294,203
Other income		**5,833**	16,675
Other gains and losses		**178,281**	74,373
Cost of sales for retailing business		**(638,297)**	(591,049)
Salaries, commission and related benefits		**(393,554)**	(297,976)
Depreciation		**(53,152)**	(47,678)
Finance costs		**(12,248)**	(16,747)
Other operating and administrative expenses		**(447,062)**	(363,095)
Change in fair value of investment properties		**(7,395)**	-
Share of profits of associates		**8,884**	4,414
(Loss) profit before taxation		**(24,270)**	73,120
Income tax expense	(5)	**(7,694)**	(8,185)
(Loss) profit for the year		**(31,964)**	64,935

	Note	2011 HK$'000	2010 HK$'000 (restated)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**7,822**	3,094
Gain on revaluation of leasehold land and building		**22,582**	3,815
Income tax relating to the gain on revaluation of leasehold land and building		**(3,631)**	(630)
Other comprehensive income for the year (net of tax)		**26,773**	6,279
Total comprehensive income for the year		**(5,191)**	71,214
(Loss) profit for the year attributable to:			
Owners of the Company		**(41,090)**	63,390
Non-controlling interests		**9,126**	1,545
		(31,964)	64,935
Total comprehensive income attributable to:			
Owners of the Company		**(16,241)**	68,653
Non-controlling interests		**11,050**	2,561
		(5,191)	71,214
(Loss) earnings per share for (loss) profit attributable to the owners of the Company during the year	(6)		
- Basic (HK cents)		**(1.05)**	1.82
- Diluted (HK cents)		**(1.05)**	1.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2011 HK$'000	2010 HK$'000
Non-current assets			
Property and equipment		**114,306**	188,909
Investment properties		**85,952**	89,967
Goodwill		**2,661**	2,661
Intangible assets		**321,059**	321,059
Other assets		**7,477**	14,851
Rental and utility deposits		**33,964**	24,959
Interests in associates		**138,894**	124,512
Loan to an associate		**10,296**	10,296
Deferred tax assets		**4,700**	4,100
		719,309	781,314
Current assets			
Inventories		**59,423**	48,948
Accounts receivable	(7)	**814,286**	707,076
Loans receivable		**44,492**	13,017
Prepayments, deposits and other receivables		**33,692**	43,651
Amounts due from related companies		**-**	334
Tax recoverable		**2,894**	-
Investments held for trading		**26,961**	42,435
Bank deposits subject to conditions		**80,040**	68,252
Bank balances - trust and segregated accounts		**694,525**	697,060
Bank balances (general accounts) and cash		**414,079**	336,844
		2,170,392	1,957,617
Current liabilities			
Accounts payable	(8)	**1,386,140**	1,172,594
Accrued liabilities and other payables		**145,490**	83,448
Taxation payable		**5,852**	9,378
Obligations under finance leases			
- amount due within one year		**289**	382
Bank borrowings - amount due within one year		**274,757**	402,491
Loan from a non-controlling shareholder		**27,437**	27,437
		1,839,965	1,695,730
Net current assets		**330,427**	261,887
Total assets less current liabilities		**1,049,736**	1,043,201

	At 31 December	
	2011	2010
	HK$'000	HK$'000
Non-current liabilities		
Deferred tax liabilities	**55,539**	63,686
Obligations under finance leases		
- amount due after one year	**263**	552
Bank borrowings - amount due after one year	**32,840**	34,220
	88,642	98,458
Net assets	**961,094**	944,743
Capital and reserves		
Share capital	**78,382**	70,765
Reserves	**849,349**	853,665
Equity attributable to owners of the Company	**927,731**	924,430
Non-controlling interests	**33,363**	20,313
Total equity	**961,094**	944,743

Notes:

(1) Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the considerations given in exchange for goods and services.

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

(2) Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretation issued by the HKICPA that are mandatorily effective for 2011 financial year.

Except as described below, the application of the new and revised Standards, Amendments and Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

<u>HKAS 24 Related Party Disclosures (as revised in 2009)</u>

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the removal of related parties that were identified as related parties under the previous Standard.

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

Amendments to HKFRS 7	Disclosures - Transfers of financial assets [1]
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities [2]
Amendments to HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures [3]
HKFRS 9	Financial instruments [3]
HKFRS 10	Consolidated financial statements [2]
HKFRS 11	Joint arrangements [2]
HKFRS 12	Disclosure of interests in other entities [2]
HKFRS 13	Fair value measurements [2]
Amendments to HKAS 1	Presentation of items of other comprehensive income [5]
Amendments to HKAS 12	Deferred tax - Recovery of underlying assets [4]
HKAS 19 (as revised in 2011)	Employee benefits [2]
HKAS 27 (as revised in 2011)	Separate financial statements [2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures [2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities [6]
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine [2]

1 *Effective for annual periods beginning on or after 1 July 2011.*
2 *Effective for annual periods beginning on or after 1 January 2013.*
3 *Effective for annual periods beginning on or after 1 January 2015.*
4 *Effective for annual periods beginning on or after 1 January 2012.*
5 *Effective for annual periods beginning on or after 1 July 2012.*
6 *Effective for annual periods beginning on or after 1 January 2014.*

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. 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.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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.

Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

Based on the Group's financial assets and financial liabilities as at 31 December 2011, the directors of the Company anticipate that the adoption of HKFRS 9 is not expected to have a significant impact on the amounts reported in respect of the Group's financial assets and liabilities.

HKFRS 13 Fair value measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the adoption of HKFRS 13 is not expected to have significant impact on the amounts reported but will result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the adoption of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

(3) Revenue

Revenue from the Group's principal activities recognised during the year is as follow:

	2011	2010
	HK$'000	HK$'000
Fees and commission income	**226,235**	249,385
Interest income	**35,453**	33,577
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,072,752**	1,011,241
	1,334,440	1,294,203

(4) Segment information

Reportable and operating segments

Information reported to the Chief Executive Officer ("CEO") of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of products or services provided, with each operating segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group's reportable and operating segments are financial services business and retailing business.

The following tables represent revenue and results information for the two reportable and operating segments for the years ended 31 December 2011 and 2010.

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit earned by each segment before change in fair value of investment properties and derivative financial instruments, net gains on investments held for trading, share-based compensation, share of profits of associates and unallocated expenses. This is the measure reported to the CEO for the purposes of resource allocation and assessment of performance.

For the year ended 31 December 2011

	Financial services HK$'000	**Retailing HK$'000**	**Total HK$'000**
Revenue	**261,688**	**1,072,752**	**1,334,440**
RESULT			
Segment (loss) profit	**(5,757)**	**16,948**	**11,191**
Net gains on investments held for trading			**171,262**
Change in fair value of investment properties			**(7,395)**
Share-based compensation			**(21,996)**
Share of profits of associates			**8,884**
Unallocated expenses			**(186,216)**
Loss before taxation			**(24,270)**

For the year ended 31 December 2010

	Financial services HK$'000	Retailing HK$'000	Total HK$'000
Revenue	282,962	1,011,241	1,294,203
RESULT			
Segment profit	32,575	47,696	80,271
Change in fair value of derivative financial instruments			(53)
Net gains on investments held for trading			71,389
Share-based compensation			(6,634)
Share of profits of associates			4,414
Unallocated expenses			(76,267)
Profit before taxation			73,120

Segment assets and liabilities

All assets are allocated to operating segments other than interests in associates, investment properties, loan to an associate and other unallocated property and equipment. In the current year, certain property and equipment has been excluded from segment assets which was previously included in the financial services segment, therefore segment assets at 31 December 2010 has been restated. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment. No assets used jointly by operating segments.

All liabilities are allocated to operating segments other than unallocated deferred tax liabilities, loan from a non-controlling shareholder and other unallocated bank borrowings and accrued liabilities. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment. No liabilities were used jointly by operating segments.

As at 31 December 2011

	Financial services HK$'000	**Retailing HK$'000**	**Total HK$'000**
ASSETS			
Segment assets	**1,903,016**	**711,533**	**2,614,549**
Interests in associates			**138,894**
Investment properties			**85,952**
Loan to an associate			**10,296**
Other unallocated assets			**40,010**
Consolidated total assets			**2,889,701**
LIABILITIES			
Segment liabilities	**1,443,493**	**364,232**	**1,807,725**
Unallocated deferred tax liabilities			**4,223**
Loan from a non-controlling shareholder			**27,437**
Other unallocated liabilities			**89,222**
Consolidated total liabilities			**1,928,607**

As at 31 December 2010

	Financial services HK$'000 (restated)	Retailing HK$'000	Total HK$'000 (restated)
ASSETS			
Segment assets	1,758,535	715,288	2,473,823
Interests in associates			124,512
Investment properties			89,967
Loan to an associate			10,296
Other unallocated assets			40,333
Consolidated total assets			2,738,931
LIABILITIES			
Segment liabilities	1,376,412	348,718	1,725,130
Unallocated deferred tax liabilities			6,072
Loan from a non-controlling shareholder			27,437
Other unallocated liabilities			35,549
Consolidated total liabilities			1,794,188

Other information

For the year ended 31 December 2011

	Financial services HK$'000	**Retailing HK$'000**	**Reportable segment total HK$'000**	**Unallocated amount HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:					
Interest income	**35,453**	**-**	**35,453**	**-**	**35,453**
Write-down on inventories	**-**	**(2,840)**	**(2,840)**	**-**	**(2,840)**
Depreciation	**(12,544)**	**(21,432)**	**(33,976)**	**(19,176)**	**(53,152)**
Finance costs	**(7,106)**	**(3,913)**	**(11,019)**	**(1,229)**	**(12,248)**
Loss on disposal of property and equipment	**(14)**	**-**	**(14)**	**-**	**(14)**
Gain on disposal of assets classified as held for sale	**-**	**32,400**	**32,400**	**-**	**32,400**
Bad debt on accounts receivable and other receivables written off directly	**(77)**	**(9)**	**(86)**	**-**	**(86)**
Allowance on bad and doubtful loans receivable	**(28,700)**	**-**	**(28,700)**	**-**	**(28,700)**
Bad debt on accounts receivable and loans receivable recovered	**12**	**-**	**12**	**-**	**12**
Addition to non-current assets	**27,097**	**26,523**	**53,620**	**16,244**	**69,864**

For the year ended 31 December 2010

	Financial services HK$'000	Retailing HK$'000	Reportable segment total HK$'000	Unallocated amount HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Interest income	33,577	-	33,577	-	33,577
Write-down on inventories	-	(2,095)	(2,095)	-	(2,095)
Depreciation	(9,160)	(17,274)	(26,434)	(21,244)	(47,678)
Finance costs	(10,702)	(4,375)	(15,077)	(1,670)	(16,747)
Gain (loss) on disposal of property and equipment	48	(85)	(37)	(60)	(97)
Bad debt on accounts receivable and other receivables written off directly	-	(7)	(7)	-	(7)
Bad debt on accounts receivable and loans receivable recovered	59	-	59	-	59
Addition to non-current assets	10,189	25,894	36,083	2,575	38,658

Entity-wide disclosures

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

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

	Revenue from external customers		**Non-current assets**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong (Place of domicile)	**1,330,629**	1,294,203	**520,021**	550,414
PRC	**3,811**	-	**184,292**	216,504
Total	**1,334,440**	1,294,203	**704,313**	766,918

There were no customers for the years ended 31 December 2011 and 2010, contributing over 10% of the Group's total revenue.

(5) Income tax expense

	2011 HK$'000	2010 HK$'000
Current tax:		
- Hong Kong Profits Tax	**11,224**	13,434
Under (over) provision in prior years	**190**	(2,078)
Deferred tax	**(3,720)**	(3,171)
Total income tax expense	**7,694**	8,185

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

Taxation arising in other jurisdiction in calculated at the rates prevailing 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.

(6) (Loss) earnings per share

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

	2011 **HK$'000**	2010 HK$'000
(Loss) profit for the purposes of basic and diluted (loss) earnings per share	**(41,090)**	63,390

	2011	2010 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**3,927,037,616**	3,485,417,403
Effect of dilutive potential ordinary shares: share options	**-**	29,474,211
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**3,927,037,616**	3,514,891,614

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share has been adjusted retrospectively for the bonus share issue on 25 May 2011.

For the year ended 31 December 2011, the diluted loss per share is computed excluding the effects of share options as the exercise of the Company's share options is anti-dilutive.

(7) Accounts receivable

	2011	2010
	HK$'000	HK$'000
Accounts receivable arising from the business of dealing in securities and leveraged foreign exchange contracts:		
Clearing houses, brokers and dealers	**59,905**	49,989
Cash clients	**40,185**	66,698
Margin clients	**223,204**	369,598
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**148**	142
Clearing houses, brokers and dealers	**488,885**	218,630
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**859**	1,099
Accounts receivable arising from the business of provision of corporate finance services	**1,100**	920
	814,286	707,076

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 and leveraged foreign exchange contracts 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 aged analysis does not give additional value in view of the nature of broking business.

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

	2011	2010
	HK$'000	HK$'000
0 - 30 days	**658**	833
31 - 60 days	**1,079**	165
61 - 90 days	**117**	84
Over 90 days	**105**	937
	1,959	2,019

As at 31 December 2011, in connection with the business of dealing in futures and options, the Group has maintained its own account of HK$452,000 and account on behalf of its client of HK$102,173,000 with MF Global Hong Kong Limited ("MFG HK") which appointed provisional liquidators ("Provisional Liquidators") on 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. The directors of the Company have been in contact with the Provisional Liquidators for the return of the account balances to the Group and there was subsequent settlement of partial amount of HK$41,936,000 after the reporting date. The Group expects to recover the remaining amount within the next 12 months. Therefore, the directors of the Company believe no allowance for bad and doubtful debts is necessary.

(8) Accounts payable

	2011 HK$'000	2010 HK$'000
Accounts payable arising from the business of dealing in securities :		
Clearing houses	**824**	5,748
Cash clients	**485,497**	495,768
Margin clients	**112,617**	217,260
Accounts payable to clients arising from the business of dealing in futures and options	**621,968**	299,030
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	**-**	1,191
Trade creditors arising from retailing business	**165,234**	153,597
	1,386,140	1,172,594

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 aged analysis is disclosed as in the opinion of directors of the Company, the aged 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 and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. At 31 December 2011, the accounts payable to clients of HK$110,820,000 was related to the amount of HK$102,173,000 maintained in MFG HK as mentioned in note (7) "accounts receivable". 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 aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$694,525,000 (2010: HK$697,060,000) 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 aged analysis (from trade date) of trade creditors arising from retailing business at reporting date:

	2011 HK$'000	2010 HK$'000
0 - 30 days	**46,909**	66,556
31 - 60 days	**51,802**	37,518
61 - 90 days	**27,156**	14,419
Over 90 days	**39,367**	35,104
	165,234	153,597

(9) Dividends

	2011	2010
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
- 2010 Final - HK 0.4 cent per share	**14,353**	-
- 2010 Interim - HK 2 cents per share	**-**	12,342

The interim dividend of HK 2 cents based on 617,108,107 shares, in respect of the year ended 31 December 2010.

No final dividend in respect of the year ended 31 December 2011 (2010: HK 0.4 cent per share based on 3,538,250,535 shares) was proposed by the directors. In addition, the directors distributed the share dividend offered to the shareholders on the basis of one bonus share for every ten existing shares in respect of the year ended 31 December 2010.

(10) Capital risk management

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

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

(11) Financial instruments

<u>Categories of financial instruments</u>

	2011	2010
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss - held-for-trading	**26,961**	42,435
Loans and receivables (including cash and cash equivalents)	**2,067,947**	1,852,670
Financial liabilities		
Amortised cost	**1,748,442**	1,655,944

Financial risk management objectives and policies

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

Market risk

Equity price risk

The Group is exposed to equity price risk as a result of changes in fair value of its investments in equity securities. The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments and imposing trading limits on individual trades.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2011, if the market bid prices of the Group's listed equity investments had been 15 percent (2010: 15 percent) higher/lower, the Group's loss would decrease/increase by HK$4,044,000 (2010: the Group's profit would increase/decrease by HK$6,365,000). This is attributable to the changes in fair values of the listed investments held for trading.

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances and fixed rate loans receivable. The Group currently does not have a fair value hedging policy.

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 (2010: 50) basis points change representing management's assessment of the reasonably possible change in interest rates is used.

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

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 December 2011, if the interest rate of bank borrowings, loans receivable and loans to margin clients had been 50 (2010: 50) basis points higher/lower, the Group's loss would increase/decrease by HK$201,000 (2010 (restated): the Group's profit would decrease/increase by HK$270,000). Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation.

Foreign currency risk

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

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

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

	Liabilities		**Assets**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**44,542**	14,089	**457,930**	204,757
RMB	**2,152**	544	**104,151**	14,659

As at 31 December 2011, if RMB had strengthened/weakened by 5% (2010: 5%) against HK$ and all other variables were held constant, the Group's loss would decrease/increase by HK$5,100,000 (2010: the Group's profit would increase/decrease by HK$706,000). Under the pegged exchange rate system, the financial impact in exchange difference between HK$ and USD is considered to be immaterial and therefore no sensitivity analysis has been prepared.

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

Credit risk

As at 31 December 2011 and 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

In respect to the accounts receivable from MFG HK, the Group closely monitors the development and the directors of the Company closely contact with the Provisional Liquidators for the recoverable amount to address the credit risk.

The Group does not have any significant concentration of credit risk as the exposure spread over a number of counterparties and customers.

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

Liquidity risk

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2011 (2010: HK 0.4 cent per share based on 3,538,250,535 shares).

REVIEW AND OUTLOOK

Financial Review

The Group recorded revenue of HK$1,334.4 million for the year ended 31 December 2011 as compared to HK$1,294.2 million for the previous year. Despite the challenging external environment, the Group managed to weather through the difficulties and maintained the same revenue level of the previous year. Overall, the Group recorded a net loss of HK$32.0 million for the year ended 31 December 2011 as compared to a net profit of HK$64.9 million last year.

Financial Services Business - FSG

The year 2011 represented a period of extreme volatility and instability in the global financial market. In China, the end of 2011 marked the 10th anniversary of China's entrance into the WTO and resembled a decade of rapid economic growth in China. However, the Central Government has imposed a series of harsh austerity measures such as tightening credit, increasing interest rate and raising deposit-reserve ratio aiming at cooling down the overheated property market and suppressing inflation. As a result, the pace of economic recovery was battered. Meanwhile, the lingering European sovereign debt crisis continued to beset the global stock markets and somewhat suspended the US and Europe's economic growth. The European countries have seen fiscal deficits ballooning to record high percentage of GDP which have casted considerable uncertainty to the global economic recovery and seriously dampened the investment sentiment to the financial markets.

The Hong Kong financial market was inevitably beleaguered by these global crises and the local economic growth has trended downward since the second half of 2011. In view of the highly volatile financial market and gloomy economic outlook, investors became growingly skeptical. The average daily turnover for the year under review was still on the low side at about HK$69.7 billion as compared with HK$69.1 billion last year. The slight increase in average daily turnover was mainly due to the increase in turnover of derivative warrants and CBBCs in the extreme market volatility despite the poor market sentiment. However, market competition during the year under review remained intense and our commission earnings were inevitably affected. As a result, FSG recorded revenue of HK$261.7 million for the year ended 31 December 2011, representing a 7.5% decrease as compared to HK$283.0 million last year. Moreover, during the year under review, our operating overheads had been sharply increased which was due to the increase in rental cost upon the renewal of tenancy agreement in late 2010 and the increase in salary costs for the Group's strategy to accelerate growth in the personal wealth management business in China. The Group's personal wealth management business in China had already started to make a significant contribution to the Group in late 2011. Overall, FSG recorded a net loss of HK$5.8 million for the year ended 31 December 2011 as compared to a net profit of HK$32.6 million last year.

Retail Management Business - CRMG

The Consumer Price Index (CPI) of Hong Kong rose by 5.7% in December 2011 over the same month a year earlier. The sharp increase in rental cost, newly enacted statutory minimum wage and inflationary pressure of all other aspects have increased our operating overheads and further eroded our profit margin. Furthermore, in order to cool down the overheated property market, the Hong Kong Government has proactively introduced measures aiming at reducing speculative activities, including high stamp duty on short-term sales and tightening rules on mortgage lendings on luxury properties. The Hong Kong property market has been slowing down from November 2010 onwards with a remarkable drop in the number of property transactions. As a result, our retail management business was hard hit. Nevertheless, CRMG managed to achieve steady growth and recorded revenue of HK$1,072.8 million for the year ended 31 December 2011, representing a 6.1% increase as compared to HK$1,011.2 million last year. The increase in revenue was mainly attributable to CRMG's proactive approach in developing attractive joint-promotions and cross-selling programmes with various business partners, which successfully boosted our store traffic, transactions number and ticket size.

In the mainland market, China's 12th Five-Year Plan drove the growth of GDP in China and contributed to an upward momentum in consumer spending. To capture the release of urban and rural consumption potential, CRMG has opened three stores in Guangzhou during the year. The retailing business in the mainland market is still in its early investment phase. CRMG will continue to expand its retail network on the mainland, optimise its product mix and enhance its operational efficiency. It is expected that the mainland operations will gradually make profit contribution in the coming years.

During the year under review, CRMG recorded a gain on disposal of a property amounting to HK$32.4 million. Overall, CRMG recorded a net profit of HK$16.9 million for the year ended 31 December 2011 as compared to a net profit of HK$47.7 million last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$961.1 million as at 31 December 2011 as compared to HK$944.7 million at the end of the previous year. The change was the combined result of the decrease in retained earnings due to the reported loss for the year under review, distribution of 2010 final dividend, share repurchased and cancelled and increase in capital base because of the exercise of share options.

As at 31 December 2011, the Group had total bank borrowings of approximately HK$307.6 million, comprising bank loans of HK$307.5 million and overdrafts of HK$0.1 million.

Among the above bank borrowings, HK$114.0 million were collateralised by its margin clients' securities pledged to the Group. Other bank loans totally of HK$107.1 million were secured by the investment properties and pledged deposits respectively. The remaining bank borrowings were unsecured.

As at 31 December 2011, our cash and bank balances including the trust and segregated accounts totalled HK$1,188.6 million as compared to HK$1,102.2 million at the end of the previous year.

Total deposits of HK$62.9 million were pledged as securities for a letter of credit facilities granted by banks to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Accordingly, a bank deposit of approximately HK$17.1 million was held for this purpose.

The liquidity ratio as at 31 December 2011 remained healthy at 1.2 times, being at the same level as at 31 December 2010. The gearing ratio as at 31 December 2011, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 32.1% from 46.3% as at 31 December 2010. The decrease was due to reducing needs of bank borrowings of financial services business for the decrease in margin loan refinancing demand at current report date. On the other hand, we have no material contingent liabilities at the year-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

On 25 July 2011, the Group announced a discloseable transaction in relation to the disposal of the property located at Pricerite Group Building, No. 6 Hong Ting Road, Sai Kung, New Territories by the Group to an independent third party at the consideration of HK$123.5 million in cash. Completion of the disposal took place on 25 October 2011. Details of the transactions are disclosed in the announcement of the Company dated 25 July 2011.

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

Capital Commitment

As at 31 December 2011, the Group did not have any material outstanding capital commitment.

Material Investments

As at 31 December 2011, the Group was holding a portfolio of listed investments with market values of approximately HK$27.0 million. The net gain derived from listed investments and the securities dealing business totally of HK$171.3 million was recorded for the year.

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

Industry and Business Review

Financial Services Business - FSG

Industry Review

The 2011 global economy started with a good recovery momentum. However, the pace of recovery was interrupted by a stream of unexpected political upheavals and natural disasters, including the European sovereign debt crisis, volatile and high commodity prices, tight monetary policy in China and the traumatic earthquake in Japan.

In China, despite the RMB4 trillion stimulus projects, slowdown of economic recovery did occur under the impact of globalisation. The interest rate upcycle balked in face of the decelerating economic growth. The Shanghai Composite Index ended the year at 2,199.42, a decline of 21.6% since the beginning of the year.

Hang Seng Index dropped 20% to conclude the year at 18,434.39. In terms of market capitalisation, the index dropped 16.7% to 17,537 billion. Average daily turnover for the year was up a slight 1% at HK$69,732 million.

Despite the slump in index level and trading volume, 2011 was a bumper year for the IPO market in Hong Kong, with big-name IPOs from Italian luxury fashion house Prada, luggage maker Samsonite, Swiss commodities giant Glencore and the world's largest jewellery chain, Chow Tai Fook Jewellery Co. Hong Kong was able to maintain its global bourse status in 2011 to have attracted the most fresh capital, amid the exacerbated euro-zone debt crisis. There were 101 IPO deals during the year. However, a number of IPOs stopped halfway in the wake of recent gloomy investment sentiments. Therefore, despite the seemingly deluge of stock debuts, the funds raised this year fell nearly 42% to only HK$258.9 billion.

Business Review

Platform Development

The successful listing of the first RMB-denominated REIT on the Hong Kong Stock Exchange (HKEx) in April 2011 marked an important milestone for the local securities industry. We, as a member of the underwriting syndicate, have proved the compatibility, efficiency and reliability of our platform in handling RMB-related trading. Designed for multiple products with multi-currency functions, our state-of-the-art trading platform has consistently been upgraded to ensure its safety, stability and speed. During the year, we pioneered to have passed the HKEx's test for AMS/3.8 and MDS/3.8 system upgrade. Firmly committed to enhancing the trading experience of our clients so as to help them grasp investment opportunities, we continued to invest in our IT infrastructure and introduce a comprehensive range of products to our clients. We will continue to join the tests and market rehearsals organised by the HKEx in order to stay in the forefront of the market development, which is characterised by stringent requirements in platform capability.

As a leading technology-focused financial services house, we are dedicated to devising various analysis and trading models in order to better advise our clients for their maximum risk-adjusted returns. During the year, we employed a number of renowned professors and scholars who are experts in areas such as mathematical science, computer science, statistics and finance. We aim at providing our premium clients across Hong Kong and Mainland China with the best investment and wealth management advice.

Further to the overwhelming response for our iPhone app, CASH RTQ, launched in the previous year, we further developed the iPad and Android versions which enabled our clients to stay ahead of the investment market anytime, anywhere. Our CASH SNS financial social networking portal continued to record growth in the number of participants during the year. The website was most welcome by university students who were eager to test and verify their investment knowledge and insights.

Securities Broking

Impacted by the significant drop in index level and trading volume, together with the severe competition in the commission rate, our commission earning in securities broking was ineluctably affected. Despite the pessimistic outlook toward the listing of new shares in the second half of the year, there noted steam in the margin financing business amid the volatile market. Till the end of the year, the gross interest income from margin financing reached HK$35.5 million, an increase of 5.6% over the previous year.

In addition, in anticipation of a loose monetary policy in the US and European economies, the commodities market fluctuated, providing a lot of trading opportunities to investors. This directly drove the double digit growth in our international commodities business during the year.

Looking forward, as the global economic conditions in the west and the east will continue to stagger in the environment of stagflation and the changing leadership of the government, our commodities brokerage and margin financing business are still in an advantageous position to grow and we will devote more resources to developing the businesses.

Wealth Management

While global investment environment remained volatile during the year under review, the business unit managed to achieve a 58% growth in business turnover as compared to the previous year. By leveraging our solid research capability, we received positive feedback on the model portfolios that suit our clients with different risk appetites.

During the year under review, the unit has streamlined the departmental structure and moved into a new office to enhance our operational efficiency and create a cohesive working environment with different business units.

In 2012, we will continue to devote resources to developing the PRC business with a view to significantly increase client base, new business volume and asset under management. In so doing, the unit will leverage on the existing platform and expand its presence in other major cities in the PRC.

Asset Management

With tightening liquidity in China, performance of stock markets in both China and Hong Kong lagged behind that of the global peers. The HSI and the H-share index fell 19.87% and 21.71% respectively in 2011. The Hong Kong stock market is trading at around 10 times prospective 2012 P/E and around 3% dividend yield. The current valuation is attractive and undemanding. We anticipate that many negative factors such as the slowdown of the economic growth in China and the uncertainty of the European debt issue have been reflected in the share prices. In 2011, the total amount of Asset Under Management (AUM) fell around 20%, which was in line with the performance of benchmark index in 2011.

China's inflation rate peaked in the fourth quarter of 2011. Looking forward, we expect the PRC government to relieve monetary tightening policy in the second quarter of 2012. With the help of improved liquidity and attractive valuation of the market, the performance of the Hong Kong stock market is expected to improve. We will continue to focus on the increase in our base income and earning incentive fees.

Investment Banking

Negative market sentiment impacted adversely on the IPO market. Though Hong Kong managed to maintain its No. 1 status in terms of IPO fund raising, the total fund raised through IPOs in Hong Kong dropped by more than 42% in 2011. Against this backdrop, we maintained our strategy to have a balanced focus on IPOs and other financial advisory and corporate transactions. During the year under review, we participated in a number of transactions, including IPOs, in the capacity of sponsor, placing agent, underwriter and financial adviser. We acted as the sponsor in the initial public offering of Grand Concord International Holdings Limited which was successfully listed on the Main Board of Hong Kong Stock Exchange in the fourth quarter of 2011. Despite the poor market sentiment, Grand Concord was well received with six times oversubscription and topped the ten most-surged stocks in 2011. The effective implementation of the strategy not only helped us in expanding our income and client base, but also in diversifying our business and income streams.

In light of the continuous instability of the global market and the anticipated slowdown in the growth of China's economy, 2012 is expected to be a year full of challenges for the capital market participants. We have secured a number of mandates for IPO sponsorship and financial advisory services in 2012. It will continue to seek more opportunities relating to IPOs, fund raising, and financial advisory services for mergers and acquisition activities and corporate transactions.

China Development

China achieved a new milestone in 2011 by taking over Japan as the world's second largest economy. Industrialisation and urbanisation continued to accelerate at an unprecedented rate. The economic scale China reached has made the country the biggest market in many industries and the list continues to expand across emerging fronts including financial services where we will focus on in our future expansion.

In preparing for the eventual opening up of the PRC financial markets, we adopted a three-pronged development strategy: (1) build brand awareness, (2) gather database, and (3) establish network. During the year under review, we have been working intensively with our business partners in these areas. In recent years, we have built a strong research team to follow the macro trends and H-shares. Our research commentaries have been quoted frequently in well-known local financial press and radio broadcasts. These efforts have formed an integral part of our branding strategy.

During 2011, we set up new offices in Nanjing, Chengdu, and Qingdao. Together with the existing offices in Beijing, Chongqing, Shenzhen, Xi′an, Xiamen and the head office in Shanghai, we now have nine offices across the country. We will continue to expand our network by opening offices in strategic locations. Our goal is to continue to build our brand, database and network in preparation for the eventual opening up of the Mainland financial markets.

Outlook and Corporate Strategy

Looking forward, global risks are still increasing. The economic outlook for Hong Kong will continue to be affected by the global financial market turmoil and the persistent deterioration in external demand. Headline risks such as the European debt predicament, deficit reduction in the US and the resulting financial market volatility could further dampen the growth potential of the territories.

The unresolved European debt crisis and impact of the US credit rating downgrade continue to affect the international stock market and the global economy. Uncertainty in these markets is expected to intensify in 2012. Despite the gloomy economic forecast, we remain cautiously optimistic about the economic outlook in medium term. We see potential opportunities available to financial institutions in Hong Kong. While celebrating the 10th anniversary for China's entering WTO, Hong Kong's role as the designated offshore RMB settlement centre for China has been more important than ever along with the increase in RMB deposit in Hong Kong. We endeavour to provide comprehensive financial solutions from a global prospective to our clients. We will continue to establish strategic alliances with business partners in the PRC and adopt an active approach in order to explore more opportunities in the Mainland market.

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

The Hong Kong Stock Exchange has been taking a proactive role in platform development in order to commensurate with the increasing demand for more efficient and speedy executions. As a leading financial services provider in Hong Kong, CFSG is known for its initiative and prominence in information technology development. Looking ahead, we are committed to enhancing our IT infrastructure and trading platform in order to capture the valuable opportunities in the market and to meet with the versatile needs of our clients in Hong Kong and Mainland China.

The year 2011 has been a fruitful year for our investment banking business. Approaching the eventual opening up of the Mainland market, we expect to see a wave of small and medium enterprises seeking access to international markets. Going forward, we aim to position our investment banking business with specific focus in small and medium enterprises. We will continue to build up our brand name and gain wider prominence and recognition in our investment banking services.

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

Retail Management Business - CRMG

In-store Communication Enhancement

During the year under review, we focused more on product communications and put extra effort in enhancing different in-store communication tools and display layout. For instance, we worked with local celebrities to develop a series of new wall graphics to highlight Pricerite's one-stop shopping experience and comprehensive product assortment. For the household shelf tops, we selected and displayed our featured products to demonstrate their unique blend in designs and functions, making our shopping environment more informative and customer friendly.

In order to enhance the space productivity and instigate the mix-and-match concepts for our customers, we have further improved our cross-selling display by placing more household products in the furniture room-setting. Our new improvement in in-store communications, together with our great value products, provided additional product knowledge and smart living tips to customers, as well as stimulated home improvement and decorative demand.

E-commence and Multi-Media

In early 2011, we launched Pricerite official Facebook page. This online platform established another interactive channel for us to communicate with our customers more efficiently and in a timely manner. To further develop the e-business, the Pricerite e-shop was also revamped with newly added Macau delivery service. Subsequent to the introduction of iPad version electronic catalogue in revamped stores, we also applied QR code technology to provide further product information to customers during the year. We will continue this strategy to deploy advanced technology to improve customer service and shopping experience.

Product Development

In 2011, we fine-tuned our product range to better serve the changing needs of our customers. We expanded our sourcing network overseas to include Taiwan, Singapore, Japan and Thailand, etc. This strengthened our product width and depth and added more value-for-money home furnishing merchandises to customers. To enhance one-stop shopping for home furnishing items, some selected lighting series were introduced in the second half of 2011 and a more homely environment was created in our room-setting displays.

In terms of furniture, the Tailor Made Furniture (TMF) service was welcomed by most families as it facilitates different requirements from our wide range of customers. We hence expanded the TMF service by establishing TMF service counters in selected stores. A team of professional TMF specialists were formed, so as to optimise limited home spacing and provide one-to-one personalised services, including product design, material selection, on-site measurement, product management and subsequent follow-up services. TMF is proven to be a solution to help customers in home space maximisation.

Commitment to quality

Among dozens of merchants in the category of Department Stores, Home Decorations Products & Personal Care Products, we received the Silver Award at the "2011 Outstanding Quality Tourism Services Merchant" from the Hong Kong Tourism Board (HKTB). Our continuous quality service and excellent management were being recognised once again in 2011 by a number of organisations and government segment. Pricerite received "Distinguished Salesperson Awards" (organised by HKMA) for the eighth straight times and attained remarkable results in "Service and Courtesy Awards" (organised by HKRMA). Other awards received this year included the 5-year Plus Caring Company logo, Bronze Award of Hong Kong Award of Environmental Excellence as well as "Distinguished Family Friendly Employers" from Family Council.

New Business in China

One of the our key strategies in 2011 was to establish another retail brand 生活經艷 and to secure our market presence in China. During the year, we opened three stores in Tianhe District and Yuexiu District of Guangzhou, strategically initiating our footing for business development in China. 生活經艷 is a modern home furnishing chain in China that offers a coordinated range of in-house design home furnishing products to serve the up-and-coming young, middle income families in urban cities. Our product design theme focuses on SQAP, which stands for "Style, Quality, Affordability and Practicality" and aims to enable our customers to better enjoy their home-life, by enhancing their living quality through the use of our SQAP products.

Prospects

Looking ahead, we will put extra effort in innovating our value chain to customers, including optimising our product mix, bringing new product enhancement as well as enhancing our shopping environment and services. In China, we will continue to expand our retail network in and beyond Guangzhou into other cities in the Guangdong province. With our strategic plan and professional management, we are prudently optimistic about the prospects in 2012.

EMPLOYEE INFORMATION

As at 31 December 2011, the Group had 1,168 employees. 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$328.6 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 and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2011, the Company had duly complied with the Principles, the CG Code and the Model Code and the Board is not aware of any deviations from them.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2011 have been reviewed by the Audit Committee of the Company.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S SECURITIES

During the year ended 31 December 2011, the Company purchased a total of 28,014,000 shares of HK$0.02 each in its own issued share capital on the Stock Exchange and such shares were then subsequently cancelled. The directors believe that such purchases would help enhancing the assets and earnings per share of the Company and would benefit the Company and the shareholders as a whole. Details of the repurchase of shares are summarised as follows:

Month/Year	Number of shares repurchased	Repurchase price per share		Approximate aggregate consideration paid (excluding expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
July 2011	13,086,000	0.194	0.173	2,362,000
September 2011	14,928,000	0.120	0.105	1,699,000
Total	28,014,000			4,061,000

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

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 16 March 2012

As at the date hereof, the directors of the Company are:-

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Chan Chi Ming Benson
Mr Law Ping Wah Bernard
Mr Cheng Man Pan Ben
Ms Cheng Pui Lai Majone

Independent non-executive directors:

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