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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

ANNOUNCEMENT
OF
FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The audited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the year ended 31 December 2013 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2013** **HK$'000**	2012 HK$'000
Revenue	(3)	**1,306,493**	1,290,314
Cost of inventories and services		**(652,250)**	(653,531)
Other income		**14,123**	11,510
Other gains and losses		**64,525**	84,514
Salaries, allowances and commission		**(303,442)**	(306,283)
Other operating, administrative and selling expenses		**(451,269)**	(452,609)
Depreciation of property and equipment		**(43,872)**	(64,407)
Amortisation of intangible assets		**(5,757)**	(26,428)
Finance costs		**(18,096)**	(16,383)
Fair value change on investment properties		**(5,083)**	(17,068)
Share of results of an associate		**(9)**	14,045
Impairment loss recognised in respect of goodwill		**-**	(83,361)
Impairment loss recognised in respect of intangible assets		**(37,631)**	(24,000)
Loss before taxation		**(132,268)**	(243,687)
Income tax credit (expense)	(5)	**3,903**	(8,769)
Loss for the year		**(128,365)**	(252,456)

	Note	**2013 HK$'000**	2012 HK$'000
Other comprehensive income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**4,969**	492
Total comprehensive expense for the year		**(123,396)**	(251,964)
Loss for the year attributable to:			
Owners of the Company		**(87,835)**	(228,552)
Non-controlling interests		**(40,530)**	(23,904)
		(128,365)	(252,456)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(85,311)**	(228,060)
Non-controlling interests		**(38,085)**	(23,904)
		(123,396)	(251,964)
			(restated)
Basic and diluted loss per share (HK cents)	(6)	**(17.84)**	(54.99)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2013** **HK$'000**	2012 HK$'000
Non-current assets			
Property and equipment		**60,600**	84,297
Investment properties		**57,112**	68,832
Goodwill		**62,710**	62,710
Intangible assets		**53,212**	96,600
Interest in an associate		**158,154**	152,939
Available-for-sale financial assets		**24,531**	-
Rental and utilities deposits		**40,638**	34,091
Other assets		**34,052**	37,020
Loan to an associate		**-**	10,296
Loans receivable		**1,480**	-
Deferred tax assets		**7,200**	6,700
		499,689	553,485
Current assets			
Inventories – finished goods held for sale		**53,242**	56,847
Accounts receivable	(7)	**608,696**	920,627
Loans receivable		**23,951**	61,496
Loan to an associate		**10,296**	-
Other assets		**29,084**	-
Prepayments, deposits and other receivables		**70,973**	43,351
Tax recoverable		**6,400**	3,536
Investments held for trading		**55,027**	123,206
Bank deposits subject to conditions		**90,555**	90,555
Bank balances – trust and segregated accounts		**784,704**	782,293
Bank balances (general accounts) and cash		**279,450**	331,891
		2,012,378	2,413,802
Assets classified as held for sale		**-**	66,000
		2,012,378	2,479,802
Current liabilities			
Accounts payable	(8)	**1,197,530**	1,591,375
Financial liabilities at fair value through profit or loss		**19,701**	-
Deferred revenue		**-**	37
Accrued liabilities and other payables		**128,210**	110,339
Taxation payable		**7,410**	14,046
Obligations under finance leases – amount due within one year		**54**	906
Borrowings - amount due within one year		**436,116**	491,121
Loan from a non-controlling shareholder of a subsidiary		**27,437**	27,437
		1,816,458	2,235,261
Net current assets		**195,920**	244,541
Total assets less current liabilities		**695,609**	798,026

	As at 31 December 2013 HK$'000	2012 HK$'000
Capital and reserves		
Share capital	**55,415**	36,943
Reserves	**301,843**	332,530
Equity attributable to owners of the Company	**357,258**	369,473
Non-controlling interests	**307,558**	386,035
Total equity	**664,816**	755,508
Non-current liabilities		
Deferred tax liabilities	**8,218**	16,137
Obligations under finance leases - amount due after one year	**-**	50
Borrowings - amount due after one year	**22,575**	26,331
	30,793	42,518
	695,609	798,026

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 investment properties and financial instruments, which are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as 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 the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 - 2011 cycle (except for Amendments to HKAS 1 which have been early adopted in the preceding financial year)
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the above HKFRSs in the current year has had no material effect on the Group's financial performance and financial positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 Disclosures - Offsetting financial assets and financial liabilities

The Group has applied the amendments to HKFRS 7 "Disclosures - Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 "Financial instruments: Presentation"; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's financial assets and financial liabilities that subject to enforceable master arrangement or similar agreement such as accounts receivable, accounts payable, financial liabilities at fair value through profit or loss and deposits with clearing houses.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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, subject to a few exceptions. HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income”. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 36 Recoverable amount disclosures for non-current financial assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The Group applied the amendments to HKAS 36 in advance of the effective date for the Group's financial year commencing on 1 January 2014. Accordingly, the recoverable amounts of financial services and retailing CGU (containing goodwill and intangible assets (including trading rights and trademarks)) had not been disclosed in these consolidated financial statements.

The Group has not early applied the following new and revised Standards, Amendments to Standards and Interpretations that have been issued but are not yet effective.

Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures [3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities [1]
HKFRS 9	Financial instruments [3]
Amendments to HKAS 19	Defined benefit plans: Employees contributions [2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities [1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting [1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle [4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle [2]
HK(IFRIC) – INT 21	Levies [1]

[1] *Effective for accounting periods beginning on or after 1 January 2014.*
[2] *Effective for accounting periods beginning on or after 1 July 2014.*
[3] *Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*
[4] *Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.*

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include 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.

Under HKFRS 9, 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, 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 directors of the Company anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets. In particular, the Group's unlisted shares in the Hong Kong that are currently classified as available-for-sale investments and measured at cost less impairment at the end of each reporting period may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss).

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

(3) Revenue

	2013 **HK$'000**	2012 HK$'000
An analysis of the Group's revenue for the year is as follows:		
Fee and commission income	**168,308**	163,599
Interest income – financial services	**26,257**	21,850
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,108,621**	1,095,680
Online game subscription income	**787**	5,703
Licensing income	**2,520**	3,482
	1,306,493	1,290,314

(4) Segment information

Segment information

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

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

Financial services	Broking, financing, corporate finance services and securities trading
Retailing	Sales of furniture and household goods and electrical appliances
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services

Starting from current financial year, net gains on investment held for trading and certain related expenses (such as salaries expenses) are included in the measurement of financial services operating segment for review by the Executive Directors. The comparatives of the segment information on continuing operations are restated to conform to current year presentation.

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 2013

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Revenue	**194,565**	**1,108,621**	**3,307**	**1,306,493**
Segment (loss) profit	**(17,643)**	**10,731**	**(66,462)**	**(73,374)**
Unallocated other income				**221**
Corporate expenses				**(50,370)**
Fair value change on investment properties				**(5,083)**
Share of results of an associate				**(9)**
Unallocated finance costs				**(3,653)**
Loss before taxation				**(132,268)**

For the year ended 31 December 2012 (restated)

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Revenue	185,449	1,095,680	9,185	1,290,314
Segment (loss) profit	(9,320)	12,587	(173,100)	(169,833)
Unallocated other income				354
Corporate expenses				(63,845)
Fair value change on investment properties				(17,068)
Share of results of an associate				14,045
Unallocated finance costs				(7,340)
Loss before taxation				(243,687)

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, 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.

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 2013

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

As at 31 December 2012

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	2,190,685	396,875	54,834	2,642,394
Investment properties				68,832
Unallocated property and equipment				18,454
Interest in an associate				152,939
Loan to an associate				10,296
Unallocated other assets				23,059
Deferred tax assets				6,700
Unallocated prepayments, deposits and other receivables				3,972
Assets classified as held for sale				66,000
Unallocated bank balances and cash				40,641
Total assets				3,033,287
LIABILITIES				
Segment liabilities	1,685,699	333,724	9,562	2,028,985
Unallocated accrued liabilities and other payables				36,403
Unallocated taxation payable				3,615
Unallocated borrowings				164,509
Loan from a non-controlling shareholder of a subsidiary				27,437
Deferred tax liabilities				16,137
Obligations under finance leases				693
Total liabilities				2,277,779

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, loan to an associate, certain other assets, deferred tax assets, certain prepayments, deposits and other receivables, available-for-sale financial assets, assets classified as held for sale and certain bank balances and cash; and

- all liabilities are allocated to reportable and operating segment other than certain accrued liabilities and other payables, certain taxation payable, certain borrowings, loan from a non-controlling shareholder of a subsidiary, certain obligations under finance leases and deferred tax liabilities.

Other segment information

For the year ended 31 December 2013

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property and equipment	**11,770**	**15,066**	**3**	**600**	**27,439**
Depreciation of property and equipment	**12,383**	**19,591**	**1,594**	**10,304**	**43,872**
Amortisation of intangible assets	**-**	**-**	**5,757**	**-**	**5,757**
Finance costs	**8,925**	**5,518**	**-**	**3,653**	**18,096**
Write-down on inventories	**-**	**4,548**	**-**	**-**	**4,548**
Loss on disposal/written-off of property and equipment	**-**	**147**	**934**	**6,042**	**7,123**
Allowance on bad and doubtful loans receivable	**1,000**	**-**	**-**	**-**	**1,000**
Bad debt on accounts receivable recovered	**(2,048)**	**-**	**-**	**-**	**(2,048)**
Impairment loss recognised in respect of intangible assets	**300**	**-**	**37,331**	**-**	**37,631**

For the year ended 31 December 2012

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property and equipment	12,485	16,314	165	512	29,476
Additions of intangible assets	-	-	6,000	-	6,000
Depreciation of property and equipment	12,885	24,425	3,713	23,384	64,407
Amortisation of intangible assets	-	-	26,428	-	26,428
Finance costs	5,003	4,040	-	7,340	16,383
Write-down on inventories	-	5,348	-	-	5,348
Loss on disposal of property and equipment	5	62	79	469	615
Allowance on bad and doubtful loans receivable	9,700	-	-	-	9,700
Bad debt on accounts receivable recovered	(3)	-	-	-	(3)
Impairment loss recognised in respect of goodwill	-	-	83,361	-	83,361
Impairment loss recognised in respect of intangible assets	-	-	24,000	-	24,000
Impairment loss recognised in respect of property and equipment	-	4,664	-	-	4,664

Geographical information

The Group's continuing operations is 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 loan to an associate, loans receivable, available-for-sale financial assets and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue		**Non-current assets**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong	**1,293,837**	1,271,845	**247,823**	394,388
PRC	**12,656**	18,469	**218,655**	142,101
	1,306,493	1,290,314	**466,478**	536,489

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

(5) Income tax credit (expense)

	2013	2012
	HK$'000	HK$'000
Current tax:		
- Hong Kong Profits Tax	**(6,066)**	(12,119)
Over(under)provision in prior years	**1,550**	(898)
Deferred tax credit	**8,419**	4,248
	3,903	(8,769)

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.

(6) Loss per share

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

	2013	2012
	HK$’000	HK$’000
Loss for the purpose of basic and diluted loss per share	**(87,835)**	(228,552)

	2013	2012
	’000	’000
		(restated)
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**492,281**	415,611

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the years ended 31 December 2013 and 2012 has been adjusted to reflect the impact of the bonus element of rights issue on 13 June 2013 and the impact of share consolidation during the year ended 31 December 2012.

The incremental shares from assumed exercise of share options are excluded in calculating the diluted loss per share because they are antidilutive in calculating the diluted loss per share.

(7) Accounts receivable

	2013 HK$'000	2012 HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**74,475**	40,050
Cash clients	**67,236**	313,212
Margin clients	**284,616**	270,160
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**139**	157
Clearing houses, brokers and dealers	**180,041**	294,796
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**1,777**	1,357
Accounts receivable arising from the business of provision of corporate finance services	**40**	300
Accounts receivable arising from the business of provision of online game services	**372**	595
	608,696	920,627

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.

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

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

As at 31 December 2013, in connection with the business of dealing in futures and options, the Group has maintained its own account HK$nil (2012: HK$373,000) and account on behalf of its client of HK$15,368,000 (2012: HK$30,363,000) with MF Global Hong Kong Limited ("MFG HK"). The directors of the Company have been in contact with the liquidators, being appointed by MFG HK since 2 November 2011 following the filing for bankruptcy protection by MF Global UK Limited (its ultimate parent company) in the United States of America on 31 October 2011, for the return of the account balances to the Group and there was subsequent settlement of partial amount of HK$15,368,000 for the year ended 31 December 2013 (2012: HK$71,889,000). The Group expected to recover the remaining amount of HK$15,368,000 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.

(8) Accounts payable

	2013 **HK$'000**	2012 HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	**1,430**	257,383
Cash clients	**592,920**	577,656
Margin clients	**147,660**	102,065
Accounts payable to clients arising from the business of dealing in futures and options	**290,378**	487,256
Trade creditors arising from retailing business	**164,588**	166,400
Accounts payable arising from online game services	**554**	615
	1,197,530	1,591,375

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses. Accounts payable to margin clients and cash clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. At 31 December 2013, included in accounts payable to clients of HK$71,586,000 (2012: HK$69,534,000) was related to a client, of which HK$15,368,000 (2012: HK$30,363,000) is maintained in MFG HK as disclosed in note (7). The required margin deposits are repayable upon the closure of the corresponding futures and options and leveraged foreign contracts position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$784,704,000 (2012: HK$782,293,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

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

	2013	2012
	HK$'000	HK$'000
0 – 30 days	**71,915**	73,623
31 – 60 days	**50,923**	54,195
61 – 90 days	**33,327**	22,035
Over 90 days	**8,423**	16,547
	164,588	166,400

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

(9) Dividends

No dividend was paid or proposed during 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

(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 debts, which includes the borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses. 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.

(11) Capital commitments

	2013	2012
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property and equipment	**184,069**	207,128
Acquisition of interests in associates (Note)	**-**	20,639
	184,069	227,767

Note: The Group, together with an independent third party, has entered into agreement with Infinity Equity Management Company Limited ("Infinity") to conditionally subscribe for 20% of the enlarged issued share capital of Infinity for a consideration of US$2,670,000 (equivalent to approximately HK$20,639,000) on 3 December 2012. The subscription was completed during the year ended 31 December 2013. The Group's shareholding was diluted to 18% due to capital injection of a new third party investor in December 2013.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: Nil).

REVIEW AND OUTLOOK

Financial Review

FINANCIAL PERFORMANCE

On 15 May 2013, CFSG, the Group's non-wholly owned subsidiary, announced to distribute all of its shares in CASH Retail Management (HK) Limited ("CRMG") to its qualified shareholders through distribution in specie which was subsequently completed on 28 June 2013. As such, CRMG, together with its subsidiaries ("Retail Management Business"), has become a directly non-wholly-owned subsidiary of the Group with effect from 28 June 2013.

During the year under review, notwithstanding the challenges brought by the uncertainty in the macro-economic and keen competition amongst industry players, the Group's Financial Service Business and Retail Management Business managed to weather through the difficulties and maintained the same revenue level of the previous year. Overall, the Group recorded revenue of HK$1,306.5 million for the year ended 31 December 2013 as compared to HK$1,290.3 million the previous year. During the year, the Group had recognised impairment loss of HK$37.6 million in respect of the intangible assets (mostly related to its mobile internet services business) after taking into consideration the keen competition and its unsatisfactory performance. Overall, for the year ended 31 December 2013, the Group reported a net loss for the year attributable to the owners of the Company of HK$87.8 million as compared to a net loss of HK$228.6 million the previous year.

FINANCIAL SERVICES BUSINESS - FSG

During the year under review, the Hong Kong stock market faced mixed sentiments with unpredictable changes and challenges. In early 2013, investors' concerns about unresolved sovereign debts crises in Europe started abating after the European Central Bank announced the outright monetary transaction program to purchase European debts and its monetary easing policy until at least mid-2014. Together with the US Federal Reserve's third round of quantitative easing, which had provided liquidity to the global financial system since September 2012, the investor confidence in the local stock market improved as a result of abundant market liquidity at home and overseas in early 2013. However, the capital market was rocked in mid-2013 when the investor sentiment was battered by the related speculation of the time-frame on the trim of US quantitative easing stimulus. Furthermore, the brief partial shutdown of the Federal Government in October 2013 triggered the concerns about the market impact of the US fiscal cliff. Coupled with the worry about further macro-economic measures in the PRC property market and liquidity of the banking sectors in the second half of 2013, the general investment risk appetite was affected. Despite the uncertainties in economic outlook, the stock market in Hong Kong had shown mild growth and improvement during the year under review. For the year ended 31 December 2013, the average daily turnover was approximately HK$62.6 billion, representing an increase of 16.2% when compared with HK$53.9 billion in 2012. Overall, for the year ended 31 December 2013, FSG recorded a 4.9% increase in revenue to HK$194.6 million as compared to HK$185.4 million in 2012. Facing the unfavourable business environments including the sluggish trading volumes and diminishing commission income resulting from the escalating cut-throat competition among local brokers, FSG recorded a net segment loss of HK$17.6 million for the year ended 31 December 2013 as compared to a net segment loss of HK$9.3 million (as restated) in 2012. While FSG continues to maintain stringent cost controls over its operations amid the tough business environment in the local investment industry, we have dedicated our resources in building the most advanced information and communication technology infrastructure and low-latency trading platform and recruited professionals to research and develop trading strategies for our algorithmic trading business for our institutional, corporate and individual investors for their versatile investment and wealth management needs.

RETAIL MANAGEMENT BUSINESS - CRMG

For the year ended 31 December 2013, our Retail Management Business recorded revenue of HK$1,108.6 million and a net segment profit of HK$10.7 million as compared to revenue of HK$1,095.7 million and a net segment profit of HK$12.6 million in 2012.

Hong Kong Retailing Business

Rising operating costs posed the biggest challenge to the Group's Retail Management Business. The newly enacted and lifted statutory minimum wage, inflationary pressure and appreciation of Renminbi were driving up our operating costs. Furthermore, in order to dampen residential price growth, the Hong Kong government has rolled out additional measures such as Buyers Stamp Duty, extension of the two-year-old Special Stamp Duty and Double Stamp Duty. Such measures had hit the property market hard and inevitably dragged our furniture sales. During the year under review, total number of transactions for residential property dropped remarkably by about 38% as compared with the previous year. To cope with these challenges, we have continued to step up our cost rationalisation measures and improved our operational efficiency and in the meantime, we have adopted a new branding campaign namely "Living Smart". New innovative products focusing on living space optimisation were introduced to the market. Our Tailor Made Furniture (TMF) service was well received and posted a strong revenue growth of 29% as compared with the previous year. In addition, as online shopping has become increasing popular, we have already pursued strategies to focus on developing the Group's e-commerce business. During the year under review, our e-commerce business had achieved an encouraging growth and reported a threefold increase in sales as compared with 2012. Despite the challenging business environment, the retailing business in Hong Kong managed to maintain the revenue level as the previous year and reported revenue of HK$1,099.3 million, representing a slight increase of 1.2% as compared with HK$1,086.4 million in 2012. Overall, our Hong Kong retailing business recorded a net profit before taxation of HK$26.8 million for the year ended 31 December 2013 as compared to net profit before taxation of HK$36.6 million the previous year.

PRC Retailing Business

The operating performance of our retailing business in the mainland China was not satisfactory and has yet to make any profit contribution to the Group. During the year under review, we had closed an underperformed store and at the same time taken more cost control measures. To tap with the fast expanding e-commerce market opportunity in China, we have dedicated resources to developing e-commerce business. Overall, for the year ended 31 December 2013, the PRC retailing operation recorded revenue of HK$9.3 million and a net loss before taxation of HK$16.1 million as compared to revenue of HK$9.3 million and a net loss before taxation of HK$24.1 million in 2012.

MOBILE INTERNET SERVICES BUSINESS

In view of the keen competition and unstable global economic situation, the Group had treaded carefully in adjusting the pace of our business expansion and carried out a thorough organisational and operational reengineering in order to preserve our financial resources to get through the current difficult time. During the year under review, the Group continued to implement stringent cost control measures over its operations and adhered to a prudent strategy for its online game business. In the meantime, we will put its best effort to explore ways to align its Mobile Internet Services Business with the new market landscape in e-commerce business in China and new initiatives of business development will be in place to enhance its competitiveness. Overall, for the year ended 31 December 2013, the Group's Mobile Internet Services business recorded revenue of HK$3.3 million and a net segment loss of HK$66.5 million (including an impairment loss recognised in respect of intangible assets amounting to HK$37.3 million) as compared to revenue of HK$9.2 million and a net segment loss of HK$173.1 million (including impairment loss recognised in respect of goodwill and intangible assets amounting to HK$83.4 million and HK$24.0 million respectively) the previous year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$664.8 million as at 31 December 2013 as compared to HK$755.5 million at the end of the previous year. The decrease in equity was due to the combined result of raising capital of approximately HK$55.4 million by the issue of 184.7 million rights shares at HK$0.30 per share in June 2013 and the reported loss for the year under review.

As at 31 December 2013, the Group had total outstanding borrowings of approximately HK$458.7 million, which were mostly denominated in Hong Kong dollars except for a loan in the sum of RMB30 million (equivalent to approximately HK$38.1 million) due to a third party, comprising of unsecured loans of approximately of HK$39.6 million payable to certain independent third parties and secured loans of approximately of HK$419.1 million (including bank loans of approximately HK$419.0 million and obligations under finance leases of approximately HK$0.1 million). The above bank loans of approximately HK$419.0 million were secured by the Group's investment properties of carrying amounts of approximately HK$57.1 million, pledged deposits of HK$90.6 million, corporate guarantees and its margin clients' securities pledged to it. The total borrowings at the end of the previous year were approximately HK$518.4 million. The decrease in borrowings was mainly due to the decrease in margin financing to our clients as the investment activities had been reducing during the year under review.

The Group also had an unsecured loan of US$3.5 million (equivalent to approximately HK$27.4 million) from a minority shareholder of one of its subsidiaries.

As at 31 December 2013, our cash and bank balances totalled HK$1,154.7 million as compared to HK$1,204.7 million at the end of the previous year. The Group derives its revenue mainly in Hong Kong dollars and maintains its house fund mainly in Hong Kong dollars. The liquidity ratio as at 31 December 2013 remained healthy at 1.1 times, being the same level as at 31 December 2012.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 69.0% as at 31 December 2013 as compared to 68.6% as at 31 December 2012. On the other hand, we have no material contingent liabilities at the year-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

On 3 December 2012, CFSG announced a discloseable transaction relating to subscription of 20% equity interest in Infinity by its subsidiary at the consideration of US$2,670,000 (equivalent to approximately HK$20,639,000) in cash. The subscription was completed on 3 January 2013. Details of the transaction are disclosed in note (11) above and the announcement of CFSG dated 3 December 2012.

On 7 December 2012, the Company announced a major transaction relating to disposal of a residential property in Hong Kong (Rose Gardens, Magazine Gap Road) by its subsidiary at a consideration of HK$66,000,000 in cash. The disposal was approved by shareholders of the Company at a special general meeting held on 22 January 2013 and was completed on 6 February 2013. Details of the transaction are disclosed in the Company's announcement dated 7 December 2012 and the circular dated 2 January 2013.

On 15 May 2013, the Company and CFSG jointly announced the distribution in specie by CFSG of all the shares in CRMG (the holding company of the Retail Management Business) and the voluntary conditional cash offer by the Group to acquire all the issued shares in CRMG at an offer price of HK$0.011 ("Privateco Offer"). The distribution in specie and the Privateco Offer were approved by the shareholders of the Company and CFSG at their respective special general meetings held on 18 June 2013 and 21 June 2013. The distribution in specie was completed on 28 June 2013. Since then, CRMG ceased as a subsidiary of CFSG and became a 42.75% directly-owned subsidiary of the Company immediately after completion of distribution in specie. The Privateco Offer was closed on 31 July 2013 and the Group has acquired a total of 48.19% equity interest in CRMG at a total consideration of approximately HK$20.6 million under the Privateco Offer. The Group was interested in a total of 90.94% equity interest in CRMG immediately after the Privateco Offer. As at 31 December 2013, the Group was interested in a total of 90.98% equity interest in CRMG. Details of the transactions are disclosed in the various announcements and circulars issued by the Company and/or CFSG from May to July 2013.

On 14 November 2013, the Company announced a major transaction relating to disposal of a commercial property in Hong Kong (22/F Rykadan Capital Tower, Kwun Tong) by a subsidiary of the Company (held through CFSG) at a consideration of approximately HK$135,000,000 in cash. The disposal was approved by shareholders of the Company at a special general meeting held on 23 December 2013 and was completed on 20 January 2014. Details of the transaction are disclosed in the joint announcement of the Company and CFSG dated 14 November 2013, and the circular issued by the Company dated 5 December 2013.

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

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

Capital Commitment

As at 31 December 2013, the Group has a capital commitment of HK$184.1 million in relation to the balance of consideration of acquisition of the properties. Details of the capital commitments are also disclosed in note (11) above.

Save as aforesaid, the Group did not have any material outstanding capital commitment at the end of the year.

Material Investments

As at 31 December 2013, the Group was holding a portfolio of investments held for trading with market values of approximately HK$55.0 million. The net gain derived from investments held for trading of HK$67.6 million was recorded for the year.

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

Business Review and Outlook

FINANCIAL SERVICES BUSINESS - FSG

Industry Review

In 2013, the world economy, particularly developed markets, began to show some signs of strength. Global economic growth reached 2.4%, driven by a continued rejuvenation in the developed economies in the US and the Eurozone.

In 2013, Hong Kong regained its standing as one of the top three stock exchanges globally in terms of IPO funds raised. Despite the aforesaid, recovery in the IPO market was not a proven one until October 2013. The first quarter of 2013 still showed a loss in market momentum with recording funds raised of only HK$8.2 billion, a 16% decline compared with the corresponding period in the previous year. In the final quarter of the year, with the expected deferral in the planned tapering of quantitative easing, the IPO market saw clear signs of recovery. On 11 October 2013 alone, six companies were newly listed, and the momentum continued in November. Total proceeds in 2013 reached HK$166,500 million, 75% higher than the HK$90,043 million recorded in 2012.

In Asia, the stimulus initiated by the Japanese government has lifted the economy, ending years of deflation and bringing the Nikkei 225 Stock Index to surge 29% in 2013. This represents the biggest jump for the index since the 1980s economic bubble and one of the largest returns in the Asian region. Performance in China was relatively muted in 2013. The benchmark stock index, the Shanghai Composite Index, recorded a drop of 3.9% year-to-date to end 2013 on a slightly lower note.

Towards the end of 2013, the US Federal Reserve announced its decision to begin tapering its asset purchase in January 2014. With this positive signal about the strength of the US economy, the S&P 500 experienced record highs and ended the year at 1848.36.

The Hang Seng Index (HSI) experienced a slight increase of 3% during the year. With improving market sentiments, however, average daily turnover soar to HK$62,560 million, a climb of 16% compared with HK$53,851 million for the same period last year.

Business Review

Platform Development

In 2013, we continued to devote more resources to strength our mobile trading platform. An iPad trading App "CharTrader" was introduced to the market in January. It is first in Hong Kong market, which allows investors to trade HK futures contract by touching any points on the chart. We have also introduced the CASH Futures Trader in January. In May, we launched an App "Big Tea Rice". It provides an interactive interface for investors to search for their favorite stocks by setting different criteria as well as to provide their views on the stock market. In December, we launched the CASH Global Futures, which provides real-time futures quotes and trading platform for global markets. Apart from the above, we also introduced the Andriod version of the CASH Securities Trader and CASH Futures Trader in addition to the existing iPhone version later in the year.

Investment Banking

After recording a significant drop in the IPO fund raising in Hong Kong by more than 60% in 2012, the IPO market improved in 2013 in terms of size of fund raised and number of newly listed companies. The total amount of fund raised through IPOs amounted to HK$166.5 billion, representing an increase of approximately 85% from 2012. The total number of newly listed companies for 2013 was 110, an increase by more than 71% as compared with last year. Despite such improvement in the market sentiment, the market participants and professionals involving in IPOs in Hong Kong are facing more challenges upon the new rules and regulations on IPOs and sponsors effective in October last year. In order to cope with the changing market environment and more stringent regulatory requirements, we have maintained our strategy in sponsoring IPOs of small to medium cap companies by leveraging our strength in such sector.

In addition to the IPO projects, we have focused on M&A advisory, fund raising activities and other corporate finance exercises. During the year ended 31 December 2013, we acted as the financial advisor of a number of sizeable corporate finance transactions, for H-Share listed company, state-owned enterprises and other listed companies in Hong Kong (including Xiamen International Port Co., Ltd, Wuling Motors Holdings Limited, China Uptown Group Company Limited and Van Shung Chong Holdings Limited), in respect of M&As, very substantial acquisitions and disposals as well as major transactions, (involving formation of joint venture in the PRC, disposal of key assets and businesses, acquisition and disposal of interests in companies), distribution in specie, and general offer and whitewash application made under the Takeovers Code. We have also obtained mandates as the compliance advisors of newly listed companies in Hong Kong. We will continue this proven strategy to have a balanced focus on IPOs as well as other financial advisory and corporate transactions for the purpose of diversifying our business and income streams.

Securities Broking

During the year, investors regained confidence in the domestic equities market. Trading volume recorded an encouraging increase, reflected by the 16% jump in the average daily turnover. The IPO market was recovering as well, leading to a surge in our income from margin financing. Overall, the Group's broking business recorded an operating revenue of HK$194.6 million in the reporting period, increasing 4.9% compared with the same period of last year.

High expectation for China's reform progress and liquidity pressure may result in volatilities of Hong Kong and Mainland stock markets. With the expected accommodative monetary condition, we look for the global recovery to move up a gear in 2014. Hong Kong economy is likely to be relatively stable and may increase moderately in 2014. Together, we expect the securities market to continue to recover and stabilize in the year to come.

Wealth Management and China Development

As a fully-fledged and long standing wealth management service provider, our goal is to help our clients achieve their life-long investment objectives with our personalized and comprehensive investment solutions on a risk-adjusted basis. During the year under review, the global market condition showed a bipolar performance, while the developed economies, i.e. US and some of the European countries, continue to demonstrate a strong economic recovery, the developing economies including Brazil, India and ASEAN region showed different degrees of economic downturn. Thanks to its mainland strategy launched few years ago to enhance income sources and channel development, the business unit only showed a moderate slowdown in terms of turnover in the year of 2013.

During the year under review, the unit continues to strengthen discretionary portfolio management to provide personalized customer service experience to our clients. Although the global investment markets remained volatile, the team managed to achieve satisfactory performance for the discretionary portfolio accounts. This not only enhances our corporate branding, it also helps to attract new assets from prospective clients.

China is one of the fastest-growing wealth management markets in the coming decade. The rapid growth in high-net-worth individuals resulted in a bloom of Independent Financial Advisers (IFAs) in China. The recent unsatisfactory investment return in China also reminds the investing public to have a diversified portfolio. The establishment of Shanghai Free Trade Zone in September provides an opportunity for the unit to leverage on its financial innovation capability and portfolio management expertise to structure in-house wealth management products to fulfil global investment needs of the investing public. The business unit will also continue to concentrate its resources in expanding the networks through forming co-operation with local business partners and devote resources to strengthen our portfolio management capability.

Asset Management

Hong Kong and Mainland stock market underperformed the overseas stock market in 2013. Slower economic growth in China and the tightening liquidity problem raised investors' concern on economic hard landing in China. In addition of the recovery signal of the economic situation in the US and Europe, investors reallocated their portfolio by lowering the weighting of Hong Kong and China stocks and increasing the weighting on US and European stocks. Overall, the HSI rose 3% and the H-share index fell 5.42% in the year of 2013.

Our amount of Asset Under Management (AUM) rose around 31.38% compared with the end of the year in 2012. We outperformed the market during the period as we put more efforts to acquire new high-net-worth clients. As the market concerned the slow down of the economic growth in China, we focus on those sectors with lower co-relationship with the China's economic growth such as technology, logistics and Macau gaming industry and avoid the liquidity sensitive sectors such as raw material and financial sectors.

Looking forward, we expect China's economic growth rate to sustain at 7% in the year of 2014. The Hong Kong stock market is trading at around 11 times prospective 2013 P/E and around 3.2% dividend yield and the current valuation is undemanding for the long-term investors. As the concerns of some negative factors such as slow down of the economic growth in China and the problem of loan issue in the province government still exists, we expect that the Hong Kong market may continue to keep the sideway movement in the year of 2014 while technology, logistics, gaming and health care sectors may outperform the market. We believe that our AUM and revenue such as performance fee may keep a reasonable growth in 2014.

Fund Management

The Group has expanded into the fund management business in China through the investment in Infinity in December 2012. Infinity owns 16 local RMB funds with asset under management of exceeding RMB2 billion. It invests in a diverse portfolio of Chinese companies in a wide range of industry sectors, with an impressive track record for partnering with high-growth technology companies.

In May 2013, Infinity Group and its partner have committed to taking part in building and financing the new Beijing Eco-Valley Project, the first Sino-Israeli 'smart' agricultural city. The Project is a joint initiative between Infinity Group, an independent third party, and the City of Beijing, with the support of the Israeli Government.

During the year, planning for setting new offshore funds focusing on pre-IPO investments in Hong Kong and projects in China with expected returns respectively have been conducted and crossselling of brokerage, investment banking, wealth management and asset management services of the Group has been made through network of Infinity in China. Potential IPO candidates have been referred to our Investment Banking Group for pitching while investment and wealth management products distributions have been established.

Outlook and Corporate Strategy

While 2013 was a fruitful year for Hong Kong's IPO market, it is expected that such momentum in the market will continue in 2014. It is likely to see a large number of sizable deals in 2014, covering large IPOs from spin-offs of local listed companies. The Hong Kong Stock Exchange ("Exchange") has been taking active initiative in attracting more foreign companies. For example, in September 2013, the Securities and Futures Commission and the Exchange jointly issued the revised Joint Policy Statement regarding the listing of overseas companies. With enhanced regulatory certainty, it is likely to see an increase in overseas listed companies coming to Hong Kong in the years to come and a continued growth in Hong Kong's IPO market activities for the second successive year.

Despite the muted performance in 2013, Mainland China remains an attractive destination to investors, especially with the Chinese government's move to entering a period of structural and economic reforms in promoting a more market-driven economy and stimulating growth.

The capital market continues to grow with increasing complexity and sophistication. Algorithmic trading, while having gained its importance in global market, mainly the US, has recently started to catch the attention of regulators in Hong Kong. A new regulation on electronic trading, algorithmic trading and direct market access (DMA) is effective on 1 January 2014. The new regulation, while imposing heavier burden on the Group's algorithmic trading business, also provides clearer direction and guidelines to the Group. The launching of the new rules also signifies the growing recognition and importance of algorithmic trading in the Hong Kong financial market. Alongside the clear approach adopted by the Exchange in advanced trading platform development, we will continue to dedicate resources in high level technology investment and maintain our leading position in the market as a professional provider of high-speed, reliable, and technologically advanced trading platforms.

With the growing complexity and sophistication of the capital market, professionals and expertise with high caliber are intensively sought over. Human assets are always highly valued by the Group. Over the year, we were able to gather professionals from around the globe, ranging from scholars and professors from respectable universities, to expertise in the financial industry. The mix of talent allows the Group to develop further in an all-round perspective. Leading the elite teams with advanced technology will drive the Group's future development. We will continue to build up our high technology trading strategies and to capture market niche and opportunities available.

RETAIL MANAGEMENT BUSINESS - CRMG

Pricerite Business Review

In 2013 Hong Kong economy underwent moderate growth in consumption, stable expansion in income and employment conditions. However, the stagnant real estate market, especially towards the second half of the year, severely affects the consumption of furniture and home products. Despite the above, we are pleased to report that we have achieved steady growth in both revenue and gross profit, mainly by strategic initiatives and proper execution throughout the year.

LIVING SMART by Pricerite

In view of the small apartments and crowded living space in town, we continue to implement our LIVING SMART strategic plan by offering customer unique smart solutions, specially for young couples and individuals, to improve their quality of living.

To promote LIVING SMART CAMPAIGN, our marketing communications and in-store materials focus on home furnishing, household tips and smart product recommendations. We offer customers ideas and solutions to create and optimize "Space" in their small apartments, to decorate home with personal "Style", and to make use of eco-friendly products to create "Savings" on energy, time & money.

Store Network

During the year, we have revamped our flagship stores in Causeway Bay, Yuen Long and expanded Shatin flagship store, to showcase the LIVING SMART solutions. A diverse range of room settings were set up to inspire different stylish mix and match ideas with our furniture series.

Our "tailor-made furniture (TMF)" centre has been expanded to include most of our stores to demonstrate different space optimization ideas, such as raised floor, pull-down wall bed and table. Variety of wall-mount shelving items have been further developed to include enhanced multi-function and aesthetic appeals on storage and home organization.

Smart Merchandises

To help customers to have healthier, more savings and convenient lifestyle, our merchandising team and product development team have worked closely with our suppliers to introduce assorted innovative products and solutions to deepen and broaden LIVING SMART product portfolio.

As more and more smaller apartments are introduced to the market, we see there is an increasing challenge for new home owners to manage living space in a small room. As such, we have focused our effort in delivering home solutions to maximize living space. As the exclusive retailer of Hiddenbed in Hong Kong, a leading space saving furniture brand, we had introduced more models to cater for different needs of small families. Hiddenbed has presence in 22 countries and its patented mechanics helps users to double the usable space easily by transforming a bed to a desk (and vice versa) in seconds.

Modular design is another merchandising focus. To enable customers to tailor-make their own mix-and-match wardrobe system, we have developed a new series of wardrobe system named WoodCrest in the first half of this year.

Being a leading home furnishing retailer, we strive to continuously improve product safety and product healthiness. In 2013, we have led and set the industry standard by accrediting all office chairs, folding chairs and stools with international standards.

Our sales performance in customized furniture continued to grow rapidly with the expansion of our tailor-made furniture (TMF) centres with a team of specialists. To better serve customers who are renovating new homes or refurnishing apartments, we have added window curtains, flooring and wall paint products and services to our tailor-made services, to provide one-stop-shop decorative solutions.

E-Channels

In the reporting year, our online shop has shown rampant growth in terms of traffic and sales. To improve customer browsing and shopping experience, a giant revamp has rolled out during the year, including re-design overall look and feel of the online shop, and adding a wide range of online-to-offline features. Member points added via purchase in physical stores can now be used in online shop (and vice versa).

In the second half of the year, thanks to high broadband and smart phone penetration as well as growing m-commerce development, a mobile version of our online shop has been launched to enable younger customers to enjoy round-the-clock shopping anytime anywhere.

In the second quarter of the year, we took a new initiative to explore the mobile-commerce by launching Pricerite Express. Being the first of its kind in Hong Kong, Pricerite Express delivers the convenience of mobile-commerce while at the same time replicates the actual shopping experience. By displaying real scale of product images on wall posters at Admiralty, Tsing Yi and Tseung Kwan O MTR stations, hustle and bustle working class can shop by mobile device during waiting time of transportation. Pricerite Express creates high market awareness, by making its first attempt to explore zero-floor-area, zero-instore-manpower shop for future business expansion. The success of Pricerite Express is recognized by winning HKMA/TVB Awards for Marketing Excellence 2013 – "Citation for Innovation" and "Citation for Digital Marketing".

To facilitate our customer relationship management with aid of various social media platforms, we have successfully acquired over 20,000 Facebook fans, and stay connected to our customers anytime anywhere by WeChat and Youtube channels.

Rewards & Recognitions

Committed to providing excellent services to our customers, we had been recognized by numerous honorable awards for the years of dedicated service offered. During the year, we have won not only the Distinguished Salesperson Award (DSA) and the Outstanding Young Salesperson Award (OYSA) 2013 but also HKRMA's Service & Courtesy Award, which is respected as the "Oscars" of Hong Kong retail industry.

Besides, we also won the awards of GS1 Hong Kong Consumer Caring Companies 2013 and Hong Kong Awards for Environmental Excellence (HKAEE) Wholesalers & Retailers Sector.

China Operations

In Guangzhou, 生活經艷 has explored offline to online business opportunities and has launched its online shop in T-Mall during the year. Together with physical stores, we have organized online-to-offline or offline-to-online promotion campaigns, have explored different business cooperation and have worked closely with local newspapers and TV channels to develop brand exposure.

MOBILE INTERNET BUSINESS

Industry Review

According to the research report released by the Game Publication Committee of the Publishers Association of China (GPC) and International Data Corporation (IDC), earnings of the China gaming market reached RMB 83.17 billion, a year-on-year increase of 38%. Despite the booming development, the online gaming industry in China is presented with many challenges jeopardizing its sustainable and healthy growth, including copyright violations, lack of innovations in game design and enhancements of user experiences.

After experiencing unprecedented growth in both market size and number of users during the past decade, the revenue growth of client-based online gaming sector slid to a new low in the past year. The client-end based games are still the largest market segment in the online gaming industry of China. Yet, the growth has significantly slowed down. The market share of client-end based games was 64.5% in 2013, down by 10.4% as compared with the same in 2012. Client-based games, which require users to download software before they play, is now extremely mature and highly competitive.

Growth in both smartphone usage and connectivity of 3G network has spurred a switch from PC online games to mobile games. Local developers are looking to mobile gaming for faster profit growth. Earnings of the mobile gaming market reached RMB 11.24 billion in 2013, up 246.9% year on year. Despite the notable growth in the past few quarters, the decline in spending on PC online games has not yet materialized on the mobile games, due to the lower monetization features comparing to traditional PC online games. The competition is getting more intense as the client-based and browser-based gaming companies have gained a foothold in the mobile gaming sector. According to the report figures released by Niko Partners, there are more than 80,000 development studios in China working on mobile games, releasing over 100 games per day. Companies find it increasingly difficult to stand out in the crowded mobile gaming market, which is now highly fragmented with hundreds of app stores presented. Intense competition means that gamers do not necessarily have to pay for games. On the other hand, operating performance tends to decline at a faster rate after reaching a peak of popularity and player usage in just a few months' time. Usually, the success of gaming companies is highly dependent on a single game title. Despite the active efforts to dedicate resources in building game portfolios, it is unlikely to replicate the success of single popular game due to fast-evolving customer expectations. It is expected to see rapid consolidation of the mobile gaming market in the coming years.

Business Review & Outlook

During the year, the Group completed restructuring of online gaming business and ceased the development and operation of several game titles in China due to the weaker than expected operating performance and unsatisfactory results in user acceptance tests. The Group continued to launch content updates of "King of Pirates" for our overseas license partners.

According to the data released by The Ministry of Industry and Information Technology, there were 1.229 billion subscribers of mobile communication services in China as of the end of December 2013, growing by 10.42% year-on-year, in which 401.61 million of them were 3G users and 807.56 million were mobile Internet-access users. The number of China's 4G mobile phone network users might top 30 million in more than 300 cities in 2014. With the rapid development of China's mobile network connectivity and higher penetration of mobile devices, the mobile internet industry will see its rampant growth in next few years. Mobile game is now making up the fastest growing segment in the online gaming industry in China. It has taken market share from PC-based casual and social online games. Casual and trivia games are currently among the most popular mobile game titles, but more intense games such as role-playing and strategy games will gain importance over time on the mobile gaming sector. We will continue to explore investment opportunities to form partnerships with development studios or companies that have strong and proven development capabilities to enhance our mobile game and content offerings.

EMPLOYEE INFORMATION

At 31 December 2013, the Group had 1,150 employees, of which 233 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$268.2 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 Corporate Governance Code ("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 2013, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations with explanation described below:

i. Mr Kwan (Chairman of the Board) also acted as chief executive officer ("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. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

   Subsequent to the review year on 2 January 2014, Mr Tsui Wing Cheong Sammy, an executive director of the Company, has been promoted to chief executive officer of the Company in place of Mr Kwan with effect from 2 January 2014. Mr Kwan's CEO role has been relinquished and such code provision has been complied since then.

ii. 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.

iii. According to code provision A.6.7, independent non-executive directors should attend general meeting of the Company in order to develop a balanced understanding of the view of shareholders. Due to other business engagement of the independent non-executive directors of the Company, Mr Leung Ka Kui Johnny and Dr Chan Hak Sin were unable to attend the 2013 annual general meeting and one special general meeting, and Mr Wong Chuk Yan was unable to attend two special general meetings of the Company held during the underlying year.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2013 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 26 March 2014

As at the date hereof, the Board comprises:-

Executive Directors:

Mr Kwan Pak Hoo Bankee
Mr Tsui Wing Cheong Sammy
Mr Law Ping Wah Bernard
Mr Ng Hin Sing Derek

Independent non-executive Directors:

Mr Leung Ka Kui Johnny
Mr Wong Chuk Yan
Dr Chan Hak Sin