CASH FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 510)

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 CASH Financial Services Group Limited ("Company" or "CFSG") 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 (restated)
Continuing operations			
Revenue	(3)	**194,565**	185,449
Other income		**8,717**	5,872
Other gains and losses		**65,166**	91,862
Salaries, commission and related benefits		**(157,340)**	(156,100)
Depreciation		**(26,160)**	(32,204)
Finance costs		**(9,794)**	(6,237)
Other operating and administrative expenses		**(136,916)**	(135,603)
Change in fair value of investment properties		**(5,083)**	(3,068)
Share of (loss) profit of associate		**(9)**	14,045
Loss before taxation		**(66,854)**	(35,984)
Income tax credit (expense)	(5)	**4,439**	(2,126)
Loss for the year from continuing operations		**(62,415)**	(38,110)
Discontinued operations	(6)		
Profit for the year from discontinued operations		**3,270**	4,586
Loss for the year		**(59,145)**	(33,524)

	Note	2013 HK$'000	2012 HK$'000 (restated)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**5,772**	80
Other comprehensive income for the year (net of tax)		**5,772**	80
Total comprehensive expense for the year		**(53,373)**	(33,444)
(Loss) profit for the year attributable to the owners of the Company			
- from continuing operations		**(62,412)**	(43,285)
- from discontinued operations		**3,270**	4,586
		(59,142)	(38,699)
(Loss) profit for the year attributable to non-controlling interests			
- from continuing operations		**(3)**	5,175
		(59,145)	(33,524)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(55,199)**	(38,619)
Non-controlling interests		**1,826**	5,175
		(53,373)	(33,444)
Loss per share for loss attributable to the owners of the Company during the year	(7)		
From continuing and discontinued operations			
- Basic (HK cents)		**(1.53)**	(0.99)
- Diluted (HK cents)		**(1.53)**	(0.99)
From continuing operations			
- Basic (HK cents)		**(1.61)**	(1.11)
- Diluted (HK cents)		**(1.61)**	(1.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2013 HK$'000	2012 HK$'000
Non-current assets			
Property and equipment		**33,860**	81,315
Available-for-sale financial assets		**21,031**	-
Investment properties		**57,112**	68,832
Goodwill		**2,661**	2,661
Intangible assets		**9,752**	321,059
Other assets		**34,052**	37,020
Rental and utility deposits		**4,267**	34,091
Interest in an associate		**158,154**	152,939
Loan to an associate		**-**	10,296
Loans receivable		**1,480**	-
Deferred tax assets		**1,000**	6,700
		323,369	714,913
Current assets			
Inventories		**-**	56,785
Accounts receivable	(8)	**608,324**	920,032
Loans receivable		**23,951**	61,496
Loan to an associate		**10,296**	-
Other assets		**29,084**	-
Prepayments, deposits and other receivables		**47,089**	38,351
Tax recoverable		**3,582**	3,536
Investments held for trading		**54,735**	123,206
Bank deposits subject to conditions		**17,155**	90,555
Bank balances - trust and segregated accounts		**784,704**	782,293
Bank balances (general accounts) and cash		**167,505**	291,250
		1,746,425	2,367,504
Current liabilities			
Accounts payable	(9)	**1,032,388**	1,590,760
Financial liabilities at fair value through profit or loss		**19,701**	-
Accrued liabilities and other payables		**115,285**	89,427
Taxation payable		**7,395**	14,031
Obligations under finance leases			
- amount due within one year		**-**	263
Bank borrowings - amount due within one year		**233,625**	356,914
Amount due to a fellow subsidiary		**47,621**	-
Loan from a non-controlling shareholder		**27,437**	27,437
		1,483,452	2,078,832
Net current assets		**262,973**	288,672
Total assets less current liabilities		**586,342**	1,003,585

	At 31 December	
	2013	2012
	HK$'000	HK$'000
Non-current liabilities		
Deferred tax liabilities	**1,569**	55,841
Bank borrowings - amount due after one year	**22,575**	26,331
	24,144	82,172
Net assets	**562,198**	921,413
Capital and reserves		
Share capital	**77,558**	77,558
Reserves	**448,526**	809,567
Equity attributable to owners of the Company	**526,084**	887,125
Non-controlling interests	**36,114**	34,288
Total equity	**562,198**	921,413

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

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 cycle
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets

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

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 are subject to enforceable master netting arrangement or similar agreement such as accounts receivable and payable.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impacts of the application of HKFRS 10 and HKFRS 12 are set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT - 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company reviewed and assessed the classification of the Group's equity investments in accordance with the requirements of HKFRS 10 and conclude that the application of the amendments has had no material impact on the Group's consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements in relation to the Group's interest in an associate and the non-controlling interests of a non-wholly owned subsidiary.

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, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

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 the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. In addition, HKFRS 13 requires that the 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 these transitional provisions, 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". The amendments introduce new terminology for the statement of comprehensive income and income statement. Under 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'. In addition, 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-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 has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 cycle [2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 cycle [2]
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: Employee 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]
HK(IFRIC) - Int 21	Levies [1]

1 *Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.*
2 *Effective for annual periods beginning on or after 1 July 2014, which early application is permitted.*
3 *Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*

(3) Revenue

	2013 **HK$'000**	2012 HK$'000 (restated)
Continuing operations		
Fees and commission income	**168,308**	163,599
Interest income	**26,257**	21,850
	194,565	185,449

(4) Segment information

The Group is principally engaged in the following activities:

- provision of online and traditional brokerage of securities, futures and options as well as mutual funds and insurance-linked investment products;
- principal investments of securities and options;
- provision of margin financing and money lending services; and
- provision of corporate finance services.

<u>Reportable and operating segments</u>

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("CODM"), 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. Upon completion of distribution in specie of shares in a subsidiary which represented the retail business segment as set out in note (6), the Group has only one reportable and operating segment, which is financial services business. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Operations regarding retailing business were discontinued on 28 June 2013. The segment information reported below does not include only amounts for the discontinued operations, which are described in more details in note (6).

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by each segment before change in fair value of investment properties, share-based compensation, share of result of associate and unallocated expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

Starting from current financial year, net gain on investment held for trading activities is included in the measurement of financial services operating segment for review by the CODM. The comparatives of the segment information on continuing operations are restated to conform to current year presentation.

For the year ended 31 December 2013

Continuing operations

	Financial services HK$'000	**Total HK$'000**
Revenue	**194,565**	**194,565**
RESULT		
Segment loss	**(17,460)**	**(17,460)**
Change in fair value of investment properties		**(5,083)**
Share of loss of associate		**(9)**
Unallocated expenses		**(44,302)**
Loss before taxation (continuing operations)		**(66,854)**

For the year ended 31 December 2012 (restated)

Continuing operations

	Financial services HK$'000	Total HK$'000
Revenue	185,449	185,449
RESULT		
Segment loss (restated)	(9,320)	(9,320)
Change in fair value of investment properties		(3,068)
Share-based compensation		(562)
Share of profit of associate		14,045
Unallocated expenses		(37,079)
Loss before taxation (continuing operations)		(35,984)

All the segment revenue is derived from external customers.

Segment assets and liabilities

All assets are allocated to operating segment other than interest in an associate, investment properties, loan to an associate and other unallocated property and equipment and other assets. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All liabilities are allocated to operating segment other than unallocated deferred tax liabilities, loan from a non-controlling shareholder, amount due to a fellow subsidiary and unallocated bank borrowings and accrued liabilities. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

As at 31 December 2013

	Financial services HK$'000	Total HK$'000
ASSETS		
Segment assets	**1,752,580**	**1,752,580**
Interest in an associate		**158,154**
Other assets		**63,136**
Investment properties		**57,112**
Loan to an associate		**10,296**
Other unallocated assets		**28,516**
Consolidated total assets		**2,069,794**
LIABILITIES		
Segment liabilities	**1,407,294**	**1,407,294**
Loan from a non-controlling shareholder		**27,437**
Deferred tax liabilities		**1,569**
Other unallocated liabilities		**71,296**
Consolidated total liabilities		**1,507,596**

As at 31 December 2012 (restated)

	Financial services HK$'000	Total HK$'000
ASSETS		
Segment assets	2,171,075	2,171,075
Interest in an associate		152,939
Other assets		37,020
Investment properties		68,832
Loan to an associate		10,296
Other unallocated assets		6,116
Total segment assets		2,446,278
Assets relating to discontinued operations		636,139
Consolidated total assets		3,082,417
LIABILITIES		
Segment liabilities	1,685,700	1,685,700
Unallocated deferred tax liabilities		4,525
Loan from a non-controlling shareholder		27,437
Other unallocated liabilities		58,301
Total segment liabilities		1,775,963
Liabilities relating to discontinued operations		385,041
Consolidated total liabilities		2,161,004

Other information

For the year ended 31 December 2013

	Financial services HK$'000	**Unallocated amount HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Interest income	**26,257**	**-**	**26,257**
Depreciation	**(12,383)**	**(13,777)**	**(26,160)**
Finance costs	**(8,925)**	**(869)**	**(9,794)**
Net gain on investments held for trading	**67,781**	**-**	**67,781**
Impairment on intangible assets	**(300)**	**-**	**(300)**
Allowance on bad and doubtful loans receivable	**(1,000)**	**-**	**(1,000)**
Written back of bad debt on accounts receivable, net	**2,048**	**-**	**2,048**
Addition to non-current assets	**11,349**	**12,440**	**23,789**
Net foreign exchange gain	**1,989**	**1,115**	**3,104**

For the year ended 31 December 2012

	Financial services HK$'000	Unallocated amount HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Interest income	21,850	-	21,850
Depreciation	(12,885)	(19,319)	(32,204)
Finance costs	(5,003)	(1,234)	(6,237)
Net gain on investment held for trading	100,860	-	100,860
Loss on disposal of property and equipment	(5)	(554)	(559)
Allowance on bad and doubtful loans receivable	(9,700)	-	(9,700)
Additions to non-current assets	11,925	37,119	49,044
Net foreign exchange gain	617	643	1,260

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**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong (Place of domicile)	**194,565**	185,449	**82,643**	456,024
PRC	**-**	-	**217,215**	241,893
Total	**194,565**	185,449	**299,858**	697,917

There were no customers for the years ended 31 December 2013 and 2012, contributing over 10% of the Group's total revenue.

(5) Income tax (credit) expense

	2013 HK$'000	2012 HK$'000
Continuing operations		
Current tax:		
- Hong Kong Profits Tax	**650**	2,926
Over provision in prior years	**(2,133)**	(102)
Deferred tax	**(2,956)**	(698)
	(4,439)	2,126

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) Discontinued operations

On 28 June 2013, the Group distributed the ordinary shares in the capital of CASH Retail Management (HK) Limited, which carried out retailing business, in specie to the shareholders.

The profit for the year from the discontinued retailing operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to present the retailing operation as discontinued operations.

Profit for the year from discontinued operations

	Period from 1.1.2013 to 27.6.2013 HK$'000	Year ended 31 December 2012 HK$'000
Revenue	**546,315**	1,095,680
Other income	**2,221**	4,691
Cost of sales for retailing business	**(322,197)**	(647,983)
Salaries, commission and related benefits	**(64,128)**	(123,443)
Depreciation	**(9,531)**	(24,425)
Finance costs	**(2,689)**	(4,040)
Other operating and administrative expenses	**(145,721)**	(287,894)
Profit before tax	**4,270**	12,586
Income tax expense	**(1,000)**	(8,000)
Profit for the year from discontinued operations	**3,270**	4,586
Profit for the year from discontinued operations attributable to owners of the Company	**3,270**	4,586

Profit for the year from discontinued operations has been arrived at after charging:		
Auditor's remuneration	**900**	756
Depreciations of property and equipment		
Owned assets	**9,531**	24,425
Operating lease rentals	**86,697**	179,804
Advertising and promotion expenses	**10,410**	21,764
Other selling and distribution expenses	**19,315**	37,211
Impairment loss on property and equipment	**140**	4,664
Write-down on inventories	**1,140**	5,348

During the year, CASH Retail Management (HK) Limited paid HK$38 million (2012: HK$46 million) to the Group's net operating cash flows, contributed HK$103 million (2012: HK$128 million) in respect of investing activities and paid HK$90 million (2012: HK$13 million) in respect of financial activities.

(7) Loss per share

From continuing and discontinued operations

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

	2013 HK$'000	2012 HK$'000
Loss for the purposes of basic and diluted loss per share	**(59,142)**	(38,699)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,877,859,588**	3,907,301,998

For the years ended 31 December 2013 and 2012, the computation of diluted loss per share has not taken into account the effects of share options as it would result in decrease in loss per share.

From continuing operations

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

	2013 HK$'000	2012 HK$'000
Loss for the purposes of basic and diluted loss per share	**(62,412)**	(43,285)

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

From discontinued operations

Basic and diluted earnings per share for discontinued operations is HK0.08 cent per share (2012: HK0.12 cent per share), based on the profit for the year from discontinued operations attributable to owners of the Company of HK$3,270,000 (2012: HK$4,586,000) and the denominators detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

(8) 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
	608,324	920,032

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 ageing analysis is disclosed as in the opinion of directors, 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 of 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 expects 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.

(9) 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	**-**	166,400
	1,032,388	1,590,760

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, the account payable to client of HK$71,586,000 (2012: HK$69,534,000) was related to the amount of HK$15,368,000 (2012: HK$30,363,000) maintained in MFG HK mentioned in note (8) "accounts receivable". The required margin deposits are repayable upon the closure of the corresponding futures and options 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 **HK$'000**	2012 HK$'000
0 - 30 days	**-**	73,623
31 - 60 days	**-**	54,195
61 - 90 days	**-**	22,035
Over 90 days	**-**	16,547
	-	166,400

(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) Capital commitments

	2013 **HK$'000**	2012 HK$'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 shareholding was further 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

On 15 May 2013, the Group 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"), ceased to be a subsidiary of the Group since 28 June 2013. The revenue and operating results of the Retail Management Business for the period from 1 January 2013 to 27 June 2013 ("Relevant Period") were disclosed as profit for the year from discontinued operations. The Group has restated the financial information of 2012 for comparison purpose. Despite of the rising input costs during the Relevant Period, Retail Management Business reported a net profit of HK$3.3 million which was contributed by its successful launch of various innovative products and services.

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$59.1 million as compared to a net loss of HK$33.5 million in 2012.

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, 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 net commission income resulting from the escalating cut-throat competition among local brokers, FSG recorded a net segment loss of HK$17.5 million for the year ended 31 December 2013 as compared to a net segment loss of HK$9.3 million (restated) in 2012. While the Group continues to maintain stringent cost controls over its operations amid the tough business environment in the local investment industry, it has dedicated its resources in building the most advanced information and communication technology infrastructure and low-latency trading platform and recruited professionals to research and develop trading strategies for its algorithmic trading business for its institutional, corporate and individual investors for their versatile investment and wealth management needs.

RETAIL MANAGEMENT BUSINESS (THE GROUP'S DISCONTINUED OPERATION)

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. In the first half of 2013, total number of transactions for residential property dropped remarkably by about 33% as compared with the same corresponding period in 2012. To cope with these challenges, we have continued to step up our cost rationalisation measures and improved our operational efficiency while 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 during the Relevant Period. Despite the challenging business environment, the retail management business reported a revenue of HK$546.3 million and an operating profit of HK$3.3 million during the Relevant Period, which was regarded as result from discontinued operations.

Liquidity and Financial Resources

The Group's total equity amounted to HK$562.2 million as at 31 December 2013 as compared to HK$921.4 million at the end of the previous year. The decrease was due to the reported loss for the year under review and the distribution in specie of all shares of CRMG.

As at 31 December 2013, the Group had total outstanding bank borrowings of approximately HK$256.2 million, comprising of bank loans of HK$220.1 million, mortgage loans of HK$23.7 million and bank overdrafts of HK$12.4 million. Bank loans and overdrafts in aggregate of HK$176.9 million were collateralised by its margin clients' securities pledged to the Group. Mortgage loans in aggregate of HK$23.7 million were secured by the Group's investment properties with a total carrying amount of approximately HK$57.1 million. The remaining bank loans and overdrafts in aggregate of HK$55.6 million were secured by corporate guarantees from the Company.

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, bank deposits in aggregate of approximately HK$17.2 million were held for this purpose and presented as bank deposits subject to conditions as at 31 December 2013.

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.

As at 31 December 2013, our cash and bank balances including the trust and segregated accounts totalled HK$969.4 million as compared to HK$1,164.1 million as at 31 December 2012. The reduction in cash and bank balances was mainly related to the exclusion of the Retail Management Business from consolidation after the completion of the distribution in specie on 28 June 2013. The Group derives its revenue mainly in HK$ and maintains its house fund mainly in HK$. The liquidity ratio as at 31 December 2013 remained healthy at 1.2 times, being at the similar level as at 31 December 2012.

The gearing ratio as at 31 December 2013, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 45.6% from 41.6% as at 31 December 2012. The increase was due to further deposits made for the acquisition of properties and the net effect arising from the exclusion of the Retail Management Business from consolidation which changed the basis of calculation. 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 3 December 2012, a subsidiary of the Company entered into a subscription agreement relating to a discloseable transaction for subscription of 20% equity interest in Infinity 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 the Company dated 3 December 2012.

On 15 May 2013, the Company issued an announcement in relation to the distribution in specie by the Company of all the shares in CRMG (the holding company of the Retail Management Business). The distribution in specie was approved by the shareholders of the Company at the special general meeting held on 21 June 2013 and was completed on 28 June 2013. Since then, CRMG ceased as a subsidiary of the Company. Details of the transaction are disclosed in the various announcements and circular issued by the Company from May to June 2013.

On 14 November 2013, the Company announced a major transaction in relation to the disposal of the whole floor of 22/F of Rykadan Capital Tower, No. 135-137 Hoi Bun Road, Kwun Tong, Kowloon, together with four car parking spaces in the same building ("Property"), by the Group at the total consideration of approximately HK$135,000,000 in cash. The disposal was approved by the shareholders of the Company at the special general meeting held on 23 December 2013 and was completed on 20 January 2014. Details of the transaction are disclosed in the announcement of the Company dated 14 November 2013 and the circular dated 5 December 2013.

On 24 January 2014, subsequent to the balance sheet date, the Company announced the disposal of entire equity interest in Changyu (Shanghai) Real Estate Management Co., Ltd. (an associated company of the Group, which owns and manages the property situated at "The Point Jingan, No.555 Anyuan Road, Jing'An District, Shanghai, PRC") at the total 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 or 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 commitment 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$54.7 million. The net gain derived from investments held for trading of HK$67.8 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

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

Financial Services Business - FSG

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 (the Group's discontinued operation)

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.

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had 233 employees related to financial services business. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK$167.8 million, of which HK$103.7 million related to financial services business and HK$64.1 million related to the discontinued operation of retailing business.

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 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. The Company does not have a nomination committee as provided for in code provision A.5.1 as its function has been performed by the Board as a whole. The Board under the leadership of the Chairman is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the directors.

ii. 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 Lo Ming Chi Charles was unable to attend two special general meetings, and Mr Cheng Shu Shing Raymond and Mr Lo Kwok Hung John were unable to attend one special general meeting of the Company held during the review 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's listed securities.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 17 March 2014

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
Ms Cheng Pui Lai Majone

Independent non-executive directors:

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