CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

時富投資集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

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 Celestial Asia Securities Holdings Limited ("Company" or "CASH") 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
Revenue	(3)	**1,371,608**	1,306,493
Cost of inventories and services		**(671,176)**	(652,250)
Other income		**13,200**	14,123
Other gains and losses		**84,121**	64,525
Salaries, allowances and commission		**(328,699)**	(303,442)
Other operating, administrative and selling expenses		**(449,711)**	(451,269)
Depreciation of property and equipment		**(31,682)**	(43,872)
Amortisation of intangible assets		**-**	(5,757)
Finance costs		**(17,647)**	(18,096)
Fair value change on investment properties		**37,088**	(5,083)
Share of results of an associate		**60,463**	(9)
Impairment loss recognised in respect of goodwill		**(2,661)**	-
Impairment loss recognised in respect of intangible assets		**-**	(37,631)
Profit (loss) before taxation		**64,904**	(132,268)
Income tax (expense) credit	(5)	**(21,302)**	3,903
Profit (loss) for the year		**43,602**	(128,365)

	Note	**2014** **HK$'000**	2013 HK$'000
Other comprehensive (expense) income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**(3,044)**	4,969
Total comprehensive income (expense) for the year		**40,558**	(123,396)
Profit (loss) for the year attributable to:			
Owners of the Company		**2,422**	(87,835)
Non-controlling interests		**41,180**	(40,530)
		43,602	(128,365)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**1,375**	(85,311)
Non-controlling interests		**39,183**	(38,085)
		40,558	(123,396)
Earnings (loss) per share	(6)		
Basic (HK cents)		**0.44**	(17.84)
Diluted (HK cents)		**0.35**	(17.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2014** HK$'000	2013 HK$'000
Non-current assets			
Property and equipment		**74,486**	60,600
Investment properties		**213,666**	57,112
Goodwill		**60,049**	62,710
Intangible assets		**53,212**	53,212
Interest in an associate		**1,434**	158,154
Available-for-sale financial assets		**21,031**	24,531
Rental and utilities deposits		**44,160**	40,638
Other assets		**4,792**	34,052
Loans receivable		**-**	1,480
Deferred tax assets		**6,200**	7,200
		479,030	499,689
Current assets			
Inventories – finished goods held for sale		**56,396**	53,242
Accounts receivable	(7)	**707,859**	608,696
Loans receivable		**44,442**	23,951
Loan to an associate		**-**	10,296
Other assets		**7,317**	29,084
Prepayments, deposits and other receivables		**40,662**	70,973
Tax recoverable		**1,111**	6,400
Investments held for trading		**44,545**	55,027
Bank deposits subject to conditions		**64,155**	90,555
Bank balances – trust and segregated accounts		**792,117**	784,704
Bank balances (general accounts) and cash		**300,299**	279,450
		2,058,903	2,012,378
Current liabilities			
Accounts payable	(8)	**1,287,188**	1,197,530
Financial liabilities at fair value through profit or loss		**1,055**	19,701
Accrued liabilities and other payables		**100,752**	128,210
Taxation payable		**16,493**	7,410
Obligations under finance leases – amount due within one year		**-**	54
Borrowings - amount due within one year		**334,868**	436,116
Loan from a non-controlling shareholder of a subsidiary		**-**	27,437
		1,740,356	1,816,458
Net current assets		**318,547**	195,920
Total assets less current liabilities		**797,577**	695,609

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Capital and reserves		
Share capital	**55,415**	55,415
Reserves	**311,211**	301,843
Equity attributable to owners of the Company	**366,626**	357,258
Non-controlling interests	**324,926**	307,558
Total equity	**691,552**	664,816
Non-current liabilities		
Deferred tax liabilities	**14,509**	8,218
Borrowings - amount due after one year	**91,516**	22,575
	106,025	30,793
	797,577	695,609

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, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622).

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

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

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

In the current year, the Group has applied the following amendments to HKFRSs and new interpretation issued by the HKICPA.

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

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

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

HKFRS 9	Financial instruments [1]
HKFRS 15	Revenue from contracts with customers [2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture [4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception [4]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations [4]
Amendments to HKAS 1	Disclosure initiative [4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization [4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants [4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions [3]
Amendments to HKAS 27	Equity method in separate financial statements [4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle [5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle [3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle [4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 July 2014.
4 Effective for annual periods beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include a) impairment requirements for financial assets; b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain simple debt instruments.

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

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

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets (e.g. the Group's unlisted investment in equity securities that are currently classified as available-for-sale investments may have to be measured at fair value through profit or loss upon the adoption of HKFRS 9). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company will assess the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

(3) Revenue

	2014	2013
	HK$'000	HK$'000
An analysis of the Group's revenue for the year is as follows:		
Fee and commission income	**169,891**	168,308
Interest income – financial services	**28,172**	26,257
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,172,040**	1,108,621
Online game subscription income and licensing income	**1,505**	3,307
	1,371,608	1,306,493

(4) Segment information

Segment information

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

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

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

Segment revenue and results

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

For the year ended 31 December 2014

	Financial services HK$'000	**Retailing** HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
Revenue	**198,063**	**1,172,040**	**1,505**	**1,371,608**
Segment (loss) profit	**(14,742)**	**19,231**	**(389)**	**4,100**
Unallocated other income				**483**
Corporate expenses				**(52,482)**
Gain on disposal of a commercial property				**18,002**
Fair value change on investment properties				**37,088**
Share of results of an associate				**60,463**
Unallocated finance costs				**(2,750)**
Profit before taxation				**64,904**

For the year ended 31 December 2013

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

All the segment revenue is derived from external customers.

Segment result represents the loss incurred/profit earned by each segment without allocation of certain other income, corporate expenses, gain on disposal of a commercial property, fair value change on investment properties, share of results of an associate and certain finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2014

	Financial services HK$'000	**Retailing** HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
ASSETS				
Segment assets	**1,871,204**	**398,921**	**2,242**	**2,272,367**
Investment properties				**213,666**
Unallocated property and equipment				**905**
Available-for-sale financial assets				**21,031**
Interest in an associate				**1,434**
Deferred tax assets				**6,200**
Unallocated prepayments, deposits and other receivables				**4,742**
Unallocated bank balances and cash				**17,588**
Total assets				**2,537,933**
LIABILITIES				
Segment liabilities	**1,439,714**	**363,499**	**4,141**	**1,807,354**
Unallocated accrued liabilities and other payables				**5,815**
Taxation payable				**16,493**
Unallocated borrowings				**2,210**
Deferred tax liabilities				**14,509**
Total liabilities				**1,846,381**

As at 31 December 2013

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

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to the reportable and operating segment other than investment properties, certain property and equipment, interest in an associate, loan to an associate, certain other assets, deferred tax assets, certain prepayments, deposits and other receivables, available-for-sale financial assets and certain bank balances and cash; and

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

Other segment information

For the year ended 31 December 2014

	Financial services HK$'000	**Retailing** HK$'000	**Online game services** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Interest income (exclude interest income from financial services segment)	**-**	**317**	**-**	**32**	**349**
Additions of property and equipment	**16,547**	**29,605**	**-**	**14**	**46,166**
Depreciation of property and equipment	**11,702**	**18,370**	**240**	**1,370**	**31,682**
Finance costs	**9,485**	**5,412**	**-**	**2,750**	**17,647**
Net gains on investments held for trading	**(66,473)**	**-**	**-**	**-**	**(66,473)**
Write-down on inventories	**-**	**4,518**	**-**	**-**	**4,518**
Loss on disposal/written-off of property and equipment	**-**	**5**	**8**	**467**	**480**
Write back of bad debts on accounts receivable, net	**(2,631)**	**-**	**-**	**-**	**(2,631)**
Write back of bad and doubtful loans receivable	**(2,700)**	**-**	**-**	**-**	**(2,700)**
Impairment loss recognised in respect of goodwill	**2,661**	**-**	**-**	**-**	**2,661**

For the year ended 31 December 2013

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Interest income (exclude interest income from financial services segment)	-	277	-	36	313
Additions of property and equipment	11,349	15,066	3	1,021	27,439
Depreciation of property and equipment	12,383	19,591	1,594	10,304	43,872
Amortisation of intangible assets	-	-	5,757	-	5,757
Finance costs	8,925	5,518	-	3,653	18,096
Net gains on investment held for trading	(67,598)	-	-	-	(67,598)
Write-down on inventories	-	4,548	-	-	4,548
Loss on disposal/written-off of property and equipment	-	147	934	6,042	7,123
Allowance on bad and doubtful loans receivable	1,000	-	-	-	1,000
Write back of bad debt on accounts receivable, net	(2,048)	-	-	-	(2,048)
Impairment loss recognised in respect of intangible assets	300	-	37,331	-	37,631

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2014	2013
	HK$'000	HK$'000
Income from financial services	**198,063**	194,565
Sales of furniture and household goods	**1,011,106**	939,959
Sales of electrical appliances	**160,934**	168,662
Income from online game services	**1,505**	3,307
	1,371,608	1,306,493

Geographical information

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

The Group's segment revenue from external customers determined based on location of operation of the Group and information about its non-current assets (excluding loans receivable, available-for-sale financial assets and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,366,572**	1,293,837	**390,757**	247,823
PRC	**5,036**	12,656	**61,042**	218,655
	1,371,608	1,306,493	**451,799**	466,478

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

(5) Income tax (expense) credit

	2014	2013
	HK$'000	HK$'000
Current tax:		
- Hong Kong Profits Tax	**(12,165)**	(6,066)
(Under) overprovision in prior years	**(1,846)**	1,550
Deferred tax (charge) credit	**(7,291)**	8,419
	(21,302)	3,903

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit or adjusted losses 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) Earnings (loss) per share

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

	2014	2013
	HK$'000	HK$'000
Profit (loss) for the purpose of basic earnings (loss) per share	**2,422**	(87,835)
Effect of dilutive potential ordinary share:		
Decrease in share of profits in CFSG	**(497)**	-
Profit (loss) for the purpose of diluted earnings (loss) per share	**1,925**	(87,835)

	2014	2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**554,148**	492,281

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

The incremental shares from assumed exercise of share options granted by the Company were excluded in calculating the diluted loss per share during the year ended 31 December 2013 because they were antidilutive in calculating the diluted loss per share.

For the year ended 31 December 2014, effect from assumed exercise of share options is excluded in calculating the diluted earnings per share as the exercise price is higher than the average market price in 2014.

(7) Accounts receivable

	2014	2013
	HK$'000	HK$'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
Accounts receivable arising from the business of provision of online game services	**205**	372
Accounts receivable arising from the business of retailing	**1,214**	-
	707,859	608,696

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

Accounts receivable from margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No aged analysis is disclosed as in the opinion of directors of the Company, the 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$15,368,000) 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 (2013: HK$15,368,000) during the year ended 31 December 2014. The Group expected to recover the remaining amount within the next 12 months from the end of the reporting period. Therefore, the directors of the Company believe no allowance for bad and doubtful debts is necessary.

(8) 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
Trade creditors arising from retailing business	**178,463**	164,588
Accounts payable arising from online game services	**419**	554
	1,287,188	1,197,530

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, included in accounts payable to clients of HK$57,385,000 (2013: HK$71,586,000) comprises an amount of HK$6,147,000 (2013: HK$15,368,000) maintained in MFG HK as disclosed in note (7). The required margin deposits are repayable upon the closure of the corresponding futures and options and leveraged foreign contracts position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$792,117,000 (2013: HK$784,704,000) 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:

	2014 **HK$'000**	2013 HK$'000
0 – 30 days	**68,983**	71,915
31 – 60 days	**45,529**	50,923
61 – 90 days	**38,604**	33,327
Over 90 days	**25,347**	8,423
	178,463	164,588

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

(9) Dividends

No dividend was paid or proposed during 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

(10) Capital risk management

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

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

(11) Capital commitments

	2014 **HK$'000**	2013 HK$'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: Nil).

REVIEW AND OUTLOOK

Financial Review

FINANCIAL PERFORMANCE

During the year under review, notwithstanding the challenges brought about by the uncertainty in the macro-economic and keen competition amongst industry players, the Group's Financial Service Business and Retail Management Business managed to weather through the difficulties and maintained the same revenue level of the previous year. Overall, the Group recorded revenue of HK$1,371.6 million for the year ended 31 December 2014 as compared to HK$1,306.5 million of the previous year. 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. In 2014, 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, 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. Overall, for the year ended 31 December 2014, the Group reported a net profit for the year of HK$43.6 million as compared to a net loss of HK$128.4 million of the previous year.

FINANCIAL SERVICES BUSINESS - FSG

For the year ended 31 December 2014, the Group's Financial Services Business (FSG) 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, FSG 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, FSG 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, FSG's revenue rose only 1.80% in 2014. As huge business opportunities across the border are expected to be available to FSG after the launch of the link-up between the Hong Kong and Shanghai exchanges, FSG 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, FSG will continue to maintain stringent cost controls over its operations. At the same time, FSG 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.

As a result of the above, FSG recorded a net segment loss of HK$14.7 million for 2014 as compared to a net segment loss of HK$17.6 million in 2013.

RETAIL MANAGEMENT BUSINESS - CRMG

For the year ended 31 December 2014, our Retail Management Business recorded revenue of HK$1,172.0 million and a net segment profit of HK$19.2 million as compared to revenue of HK$1,108.6 million and a net segment profit of HK$10.7 million in 2013.

Hong Kong Retailing Business

The Group's Retail Management Business was still facing rising operating costs as last year. The labour market conditions remained tight throughout 2014 which resulted in increases in salaries and wages. The 4.4% rise in the overall consumer prices for 2014 coupled with the skyrocketing rental cost had been keeping pressures on operating costs for the Group's retailing business. Hong Kong's overall retail sales dropped 0.2% in 2014 whereas consumer durable goods increased by 4.1%. Market concerns about the expected rise in interest rate and the various government's measures of dampening the housing demand certainly affected the property market for the first half of 2014. Whereas entering into the second half of year, the optimism about the property market rose to the new high due to the publication of official figures indicating the high short supply of land and the strong pent-up demand immediately following the government's policy to relax the property cooling measure by allowing an extension of the period for qualifying for the exemption from extra stamp duty. In response to the recent market shift toward small and medium size units, we introduced more readily made products series, such as "WinSill™" and "Transformer". The "WinSill™" furniture series better utilise the space of window bays and "Transformer" furniture series that have multiple functions can make better use of space by allowing a piece of furniture to be changed and reversed from one form (e.g. a table) to another (a bed) so as to serve different functions. On the other hand, we have strengthened our Tailor Made Furniture (TMF) services by setting up more TMF centres in our store network. The TMF services provide total home solutions to meet the living needs of our customers, especially those who have some special design and home-furnishing requirements for their flats and apartments. In addition, we started extending our overseas product sourcing to Japan and south-east Asian countries in the face of the recent devaluation of these currencies against Hong Kong Dollar, in order to let our customers enjoy higher quality products at better prices. Furthermore, we also placed more resources on e-commerce business to counteract the increase in rental cost as one of our cost-leadership strategies. As a result of the above, the Group's retailing business in Hong Kong reported revenue of HK$1,168.5 million, representing a mild increase of 6.3% as compared with HK$1,099.3 million in 2013. Overall, our Hong Kong retailing business recorded a net profit before taxation of HK$27.3 million for the year ended 31 December 2014 as compared to net profit before taxation of HK$26.8 million the previous year.

PRC Retailing Business

In order to devote more resources to high growth business sectors, we had determined to close down all our retailing business except for e-commerce business in PRC. Overall, for the year ended 31 December 2014, the PRC retailing operation recorded revenue of HK$3.5 million and a net loss before taxation of HK$8.1 million as compared to revenue of HK$9.3 million and a net loss before taxation of HK$16.1 million in 2013.

MOBILE INTERNET SERVICES BUSINESS

Despite a persistent strong growth in the mobile internet gaming market, market competition has become more intense than before with many small to medium-sized developers entering the market, flushing the market with numerous game titles. In view of the keen competition, the Group had taken proactive role in looking for the blue ocean of the market. The Group will continue to implement stringent cost control measures over its operations and adhere to a prudent strategy for its online game business. In the meantime, the Group will dedicate its best effort to explore new business initiatives in mobile internet industry other than the gaming sector. The Group will also continue to solicit partnerships and investment opportunities in other fast-growing e-commerce business models of the mobile internet market. Overall, for the year ended 31 December 2014, the Group's Mobile Internet Services business recorded revenue of HK$1.5 million and a net segment loss of HK$0.4 million as compared to the revenue of HK$3.3 million and a net segment loss of HK$66.5 million of the previous year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$691.6 million as at 31 December 2014 as compared to HK$664.8 million at the end of the previous year. The increase in equity was the result of the gain reported for the year less dividend distributed to non-controlling interest.

As at 31 December 2014, the Group had total outstanding borrowings of approximately HK$426.4 million compared to HK$458.7 million as at 31 December 2013. The bank borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately of HK$16.2 million payable to certain independent third parties and secured loans of approximately of HK$410.2 million. The above bank loans of approximately HK$410.2 million were secured by the Group's investment properties of carrying amounts of approximately HK$213.7 million, pledged deposits of HK$47.0 million, corporate guarantees and its margin clients' securities pledged to it.

As at 31 December 2014, our cash and bank balances totalled HK$1,156.6 million as compared to HK$1,154.7 million at the end of the previous year. The Group derives its revenue mainly in Hong Kong dollars and maintains its house funds mainly in Hong Kong dollars. The liquidity ratio as at 31 December 2014 remained healthy at 1.18 times, signifying a mild improvement as compared with 1.11 times as at 31 December 2013.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 61.7% as at 31 December 2014 as compared to 69.0% as at 31 December 2013. The 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 mismatch.

Material Acquisitions and Disposals

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

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

Subsequent Events

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

(i) Celestial Investment Group Limited ("CIGL", the wholly-owned subsidiary of the Company) as seller, Oceanwide Holdings International Finance Ltd ("Oceanwide") as purchaser and the Company (the holding company of CFSG) 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 CFSG as at the date of the agreement at the consideration of approximately HK$613.4 million (representing a purchase price of HK$0.37 per share), and

(ii) CFSG (as vendor) and CIGL (as purchaser) entered into the confident profits transfer agreement whereby CFSG 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 CFSG) 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 constituted a connected transaction and special deal for CFSG.

Details of the transactions were disclosed in the joint announcement of the Company and CFSG dated 9 March 2015.

Capital Commitment

The Group did not have any material outstanding capital commitment 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$44.5 million. The net gain derived from investments held for trading of HK$66.5 million was recorded for the year.

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

Business Review and Outlook

FINANCIAL SERVICES BUSINESS - FSG

Industry Review

In 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 2014. 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.

RETAIL MANAGEMENT BUSINESS - CRMG

Industry Review

In 2014, the Hong Kong retail market was generally flat, with total value for both the overall market and furniture and fixtures item recording a slight drop of 0.2%. Despite the HKSAR Government's cooling measures to curb the soaring property market, Hong Kong home prices climbed to new heights. Small and medium-sized flats led the growth, aggravating the space-management problems faced by many Hong Kong families. The Occupy Central Movement in Q4 2014 further dampened shopping enthusiasm and performance of certain signature stores in affected areas. Despite this challenging business environment, Pricerite managed to maintain growth momentum.

Business Review

Mission and Strategy

To reinvigorate and improve the Pricerite shopping experience, we implemented a comprehensive plan to revamp our brand to better reflect our strength and commitment to smart home solutions tailored for young families living in small and medium-sized apartments, and to help customers add style and personality to their living space.

Looking presciently to the real estate market's focus on small and medium-sized apartments, we used our unique local knowledge and market understanding of customer needs to address the space-management challenges presented by such flats. During the year, we developed a series of "smart" multi-functional products that could easily be extended, mixed and matched, transformed and tailored to meet customers' needs. We will continue to be a leading home furnishing provider in Hong Kong's small to medium-sized property market, providing one-stop solutions for Hong Kong families.

Store Network

During the year under review, Pricerite continued to optimise our store network for ease of patronage. We opened new stores in Tin Shui Wai, Aberdeen and Lam Tin, and in line with our revamped brand image, seven stores were revitalised. Our Megabox flagship store was expanded to over 40,000 square feet, the largest store delivering our new "Pricerite the HOUSE" concept or "everything under one roof". This involved various house and room sizes and designs featuring different products being provided in-store to better demonstrate our smart home solutions. The concept was well received, especially by younger customers, with more than 50% sales growth reported compared with the same period last year before the revamp.

Since the launch of our tailor-made furniture and home interior design services, we have seen a promising market response, with rapidly growing demand. To further enhance our service quality, we expanded our service team and formally named our Tailor Made Furniture service centres "家匠 TMF" to convey the flexibility and singular precision of customised home furnishing solutions. During the year, we expanded our "家匠 TMF" centres to 21 Pricerite stores and tripled our TMF specialist team, making "家匠 TMF" one of the largest service providers of tailor-made furniture and home interior design solutions in the city. We believe "家匠 TMF" provides reliable premium customised home furnishing service, offering unparalleled convenience and customer satisfaction with respect to delivery lead time, warranties and quality assurance.

Customer Experience

Pricerite focuses on providing a smart customer experience by creating a pleasant store environment, utilising the latest technology to enhance retail interaction and efficiency. Free WiFi is provided in most stores. Furniture transactions can be processed on tablets, which support product information as well as mobile POS and mobile payment. With this service-driven sales platform, different products and home solutions are all to hand, enabling faster checkout.

Merchandise Mix

Given the small apartments and crowded living space in most Hong Kong homes, our products feature unique functions to help customers better utilise living space, simplify life and save time and resources. They also emphasise style and colour coordination to reflect customers' individual lifestyles. In line with this, during the year, we introduced different multi-functional home furnishing solutions such as WinSill™ and other "transformational furniture".

E-commerce

During the year, Pricerite's online store continued to strengthen its selection, navigation and fulfilment so as to bring more convenience to customers when shopping online. With our self-operated online store covering Hong Kong and Macau and 生活經艷 online shop on T-Mall covering Mainland China, our overall online business saw a sharp increase in web traffic and doubled its revenue.

Awards and Recognitions

With our relentless pursuit of quality, we were again honoured with a variety of awards encompassing our visionary management, service excellence, quality assurance and efforts to protect the environment.

Our CEO, Mr Derek Ng, was bestowed with the Outstanding Entrepreneurship Award organised by Enterprise Asia in 2014 to recognise his vision and persistence in rejuvenating and reforming Pricerite. Our Executive Director, Ms Amy Leung, received the Distinguished Marketing Leadership Award from the HKMA/TVB Awards for Marketing Excellence in recognition of her significant contribution to marketing Pricerite. For the eleventh year in a row, our staff received Distinguished Salesperson Awards presented by the Hong Kong Management Association, while the company won the Gold Award in the Wholesalers and Retailers sector of the Hong Kong Awards for Environmental Excellence Sectoral Awards 2014 and was awarded the 10 Years Plus Caring Company Logo by the Hong Kong Council of Social Service. All these achievements demonstrate our continuous commitment to our various stakeholders.

Outlook

Following our brand repositioning, merchandising revamp and system upgrades in 2014, Pricerite launched the "Small Space : Big Universe"(小小空間:大大宇宙), branding campaign in early 2015 to better communicate our mission and philosophy to customers. We firmly believe, as noted in our campaign materials, that: "Home is where we truly enjoy life and build our own universe. We therefore developed a series of flexible and versatile home furnishing products, enabling a Small Space to become our customers' Big Universe." The campaign stars young, independent artists Ivana Wong and Kandy Wong, accompanied by the golden oldie, Childhood, to bring to mind a home that is both cosy and creative – just like Pricerite's innovative, stylish and comfortable products for young couples and individuals. With Pricerite's dedication to providing customers with an outstanding shopping experience, excellent customer service, smart product lines and a convenient store network, Pricerite is well positioned to help customers meet the space-management challenge.

MOBILE INTERNET SERVICES BUSINESS – NET2GATHER

Industry Review

According to the research report released by the China Audio-video and Digital Publishing Association (CADPA) and International Data Corporation (IDC), total revenue for gaming services in the China market in 2014 are estimated at RMB 114.48 billion, up 37.7% year-on-year. However, the audience base of gaming grew much slower pace than the industry's revenue. There were 517 million users of gaming services in the China market in 2014, up only 4.6% from last year.

It is expected that the growth of PC online games will be slower than in past years, as more companies will be shifting their focus towards mobile games. Rising smartphone, tablet and mobile internet penetration are also the major catalysts accelerating the growth prospect of mobile gaming industry and user spending. Mobile game sector in China has attracted investments from most of the major market players specializing in PC online games, browser-based games, and even from other non-gaming internet enterprises. As a result, large amount of homogenous titles with lack of content depth emerged in the market. Small and medium-sized developers and operators are now experiencing an increasingly fierce competition.

Recently, more successful mobile games are developed based on pre-existing intellectual property (IP), such as cartoon characters or other popular figures from entertainment franchises. Consequently, the surging costs in gaming development, IP acquisition, distribution and promotion have started knocking small players out of the business. Mobile games are designed for occupying lower play time session than PC-based games. Distribution channels and developers tend to implant front-loaded monetization features in game design. The life cycle and operating performance inevitably decline at a much faster rate after reaching a peak of popularity and player usage in just a few-month time. It is expected to see rapid consolidation of the mobile gaming market in the coming years.

The market players in gaming industry have opted to place their focus in overseas market in light of intense competition in the domestic market, and started to export the games to other countries to expand the business. The quality of Chinese games has gradually won recognition from overseas markets in recent years. Overseas sales of Chinese online games surged 69.0% to USD 3.076 billion in 2014, including 27.7% from PC games, 30.9% from web games and 41.4% from mobile games. Most overseas sales of Chinese game titles were achieved in Asian markets, like Taiwan, Thailand, Vietnam, Malaysia and other Southeast Asia countries with similar player tastes. Nonetheless, cultural differences and language barriers are still the main obstacle inhibiting the access of Chinese mobile games in Western markets.

Business Review & Outlook

In view of keen competition and unstable local business landscape in mobile internet industry, we plan to explore the potentials of game licensing business in overseas markets. Global app markets are generally better regulated and offer stronger intellectual property rights protection than the Chinese market. However, cultural differences, language barrier, poor localization capabilities and lack of expertise of target markets may undermine global expansion and distribution strategies of Chinese mobile game developers. Capitalizing on our proven record and extensive distribution network in global game licensing business, we plan to solicit global distribution partners to operate and promote Chinese game titles, while we also provide full-fledged services to the Chinese game developers to facilitate game distribution in overseas market, including localization, game feature enhancements, technical implementation and porting to particular distribution platforms, etc.

We will also continue to explore investment opportunities to form strategic partnerships with complementary mobile game businesses, particularly game development teams and distribution platforms, to enhance our product offerings and distribution capabilities, and allow us access to other valuable resources to facilitate our business development in overseas market.

EMPLOYEE INFORMATION

At 31 December 2014, the Group had 1,211 employees, of which 244 were at the CFSG Group. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$294.5 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 of 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 this 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 this 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 listed securities.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 30 March 2015

As at the date hereof, the Board comprises:-

Executive Directors:

Mr Kwan Pak Hoo Bankee
Mr Law Ping Wah Bernard
Mr Ng Hin Sing Derek

Independent non-executive Directors:

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

***** *For identification purpose only*