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CASH FINANCIAL SERVICES GROUP LIMITED
時富金融服務集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 510)

ANNOUNCEMENT
OF
FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2014** **HK$'000**	2013 HK$'000
Continuing operations			
Revenue	(3)	**198,063**	194,565
Other income		**6,238**	8,717
Other gains and losses		**84,706**	65,166
Salaries, commission and related benefits		**(174,622)**	(157,340)
Depreciation		**(11,702)**	(26,160)
Finance costs		**(13,579)**	(9,794)
Other operating and administrative expenses		**(115,695)**	(136,916)
Change in fair value of investment properties		**37,088**	(5,083)
Share of profit (loss) of an associate		**60,463**	(9)
Profit (loss) before taxation		**70,960**	(66,854)
Income tax (expense) credit	(5)	**(16,633)**	4,439
Profit (loss) for the year from continuing operations		**54,327**	(62,415)
Discontinued operations	(6)		
Profit for the year from discontinued operations		-	3,270
Profit (loss) for the year		**54,327**	(59,145)

	Note	2014 HK$'000	2013 HK$'000
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,772)**	5,772
Other comprehensive (expense) income for the year (net of tax)		**(2,772)**	5,772
Total comprehensive income (expense) for the year		**51,555**	(53,373)
Profit (loss) for the year attributable to the owners of the Company			
- from continuing operations		**32,675**	(62,412)
- from discontinued operations		**-**	3,270
		32,675	(59,142)
Profit (loss) for the year attributable to non-controlling interests			
- from continuing operations		**21,652**	(3)
		54,327	(59,145)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**30,770**	(55,199)
Non-controlling interests		**20,785**	1,826
		51,555	(53,373)
Earnings (loss) per share for profit (loss) attributable to the owners of the Company during the year	(7)		
From continuing and discontinued operations			
- Basic (HK cents)		**0.83**	(1.53)
- Diluted (HK cents)		**0.80**	(1.53)
From continuing operations			
- Basic (HK cents)		**0.83**	(1.61)
- Diluted (HK cents)		**0.80**	(1.61)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December **2014** **HK$'000**	2013 HK$'000
Non-current assets			
Property and equipment		**38,136**	33,860
Investment properties		**213,666**	57,112
Goodwill		**-**	2,661
Intangible assets		**9,752**	9,752
Other assets		**4,792**	34,052
Rental and utility deposits		**2,088**	4,267
Available-for-sale financial assets		**21,031**	21,031
Interest in an associate		**1,434**	158,154
Loans receivable		**-**	1,480
Deferred tax assets		**-**	1,000
		290,899	323,369
Current assets			
Accounts receivable	(8)	**706,440**	608,324
Loans receivable		**42,561**	23,951
Loan to an associate		**-**	10,296
Other assets		**7,317**	29,084
Prepayments, deposits and other receivables		**13,579**	47,089
Tax recoverable		**16**	3,582
Investments held for trading		**44,545**	54,735
Bank deposits subject to conditions		**17,155**	17,155
Bank balances - trust and segregated accounts		**792,117**	784,704
Bank balances (general accounts) and cash		**172,100**	167,505
		1,795,830	1,746,425
Current liabilities			
Accounts payable	(9)	**1,108,306**	1,032,388
Financial liabilities at fair value through profit or loss		**1,055**	19,701
Accrued liabilities and other payables		**67,103**	115,285
Taxation payable		**16,478**	7,395
Bank borrowings - amount due within one year		**171,734**	233,625
Amount due to a fellow subsidiary		**26,350**	47,621
Loan from a non-controlling shareholder		**-**	27,437
		1,391,026	1,483,452
Net current assets		**404,804**	262,973
Total assets less current liabilities		**695,703**	586,342

	At 31 December	
	2014	2013
	HK$'000	HK$'000
Non-current liabilities		
Deferred tax liabilities	**7,860**	1,569
Bank borrowings - amount due after one year	**91,516**	22,575
	99,376	24,144
Net assets	**596,327**	562,198
Capital and reserves		
Share capital	**81,437**	77,558
Reserves	**509,304**	448,526
Equity attributable to owners of the Company	**590,741**	526,084
Non-controlling interests	**5,586**	36,114
Total equity	**596,327**	562,198

Notes:

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with the 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 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 ("HKFRSs")

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - Int 21	Levies

In addition, the Group early applied the amendments to HKAS 36 "Recoverable amount disclosures for non-financial assets" in the prior financial year.

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 10, HKFRS 12 and HKAS 27 Investment entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment entities" for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities. As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognized in the Group's consolidated financial statements.

HK(IFRIC) - Int 21 Levies

HK(IFRIC) - Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) - Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

HKFRS 9	Financial instruments [1]
HKFRS 14	Regulatory deferral accounts [2]
HKFRS 15	Revenue from contracts with customers [3]
Amendments to HKAS 1	Disclosure initiative [5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization [5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions [4]
Amendments to HKAS 27	Equity method in separate financial statements [5]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture [5]

Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment entities: Applying the consolidation exception [5]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations [5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle [6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle [4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle [5]

1 *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*
2 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.*
3 *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*
4 *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*
5 *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*
6 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.*

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 requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may affect the classification and measurement of the Group’s financial assets and financial liabilities (e.g. the Group's unlisted investment in equity securities that are currently classified as available-for-sale investments 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). It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company do not expect to early adopt HKFRS 9 before its effective date.

Except for the above, the directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the consolidated financial statements of the Group.

(3) Revenue

	2014 HK$'000	2013 HK$'000
Continuing operations		
Fees and commission income	**169,891**	168,308
Interest income	**28,172**	26,257
	198,063	194,565

(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.

Reportable and operating segments

Information reported to the Chief Executive Officer of the brokerage business of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focusing 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 operating segment during the year ended 31 December 2013, 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 segment of the Group.

Operations regarding retailing business were discontinued on 28 June 2013. The segment information reported below does not include any amounts for the discontinued operations, which are described in more detail 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 the segment before gain on disposal of commercial property, change in fair value of investment properties, share of result of an associate and unallocated expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

Starting from the financial year ended 31 December 2013, net gain on investments held for trading activities and certain expenses (such as salaries expenses) incurred for the securities trading activities are included in the measurement of financial services operating segment for review by the CODM.

For the year ended 31 December 2014

Continuing operations

	Financial services HK$'000	**Total HK$'000**
Revenue	**198,063**	**198,063**
RESULT		
Segment loss	**(15,040)**	**(15,040)**
Gain on disposal of a commercial property		**18,002**
Change in fair value of investment properties		**37,088**
Share of profit of an associate		**60,463**
Unallocated expenses		**(29,553)**
Profit before taxation (continuing operations)		**70,960**

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 an associate		(9)
Unallocated expenses		(44,302)
Loss before taxation (continuing operations)		(66,854)

All the segment revenue is derived from external customers.

Segment assets and liabilities

All assets are allocated to the 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 the 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 2014

	Financial services HK$'000	**Total HK$'000**
ASSETS		
Segment assets	**1,828,848**	**1,828,848**
Interest in an associate		**1,434**
Other assets		**12,109**
Investment properties		**213,666**
Other unallocated assets		**30,672**
Consolidated total assets		**2,086,729**
LIABILITIES		
Segment liabilities	**1,378,308**	**1,378,308**
Deferred tax liabilities		**7,860**
Amount due to a fellow subsidiary		**26,350**
Other unallocated liabilities		**77,884**
Consolidated total liabilities		**1,490,402**

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
Amount due to a fellow subsidiary		47,621
Other unallocated liabilities		23,675
Consolidated total liabilities		1,507,596

Other information

For the year ended 31 December 2014

	Financial services HK$'000	**Unallocated amount HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets	**16,547**	**119,932**	**136,479**
Interest income	**28,172**	**-**	**28,172**
Depreciation	**(11,471)**	**(231)**	**(11,702)**
Finance costs	**(10,960)**	**(2,619)**	**(13,579)**
Net gain on investments held for trading	**66,174**	**-**	**66,174**
Write back of bad debt on accounts receivable, net	**2,631**	**-**	**2,631**
Write back of bad debt on loan receivables, net	**2,700**	**-**	**2,700**
Net foreign exchange (loss) gain	**(1,795)**	**122**	**(1,673)**
Impairment on goodwill	**(2,661)**	**-**	**(2,661)**

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:			
Addition to non-current assets	11,349	12,440	23,789
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 of intangible assets	(300)	-	(300)
Allowance on bad and doubtful loans receivable	(1,000)	-	(1,000)
Write back of bad debt on accounts receivable, net	2,048	-	2,048
Net foreign exchange gain	1,989	1,115	3,104

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 determined based on location of operation of the Group 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (Place of domicile)	**198,063**	194,565	**209,421**	82,643
PRC	**-**	-	**60,447**	217,215
Total	**198,063**	194,565	**269,868**	299,858

There were no customer for the years ended 31 December 2014 and 2013, contributing over 10% of the Group's total revenue.

(5) Income tax expense (credit)

	2014	2013
	HK$'000	HK$'000
Continuing operations		
Current tax:		
- Hong Kong Profits Tax	**7,665**	650
Under (Over) provision in prior years	**1,677**	(2,133)
Deferred tax	**7,291**	(2,956)
	16,633	(4,439)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit or adjusted losses for 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. No provision for the PRC income tax has been made as they incurred tax losses in both years.

(6) Discontinued operations

Pursuant to a special general meeting held on 21 June 2013, the shareholders of the Company approved a group restructuring which involved the transfer of shares in the subsidiary carrying out retailing business in HK and PRC to shareholders of the Company. Pursuant to the group restructuring, the Company distributed all of the ordinary shares in CASH Retail Management (HK) Limited to the shareholders of the Company ("Distribution in Specie"). Details of the group restructuring and Distribution in Specie are set out in the Company's announcements dated 15 May 2013, 5 June 2013 and 28 June 2013. The distribution was completed on 28 June 2013.

The profit for the year ended 31 December 2013 from the discontinued operations is set out below.

Profit for the year from discontinued operations

	1.1.2013 to 27.6.2013 HK$'000
Revenue	546,315
Other income	2,221
Cost of sales for retailing business	(322,197)
Salaries, commission and related benefits	(64,128)
Depreciation	(9,531)
Finance costs	(2,689)
Other operating and administrative expenses	(145,721)
Profit before taxation	4,270
Income tax expense	(1,000)
Profit for the year from discontinued operations	3,270
Profit for the year from discontinued operations attributable to owners of the Company	3,270

(7) Earnings (loss) per share

For continuing and discontinued operations

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

	2014 HK$'000	2013 HK$'000
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	**32,675**	(59,142)

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**3,946,226,711**	3,877,859,588
Effect of dilutive potential ordinary shares: Share options of the Company	**137,408,543**	-
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**4,083,635,254**	3,877,859,588

Note: The computation of diluted loss per share for the year ended 31 December 2013 did not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price of the Company's share for that year.

For continuing operations

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

	2014 **HK$'000**	2013 HK$'000
Profit (loss) for the purposes of basic and diluted earnings (loss) per share	**32,675**	(62,412)

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

For discontinued operations

For the year ended 31 December 2013, basic and diluted earnings per share for discontinued operations was HK$0.08 cent per share, based on the profit for the year from discontinued operations attributable to owners of the Company of HK$3,270,000 and the denominators detailed above for both basic and diluted earnings (loss) per share from continuing and discontinued operations.

(8) Accounts receivable

	2014 **HK$'000**	2013 HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**84,844**	74,475
Cash clients	**57,949**	67,236
Margin clients	**283,423**	284,616
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**139**	139
Clearing houses, brokers and dealers	**274,998**	180,041
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**4,697**	1,777
Accounts receivable arising from the business of provision of corporate finance services	**390**	40
	706,440	608,324

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses, brokers and dealers, and accounts receivable arising from the business of dealing in futures and options are one day after trade date or at specific terms agreed with clearing houses, brokers and dealers.

Accounts receivable from margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No 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.

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.

As at 31 December 2014, in connection with the business of dealing in futures and options account on behalf of its client of HK$6,147,000 (2013: HK$15,368,0000) with MF Global Hong Kong Limited ("MFG HK"), the directors of the Company have been in contact with the liquidators of MFG HK, 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 with subsequent partial settlement of HK$9,221,000 during the year ended 31 December 2014 (2013: HK$15,368,000). The Group expects to recover the remaining amount within the next 12 months from the end of the reporting period. Therefore, the directors of the Company believe no allowance for bad and doubtful debts is necessary.

(9) Accounts payable

	2014 **HK$'000**	2013 HK$'000
Accounts payable arising from the business of dealing in securities :		
Clearing houses	**34,418**	1,430
Cash clients	**640,349**	592,920
Margin clients	**140,309**	147,660
Accounts payable to clients arising from the business of dealing in futures and options	**293,230**	290,378
	1,108,306	1,032,388

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 2014, including in account payable to a client of HK$63,532,000 (2013: HK$71,586,000) comprises an amount of HK$6,147,000 (2013: HK$15,368,000) maintained in MFG HK as mentioned in note (8). 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.

(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 share 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

	2014	2013
	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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: HK$nil).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2014, the Group recorded revenue of HK$198.1 million, represented a mild increase of 1.80% as compared with HK$194.6 million in 2013.

The Hong Kong stock market having been affected by both overseas and mainland market environments endured a turbulent year in 2014, even though the Hang Seng Index (HSI) had made only a small gain during the past 12 months. In early 2014, the HSI posted a year-to-date loss of 9% over the worries about the global economic effects on the tapering of quantitative easing by the US Federal Reserve, a slump in property prices and disorderly deleveraging in local government debts leading to unexpected decelerations in industrial-output and economic growth in China and the political tension in Ukraine. In late 2014, the local stock market rebounded as the investor sentiment rose on optimism about the supportive government policies adopted by the Central Government's efforts to counter the economic slowdown. These policies, including the cut in interest rates by the central bank, together with the launch of the Hong Kong-Mainland Stock Connect Scheme, had led the local stock market to swing back to a 9% gain at one point in the second half of the year. Despite that the trading in the stock market rose 11%, reflecting an overall improvement in the local investment sentiment in 2014, the Group was still facing a very tough business environment and uncertainties in the financial services industry. During the year, the market was extremely choppy over the concerns about the dim economic outlook in Europe and the slowdown in the Mainland economy. Our clients who are mainly retail investors had difficulties in making their investment decisions in this highly volatile stock market. At the same time, the Group had adopted a rigid credit risk management in view of these complicated and highly unpredictable investment environments by tightening its margin financing policies throughout the year. As such, the Group's revenue rose only 1.8% in 2014. As huge business opportunities across the border are expected to be available to the Group after the launch of the link-up between the Hong Kong and Shanghai exchanges, the Group will take more aggressive plans to enlarge its customer base by further expanding its financial services into Mainland China. Facing the keen competition in the market and the high compliance costs imposed on the financial services sector, the Group will continue to maintain stringent cost controls over its operations. At the same time, the Group 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 our algorithmic trading business for our institutional, corporate and individual investors for their versatile investment and wealth management needs.

During the year under review, the Group recorded a gain on disposal of a commercial property in Hong Kong of approximately HK$18.0 million. In addition, there was an increase in fair value on its investment properties amounting to HK$37.1 million. Besides, during the year, its associate company recorded a gain on the disposal of its entire registered shares of its subsidiary which owned and managed an investment property in the PRC. Accordingly, during the year, the Group reported its share of profit of an associate of HK$60.5 million as compared to its share of loss of an associate of HK$9,000 in 2013.

As a result of the above, the Group recorded a net profit attributable to the owners of the Company of HK$32.7 million for 2014 as compared to a net loss of HK$59.1 million in 2013.

Liquidity and Financial Resources

The Group's total equity amounted to HK$596.3 million as at 31 December 2014 as compared to HK$562.2 million as at 31 December 2013. The increase was mainly due to the reported profit for the year under review less dividend distributed to non-controlling interest and the increase in share capital as a result of exercise of certain share options.

As at 31 December 2014, the Group had total outstanding bank borrowings of approximately HK$263.3 million, comprising bank loans of HK$175.2 million, mortgage loans of HK$77.9 million and bank overdrafts of HK$10.2 million. Bank loans and overdrafts in aggregate of HK$106.0 million were collateralised by its margin clients' securities pledged to the Group. Mortgage loans in aggregate of HK$77.9 million were secured by the Group's investment properties with a total carrying amount of approximately HK$213.7 million. The remaining bank loans and overdrafts in aggregate of HK$79.4 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 2014.

As at 31 December 2014, our cash and bank balances including the trust and segregated accounts totalled HK$981.4 million which were roughly at similar level as compared to HK$969.4 million as at 31 December 2013. The Group derives its revenue and maintains its house fund mainly in HK dollars. The liquidity ratio as at 31 December 2014 remained healthy at 1.29 times, signifying a mild improvement as compared with 1.18 times as at 31 December 2013.

The gearing ratio as at 31 December 2014, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 44.1% which was at the similar level of 45.6% as at 31 December 2013. The small drop in gearing ratio was mainly due to the increase in the total equity during the year without having a significant rise in the borrowings. 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 24 January 2014, an associate company of the Group entered into an agreement for disposal of its entire interest in a subsidiary which owned and managed a property in the PRC. The transaction was completed in March 2014. 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.

Subsequent Events

On 9 March 2015, subsequent to the balance sheet date, the Company announced that:-

(i) Celestial Investment Group Limited ("CIGL", the substantial shareholder of the Company) as seller, Oceanwide Holdings International Finance Ltd ("Oceanwide") as purchaser and Celestial Asia Securities Holdings Limited ("CASH", the holding company of the Company) as guarantor entered into the sale and purchase agreement whereby CIGL conditionally agreed to sell, and Oceanwide conditionally agreed to purchase from CIGL, approximately 40.71% of the issued share capital of the Company at the consideration of HK$613,386,395.53 (representing a purchase price of HK$0.37 per share), and

(ii) the Company (as vendor) and CIGL (as purchaser) entered into the confident profits transfer agreement whereby the Company conditionally agreed to dispose of and CIGL conditionally agreed to acquire the entire issued share capital of Confident Profits Limited (a wholly-owned subsidiary of the Company) at a consideration equal to the aggregate pro forma consolidated net asset value of the Group of Confident Profits Limited as at 31 December 2014. The transaction constitutes a connected transaction and a special deal for the Company

Details of the transactions are disclosed in the joint announcement of the Company and CASH dated 9 March 2015.

Capital Commitments

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

Material Investments

As at 31 December 2014, the Group was holding a portfolio of investments held for trading with market values of approximately HK$44.6 million. The net gain derived from investments held for trading of HK$66.2 million was recorded for the year.

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

Industry and Business Review

Industry Review

In 2014, the fears of slowing US economic growth together with political tensions in Greece and worries about the spread of Ebola ignited another rout in global equities. The mounting concern about currency crisis in Russia and the oil markets turmoil sent the global market lower.

Despite the aforesaid, the United States continued to lead the global IPO market, both in terms of volume and value. Funds raised in the United States increased by 54% compared to 2013. The Hong Kong stock market started strong in the second half of 2014 and the momentum continued until the IPO market slowed from September to November. In December we saw a strong rebound in the fund raised. Over the year, Hong Kong came second with a total of 122 companies newly listed in 2014, a record high representing an increase of 11% compared with 110 companies in 2013. Total funds raised recorded an increase of 34%, amounting to HK$227.8 billion.

In Mainland China, the People's Bank of China announced an interest rate cut in November 2014, reducing the benchmark deposit rate from 3% to 2.75% and the lending rate from 6% to 5.6%. This first rate cut since 2012 delivered a clear signal about the government's intention to support economic growth by stimulus policies. In Hong Kong, the Shanghai-Hong Kong Stock Connect was launched on 17 November 2014, signifying the increasing integration of China's capital market into the global economy.

The Hang Seng Index (HSI) experienced a slight increase of 1% during the year and ended at 23,605.04. Average daily turnover soared to HK$69.5 billion, a climb of approximate 11% compared with HK$62.6 billion in 2013.

Business Review

Investment Banking

During the year, we completed several capital markets and corporate finance transactions for our clients listed on the Hong Kong Stock Exchange. In particular, we participated in the Main Board IPO of a PRC industrial town development service provider and acted as a co-lead manager with a fund raising size of about HK$1.23 billion. We also acted as the sole placing agent of several follow-on placements for companies listed on the Main Board and GEM Board. In addition, we completed various financial advisory projects, including spin-off, open offers, whitewash transactions, issue of convertible bonds, acquisition and divestment, fund investment, compliance advisory and general corporate matters. During the same period, we also acted as one of the founders in setting up Global Mergers & Acquisitions Alliance which aims at exploring cross-border M&A opportunities. Leveraging on our fund raising capability as well as financial advisory expertise, we will continue to provide full-fledged investment banking services to assist our clients to capture different capital markets and corporate finance opportunities.

Securities Broking

The Shanghai-Hong Kong Stock Connect was officially launched on 17 November 2014. Despite the prolonged preparation time, market response towards the new programme was weaker than expected. Northbound trading used up the daily quota on the first day but has not since. Volume of southbound trading has been ever weaker, with the unused daily quota resting at a level of 90% or above most of the trading days since its launch.

Thanks to a massive HK$84 billion rebound in IPO proceeds in December, Hong Kong is on track to becoming the second-largest IPO market globally in 2014. Benefited from the surge in IPO, our income from margin financing experienced an increase of 7.3%. Overall, the Group’s broking business recorded an operating loss of HK$15.0 million in the reporting period, increasing 13.9% compared with the same period of last year.

Despite the less than expected market reception on the newly launched Shanghai-Hong Kong Stock Connect, expectation is that the integration of China’s A-share market and the Hong Kong stock market could eventually make them one of the world’s largest and most active stock markets. Hong Kong stock market is likely to be relatively stable and may increase moderately in 2015.

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 markets performed differently. While U.S. and ASEAN showed strong momentum in economic recoveries, European countries still suffered from economic downturn.

In 2014, we continued to promote the discretionary portfolio management services to both our existing and new clients. With persistent effort, we recorded a significant increase in the number of clients who subscribed for this personalised service. 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, but also helps to attract new assets from prospective clients.

To further enhance our business scope, we strengthened the co-operation with our business partners in Asia-Pacific region and established a good business relationship with several wealth management companies in Japan enabling us to penetrate into the Japan market.

Looking forward, China will remain as one of the fastest-growing wealth management markets in the coming decade. The rapid growth in high-net-worth individuals resulted in a boom of Independent Financial Advisers (IFAs) in China. It is noticed that some of the IFAs in China has transformed from a mere distribution centre to an investment management centre providing personalised products to their clients. We will continue to leverage on its financial innovation capability and portfolio management expertise to structure different in-house wealth management products in order to fulfil global investment needs of the investing public in China. We will also concentrate our resources in strengthening our portfolio management capability.

Asset Management

Hong Kong stock market underperformed the Asian and global stock markets in 2014 due to slow corporate earnings growth. Mainland stock market rose sharply in the fourth quarter of 2014 after the People's Bank of China cut the interest rate and increased the liquidity in the market. Financial and infrastructure sectors in the A-share market led the rally, which gave the strong momentum to H-shares in the fourth quarter of 2014. HSI rose 1.01% while the H-share index rose 10.81% in 2014.

Our amount of Asset Under Management (AUM) rose around 12% compared with the end of 2013. We outperformed the market during the year as we put more efforts in acquiring new high-net-worth clients. We focused on sectors with higher co-relationship with A-share market, which are more sensitive to liquidity and may benefit from government policies, such as insurance and infrastructure

Looking forward, we expect China to increase the market liquidity in order to get rid of deflation. China's economy is expected to have around 7% growth in 2015. Trading at around 11.5 times prospective 2015 P/E and around 3.35% dividend yield for the HSI, the current valuation is undemanding for the long-term investors. Capital inflow is likely to give an upward momentum to the Hong Kong stock market after the European central bank implemented the liquidity enhancement activities. Given the strong momentum in the A-share market, we expect Hong Kong stock market to chase back the laggard in the first half of 2015. We believe that our AUM and revenue such as performance fee may maintain a reasonable growth in 2015.

Platform Development

We see the evolution of mobile app market that end-users tend to manage dynamic needs of investment portfolio management in one single application or platform as it does not require switching between the applications. We believe the all-in-one setting has many advantages in delivering better end-user experience in mobile trading and information browsing. Hence, we completed an overall review of our mobile applications and in-depth analysis of technical implementation and user requirements. We plan to release an "all-in-one" app with integrated functions to merge the major functions of investment portfolio management, including real-time stock and futures quotes, securities trading, futures trading, access of bonds information, news and research reports, IPO subscription and chart, and as well as some CRM initiatives. Such major updates will be released in phases. Besides, we will be in collaboration with a popular financial data vendor in order to provide reliable data and professional service to our clients.

Algorithmic Trading

The Algo trading teams continued to deliver encouraging results during the year. With a view to reinforcing our technology competitive advantage, we established our quant-finance research and incubation centre, the Quant Finance Lab (QFL), in the Hong Kong Science and Technology Parks in June 2014. This new facility has strengthened our capability to attract quant-finance talents from around the world for the development of Algo models and Information Communication Technologies (ICT). During the year, we successfully tested our risk control mechanism and business contingency plans. Our Algo ICT and eFinance database infrastructure for the Hong Kong market had also been implemented smoothly.

Our next phase of expansion will be the China and US markets. In the pipeline, we already have a number of Algo models which have successfully passed back-testing, paper trading and pilot testing. We will put these models into production once they are ready.

On the technology front, we will focus our innovations on two main areas: Big Data analytics and Quant Finance Cloud computing infrastructure. We believe the building of a technically solid, secure and widely applied trading infrastructure will secure us a leading position in the Innovative Finance industry.

Outlook and Corporate Strategy

While market's initial response to the Shanghai-Hong Kong Stock Connect brought disappointment to investors speculating on a short-term boost of the Hong Kong stock market, there are however other longer term benefits arising from the new programme which should not be undermined. The programme will potentially unleash significant fund outflows in both directions, with the chance open up to Mainland investors to invest in major Hong Kong and Chinese companies that are listed only in Hong Kong. Foreign investors also gain access to the A-share market. This may help diversify the portfolios of Chinese investors, increase efficiencies for trading in Chinese companies that are dual-listed on both exchanges, and prompt rapid inclusion of Chinese stocks in global benchmark stock indices. For Hong Kong, the new programme is a big step forward for internationalisation of Renminbi and has reinforced Hong Kong's position as a gateway to investment in China. The opportunities ahead are unprecedented.

In 2014, Hong Kong's IPO market largely followed a trend similar to 2013. With promising IPO pipeline and optimistic economic outlook, it is expected that such momentum in the market will continue and IPO activity will remain robust in 2015. However, negative factors do exist. Appreciation in exchange rates due to strong US dollars and competition from other global exchanges may bring potential negative impact on the Hong Kong IPO market.

The growth in capital market complexity and sophistication, together with more stringent and changing regulations create ever-increasing demands for professionals and expertise with high calibre. Human assets are always highly valued by the Group. Over the year, we continued 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.

EMPLOYEE INFORMATION

As at 31 December 2014, the Group had 244 employees. 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$174.6 million.

Benefits

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

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/ comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2014, 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.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2014 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2014, 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, 23 March 2015

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

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Law Ping Wah Bernard
Ms Cheng Pui Lai Majone
Mr Ng Kung Chit Raymond

Independent non-executive directors:

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

* *for identification purpose only*