CONVOY 康宏

your finance navigator

ANNUAL REPORT 2013 年報

CONVOY FINANCIAL SERVICES HOLDINGS LIMITED 康宏理財控股有限公司

(incorporated in the Cayman Islands with limited liability)（於開曼群島註冊成立之有限公司）

Stock Code 股份代號：1019

Annual Report 2013

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lee Man *(Chairman)*
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu
Mr. Kwok Shun Tim (appointed on 30 April 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Fu Kwong Wing Ting, Francine
Dr. Wu Ka Chee, Davy
Mr. Ma Yiu Ho, Peter
Mr. Lam Chi Keung (appointed on 31 March 2014)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

5th, 7th, 39th, and 40th Floors, @CONVOY
169 Electric Road
Hong Kong

OUR COMPANY'S WEBSITE ADDRESS

www.convoy.com.hk

MEMBERS OF AUDIT COMMITTEE

Mr. Ma Yiu Ho, Peter *(Chairman of the audit committee)*
Mrs. Fu Kwong Wing Ting, Francine
Dr. Wu Ka Chee, Davy
Mr. Lam Chi Keung (appointed on 31 March 2014)

MEMBERS OF REMUNERATION COMMITTEE

Mrs. Fu Kwong Wing Ting, Francine
(Chairman of the remuneration committee)
Dr. Wu Ka Chee, Davy
Mr. Wong Lee Man
Mr. Lam Chi Keung (appointed on 31 March 2014)

MEMBERS OF NOMINATION COMMITTEE

Mrs. Fu Kwong Wing Ting, Francine
(Chairman of the nomination committee)
Dr. Wu Ka Chee, Davy
Mr. Wong Lee Man
Mr. Lam Chi Keung (appointed on 31 March 2014)

MEMBERS OF CORPORATE GOVERNANCE COMMITTEE

Dr. Wu Ka Chee, Davy
(Chairman of the corporate governance committee)
Mrs. Fu Kwong Wing Ting, Francine
Ms. Fong Sut Sam
Mr. Wong Lee Man

COMPANY SECRETARY

Mr. Chow Kim Hang

AUTHORISED REPRESENTATIVES

Mr. Mak Kwong Yiu
Mr. Chow Kim Hang

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL AUDITORS

Ernst & Young
Certified Public Accountants

CONVOY IS WITH YOU, AT EVERY STAGE OF YOUR LIFE

As a top-notch IFA firm in Hong Kong, Convoy Financial Group has been the trusted partner of its clients. Our high-calibre think tank, comprising over 2,000 professional financial consultants, is dedicated to providing diversified financial management strategies and formulating comprehensive and flexible financial plans which are tailor-made for different needs.

Convoy offers nearly 800 types of diversified financial products, including financial planning, insurance, assets management, MPF, immigration investment advisory as well as loan service, making up a well-balanced strategic portfolio of financial solutions.

Everyone needs companions to work together towards fruitful returns in life. Convoy is here to be your prudent partner to make every step with you along your journey of financial management.

CHAIRMAN'S STATEMENT

2013 was the 20th anniversary of Convoy Financial Group. Over the last year the media have often asked me to share the most memorable achievement of Convoy in those 20 years. Like many Hong Kong entrepreneurs, Convoy's founders and I started the company from scratch with very limited resources. Back then independent financial advisory was unfamiliar to the people of Hong Kong. But with a creative management team, an efficient structure and the dedication and commitment of our consultants, Convoy grew from a small 10 man office to a listed corporation with thousands of employees across Asia. That is quite an achievement, but our work is not yet complete. I believe our greatest achievements lie before us.

In the past year Convoy has achieved record results, and outperformed the market, while executing a strategy to diversify into new products and geographies. Convoy is now not just a traditional financial advisor, but is a financial services group with a variety of products for our customers. Institutional investors have recognised the potential of our strategy, by buying large positions in our stock during the year. The continuing diversification in 2014 will lead us to our greatest achievement, to be the leading independent financial advisor in Asia.

CONTINUOUS GROWTH FROM MAINLAND CHINA

The most pleasing aspect of 2013's results was the continuing growth and contribution from Mainland China. We had a major breakthrough by completing a number of acquisitions and obtaining the National Insurance Agent License. With this, we are now able to develop comprehensive insurance and wealth management businesses. Accordingly the proportion of revenue contribution from Mainland China increased significantly from 2.5% to 9.5%. This proves that the Group's investment in Mainland China is appropriate and that the Convoy brand is being recognised by more and more Chinese residents. Among the products sold in 2013 were investment immigration services, diversified asset management, savings life insurance, overseas life insurance, critical illness insurance, high-end medical insurance and wealth legacy planning.

We firmly believe that the synergies between our operations in Mainland China and Hong Kong will only grow. Therefore, the Group will continue to invest by recruiting outstanding sales consultants, nurturing management talent and enhancing brand awareness. We will focus in 2014 on strengthening our relationships with regional sales channels, to establish the most powerful IFA platform bridging across Mainland China and Hong Kong.

ACQUISITION OF ASSET MANAGEMENT BUSINESSES

Following the strategy of diversifying into new products and revenue lines, the Group completed its acquisitions of Convoy Asset Management Limited ("CAM") and Kerberos (Nominee) Limited ("Kerberos"). CAM provides investment advisory, funds dealing, introducing broker and asset management services, and manages over US$250 million on a discretionary basis. Its strategic partners include over 40 fund companies and private banks with over 400 products for selection. Kerberos is principally engaged in the provision of nominee services.

The acquisitions have greatly strengthened our service platform and opened us to new sources of customers. Last year, we also recruited a professional investment team to expand into the professional investors market, which will further broaden the income sources of the Group. We are confident that these acquisitions and developments will make significant contributions to the Group's future revenues and profits.

INTRODUCTION OF STRATEGIC SHAREHOLDERS

The Group was very proud to introduce two major strategic development partners and shareholders, Town Health International Investments Limited ("Town Health") (stock code: 3886) and RHB Asset Management Sdn Bhd ("RHB"), through an equity raising in 2013. Town Health is one of the largest medical network operators in Hong Kong, providing medical and dental services, as well as investment and asset management. RHB is a Singaporean asset management company and the subsidiary of a major Malaysian banking group. The Group expects the introduction of these investors will help further develop its products and geographic reach.

Furthermore the fact that we attracted such well-known investors reflects the market's optimism towards the financial advisory industry in Hong Kong. It also proves that institutional investors support our current operations and our future development strategies. Our prospects appear bright as we seek to become the leading IFA in Asia.

EXPANSION TO SOUTHEAST ASIA

With the acquisitions of CAM and Kerberos, as well as the introduction of RHB as a shareholder, we believe this is a great moment to expand into South East Asia. Combining Convoy's asset management experience in Hong Kong, with RHB asset management experience in Singapore and Malaysia, gives us the product lines to reach new customers in the region.

Meanwhile, we are also exploring development opportunities in Japan. Revenue from Japanese clients has been increasing in the past two years, reflecting potentially significant demand there. To satisfy the needs of Japanese clients, the Japanese language was added to the Group website and we have employed Japanese-speaking consultants. It is probable that we will co-operate with Japanese financial institutions in the future to move into the local financial advisory market when we are ready.

THE YEAR AHEAD

Research suggests that to nurture a new-born from today until he graduates university requires HK$8 million, including inflation. Whether or not you believe the assumptions behind that research, it is true that we live today in an increasingly complicated world, and proper wealth management is critical to ensure our families are provided for. To meet the future financial needs of the people of Asia, Convoy must diversify its products and services.

The Group's achievements in the first 20 years rest solely on the professionalism and passion of our colleagues. They will continue to drive the Group's development in the future. I would like to sincerely thank my fellow Board members for their valuable advice, contribution and outstanding leadership, as well our staff's commitment and loyalty. I also thank our clients, business partners and shareholders for their enduring support.

Mr. Wong Lee Man

Chairman

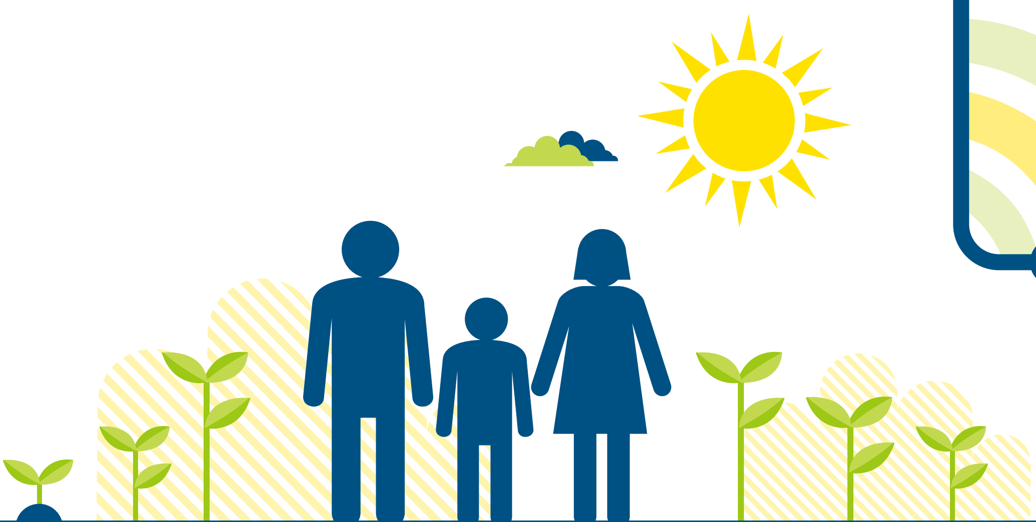
Photography by Wong Ho Fai.
Provided by Sportsoho

Wong Lee Man
Chairman

Hong Kong, 27 March 2014

SHARING FRUITFUL RETURNS

Over the years, Convoy has been striving to provide high-quality wealth management services to Hong Kong people, and has provided an integrated financial platform to address the financial needs at different stages of their life. Leveraging on our excellent governance practices, values, commitment to sustainable operations as well as sound risk management, we are pleased to create wealth and add value for our shareholders and share fruitful returns.



CHIEF EXECUTIVE OFFICER'S REVIEW

Ms. Fong Sut Sam

Chief Executive Officer

Convoy has had a remarkably successful financial year, especially in light of new commission disclosure regulations which many in the industry found worrying. Due to comprehensive preparations for these regulations, our core ILAS business significantly outperformed the market. 2013 was also a year of diversification, when we began the execution of our strategy to introduce new products and revenue lines to the business, including online insurance, money-lending and proprietary investment. Our expansion into China is also on-track and the year ahead is an exciting one, as we accelerate the pace of our overseas development.

On behalf of the Board, I am delighted to announce that for the year ended 31 December 2013, the Group recorded a revenue of approximately HKD1,019.0 million in the financial year, representing an increase of approximately 44.8% when compared with last year. Profit attributable to owners of the Company increased to approximately HKD97.7 million (2012: HKD1.4 million), net profit margin increased from approximately 0.2% for the twelve months ended 31 December 2012 to approximately 9.6%. Basic earnings per share were HK22.8 cents (2012: HK0.3 cents).

ILAS BUSINESS SIGNIFICANTLY OUTPERFORMED THE MARKET

The ILAS business, which makes up 89.7% of our total Hong Kong IFA revenue, increased by approximately 23.3% from approximately HKD630.1 million in 2012 to approximately HKD776.7 million in 2013. This was a very pleasing result in light of new commission disclosure regulations which many in the industry found worrying.

Effective July 2013, the HKMA and the OCI required banks and insurance brokers respectively to disclose brokerage commissions in the sale of ILAS, to increase transparency and safeguard the interests of investors. The implementation of these regulations had an enormous impact on the industry, with banks even ceasing to offer ILAS. Since Convoy has been principally engaged in the sale of ILAS, many investors were concerned that the new regulations would materially impact the Group's revenue. Due to comprehensive preparations, including the training of consultants, the amendment of all documentation and a concerted effort to explain the changes clearly to our clients, our ILAS business did better rather than worse. By number of cases, there was an annual increase of 7%, and by income there was an annual increase of approximately 23.3% and significantly outperformed the market.

A contributing factor to our ILAS growth has been the strategic development of our investment immigration business. Because ILAS is included as a permissible investment class for the overseas investment immigration scheme, a number of immigration clients opted for ILAS products, boosting revenues markedly. The year's result for ILAS is evidence that the Group has developed a solid foundation for the business and is well-trusted by its clients.

DIVERSIFYING AND GROWING NON-ILAS BUSINESS

We have made great efforts to increase non-investment-linked product business in recent years. Under intensive training, our consultants have promoted non-ILAS insurance products more heavily, enabling the Group to achieve significant growth in income and a more balanced revenue stream. We achieved a non-ILAS insurance revenue increase for the year of approximately 66.3%, from approximately HKD45.6 million in 2012 to approximately HKD75.9 million in 2013. On our insurance services platform, the most popular products currently include annuity savings plans, critical illness insurance, universal life insurance and endowment insurance plans.

In order to provide our clients with a more diversified range of options, we will be more active in exploring new products to suit the needs of different types of clients. We are delighted that ACE Life Insurance Company Ltd has officially become one of our insurance issuers, which means the Group now has 21 life insurance providers. Furthermore, during the year, the Group had cooperated with BOCG Life for the first time to sell insurance products and was the first IFA firm to be appointed as an authorised distributor of the "Wealth Conquer Universal Life Insurance Plan".

GENERAL INSURANCE DEVELOPED ACROSS MULTIPLE PLATFORMS

Upon the launch of i-Convoy, the Group's well-received online insurance shopping platform in Hong Kong, we have recorded an exponential growth in the number of clients. Among such online general insurance products, travel insurance, medical insurance and motor insurance have been the most popular.

Meanwhile, the Group also started offering other more specialised general insurance products. We introduced Jardine Lloyd Thompson Limited for our institutional clients, which is a solid foundation for further expansion into the institutional insurance market.

STABLE DEVELOPMENT OF MPF BUSINESS

Another key driver for the Group's business growth is our MPF business. Since the launch of MPF "ECA" (commonly known as "MPF Semi-Portability"), the Group has achieved an outstanding performance in MPF sales. Revenue for the period under review increased by approximately 69.2%, from approximately HKD8.0 million in 2012 to approximately HKD13.5 million in 2013. Furthermore, during the period, our MPF AUM grew to HK$2,666 million which was an increase of 73% over 2012. This significantly outperformed the market-wide increase of just 17%.

As the largest MPF intermediary in Hong Kong, the Group also feels obliged to educate the public about MPF. In addition to writing MPF articles in major newspapers, the Group has launched the very first MPF index in Hong Kong, the Convoy MPF Index, which is the first free MPF performance index for the retail market. We also launched an MPF equity index and MPF bond index last year to make the service even more comprehensive.

IMMEDIATE PROFIT FROM MONEY LENDING

2013 was a year of diversification to balance the risks of the Group's businesses. In the first half of the year, the Group established a money lending business, Convoy Collateral Limited. The purpose is to provide more comprehensive financial services for existing clients and to attract more new clients. The business achieved encouraging results and contributed immediate profit on interest income of approximately HKD5.7 million. Our average second mortgage loans were HK$1.6 million with an interest rate of 9% to 15% per annum.

HIGH YIELDING PROPRIETARY INVESTMENT

Proprietary investment was another strategic diversification by the Group in 2013. This business generated a revenue of approximately HK$46.4 million in the year, representing 4.6% of the Group's total revenue. The Group believes that this business provides increased returns to shareholders and spreads risk into other asset classes. Furthermore, with the injection of the asset management business into the listed company, the benefits of having a strong, internal equity trading service for clients will become more apparent.

MAINLAND OPERATIONS ON THE RIGHT TRACK

The Mainland operations, which began in 2011, achieved a major breakthrough in 2013. At the beginning of the year, the Group successfully obtained the National Insurance Agent License. We were the first Hong Kong enterprise to receive the license in China, which immediately strengthened our competitiveness. Revenue increased by approximately 446.7% from approximately HKD17.7 million in 2012, to approximately HKD96.5 million in 2013, surging as a proportion of the Group's revenue to 9.5%, which was in-line with our expectation. The net loss was greatly reduced and operations are on-track to achieve profit. The Group will continue to develop this national business platform to take advantage of the synergies of the Mainland China and Hong Kong operations. We will seek to provide comprehensive and integrated financial management services to clients in Mainland China by forming a compelling package of financial products.

FRONT-LINE CONSULTANTS INCREASED BY 20% TO SERVICE DEMAND

In light of continuous business expansion, recruitment of front-line consultants increased 19% during the period, the fastest growth in recent years. The Group now has over 2000 consultants. Despite fierce competition within the industry, the Group has successfully attracted new recruits as we are known for valuing talent above all else. The Group also continuously rewards outstanding sales performance with incentive programs, and organises activities to keep morale high.

A STRENGTHENED CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM CONTRIBUTING CROSS-SELLING OPPORTUNITIES

We firmly believe that there are different wealth management needs at different stages of life for each of our clients. Following diversification of the Group's businesses, we now provide various products and services on our financial services platform. To further strengthen the relationship with our clients across all businesses, the Group has began optimising the IT systems to develop a more detailed customer relationship management system which manages client data and information more effectively. This will help the Group satisfy the different values of individual clients, which will promote client loyalty and retention. This will also help us realise cross-selling opportunities, which will comprehensively improve corporate profitability.

ENHANCED BRAND EQUITY WITH TV SPONSORSHIP

Despite Convoy's market leading position, we believe the sustainability of brand equity is essential. On the 20th anniversary of the parent company, we commenced a series of far-reaching promotional campaigns. For the first time, we sponsored the television programme "Xtreme Marathon (極地狂奔)", in which our Chairman and Convoy members ventured to the North Pole and the desert. The marathons received extensive media coverage, achieving a significant benefit to sales. The Group also shot and produced a brand new series of television and print advertisements, enhancing our brand equity in the public's mind.

DIVERSIFY AND EXPAND ACROSS ASIA

In the coming year, the Group will adhere to its business diversification strategy and keep strengthening the financial services platform. The listed Group acquired the asset management business from the parent company to provide a wider range of financial services to our clients.

Leveraging on our outstanding performance and position in Hong Kong, the Group will also accelerate the pace of overseas development across Asia. In the successful December 2013 share placement, the Group introduced a new shareholder, RHB Asset Management Sdn Bhd ("RHB"), to be our strategic partner. RHB is one of South East Asia's leading asset managers, which will help the Group develop its businesses in the region. Apart from Singapore and Malaysia, Japan will also be one of our target markets in the year ahead as we execute our ambition to be the leading IFA in Asia.

On behalf of the executive management, I would like to express our gratitude to our shareholders and business partners for their continuous support of the Group. I would also like to thank our consultants and colleagues for their contributions to the Group during a remarkably successful year.

CONVOY CARES

Convoy attaches considerable importance to its connections with the stake holders, and believes that its well-established relationship with them are essential to the sustainable development of an enterprise. For our contribution to the society, we actively participated in various charitable and community activities, and encouraged our staff to take part in voluntary activities. Over the past year, Convoy Volunteer Team organised a total of 15 voluntary activities, serving the society for over 6,000 hours, and organised various caring voluntary activities, including senior home visits during festivals, trips to visit students in Mainland China and beach-cleaning campaigns, spreading our love all over the Mainland and Hong Kong.

In addition, we continue our collaboration with "Green Monday", promoting the environmental significance of vegetarian diets. We also set up "GOOD POINT" self-serving shopping counters at our offices to market products made by social enterprises to the public. With our support towards social enterprises, Convoy is pleased to become their promotional platform to spread their message, namely volunteerism via creative business, across the society.

HIGHLIGHTS OF THE YEAR

CORPORATE NEWS

FEBRUARY 2013

Ten Convoy spokespersons continued to represent the Company to attend media interviews and issue articles on newspapers and magazines so as to promote the concepts of proper financial management.

APRIL 2013

Wong Lee Man, our Chairman, and four Convoy financial consultants, together with Francis Ngai and Janis Chan, being the founder and the executive director of Green Monday respectively, formed the first team from Hong Kong to participate in the North Pole Marathon, with an aim of arousing people's concern about global warming.

APRIL 2013

Ten Convoy financial consultants participated in the 254-kilometer Marathon Des Sables for a period of seven days, and raised funds for the "University Student Financial Assistance Program" of U-Hearts, so as to subsidise students with poor financial conditions but outstanding academic achievement.

MAY 2013

The opening ceremony of @CONVOY was held, indicating the Group has officially moved to the headquarters at North Point.

OCTOBER 2013

The brand-new "Student Trainee Experience Program" ("STEP"), which is to recruit prospective university graduates with great potential, was launched to provide tailor-made professional training to young people who are aiming to work in the financial planning industry.

NOVEMBER 2013

The findings for Convoy's survey of "MPF Employee Choice Arrangement" that collected employees' views on the Employee Choice Arrangement were announced.

MAY 2013

Ten Convoy financial consultants obtained outstanding results in the "7th HKIB Outstanding Financial Management Planner Awards", among which Monica Yeung, Chief Wealth Management Advisor of Convoy, was granted "Gold Award" and Zuriel Fu, one of Convoy Spokespersons and our Deputy Director, won "Best Financial Planning Proposal Award".

JULY 2013

Monica Yeung, Chief Wealth Management Advisor of Convoy, (second from the right) won "Gold Award", "Professional Image Award" and "Most Admired Advisor of the Year" in "Benchmark Advisor of the Year Awards 2013" organised by Benchmark Magazine.

OCTOBER 2013

Convoy was crowned "Company for Financial Planning Excellence" by the IFPHK for seven consecutive years. Meanwhile, 32 Convoy elites swept all nominations of the Category of Independent Financial Advisory, suggesting the repeated recognition by the industry for our professionalism and performance.

DECEMBER 2013

Awarded "Outstanding Listed Company Award" from The Hong Kong Institute of Financial Analysts and Professional Commentators Limited ("HKIFAPC").

AWARDS

DECEMBER 2013

Awarded "Accredited Professional Financial Planning Firm Award" from IFPHK.

JANUARY 2013

Before the Lunar New Year, Convoy Volunteer Team visited the 100 senior residents living alone in Pak Tin Estate, Shek Kip Mei and delivered fortunate bags.

JANUARY 2013

Held a "Meatless Monday" lunch with Green Monday to promote green diet among its staff.

CORPORATE SOCIAL RESPONSIBILITIES

JANUARY 2013

Convoy Team participated in "HSBC Pok Oi Cycle for Millions" to raise funds for Pok Oi Hospital.

FEBRUARY 2013

Took part in "Green Power Hike" to raise funds for the promotion of environmental education.

FEBRUARY 2013

On the Lunar New Year's Eve, Convoy Volunteer Team paid a visit to two elderly homes in Tsuen Wan and furnished their homes with festive decors.

FEBRUARY 2013

60 Convoy elites participated in the Hong Kong Marathon to promote Green Monday and raise funds for the disabled athletes in Hong Kong.

FEBRUARY 2013

Sponsored "Fly For Love" organised by IN Volunteer. 100 disabled children and parents were granted a chance to fly to Taipei for a flying trip experience.

MARCH 2013

Convoy Volunteer Team attended the "Walk for Children" event held by Plan International to raise funds for improving the living environment of children in China, Cambodia and Kenya.

MAY 2013

Participated in "JESSICA Run" and raised funds for social welfare organisations to help the needy in society.

JUNE 2013

Convoy Volunteer Team co-organised an elderly visit with Home of the Elderly Charitable Foundation and gave gifts packs of dumplings and fresh fruits to senior citizens at two elderly homes in Sai Wan.

CORPORATE SOCIAL RESPONSIBILITIES

AUGUST 2013

In collaboration with Green Council, Convoy Volunteer Team organised the first-ever "Beach Cleanup 2013" and cleaned up the Rocky Bay Beach in support of marine environment protection.

AUGUST 2013

Convoy Volunteer Team took disadvantaged children to watch the non-verbal physical comedy "DETENTION" to help them understand different forms of artistic expression.

CORPORATE SOCIAL RESPONSIBILITIES

AUGUST 2013

Convoy set up the self-service vending machine "GOOD POINT" with Good Goods at @CONVOY, the headquarters of the Group in North Point, and became one of the first group of corporations that supports the organisation and the first institution among the financial sector in Hong Kong that backs the project.

SEPTEMBER 2013

Convoy Volunteer Team spread their blessings of Mid-Autumn Festival to the elderly by paying a visit to senior residents living alone in Wan Chai before Mid-Autumn Festival and giving them healthy and low- sugar moon cakes prepared by social enterprises.

OCTOBER 2013

Convoy fully supported Shark Savers' "I'm FINished with FINS" Campaign, and signed a corporate pledge on behalf of the Group to say no to shark fin soup, aiming to promote shark and marine conservation.

OCTOBER 2013

Convoy Volunteer Team visited students at the mountains of Cangwu County, Guangxi and set up a library of the books sent to encourage them to get rid of poverty by acquiring knowledge.

NOVEMBER 2013

A record number of over 70 Convoy Top Athletes participated in "Oxfam Trailwalker 2013" in support of Oxfam's work on poverty alleviation and disaster relief.

DECEMBER 2013

Wong Lee Man, our Chairman, supported the first international "Hug-a-Shark-Day" by calling on people to be FINished with FINS.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Key financial information/financial ratios	For the year ended 31 December 2013 HK$'000	2012 HK$'000 (restated)	% Change Increase
Revenue	**1,018,983**	703,812	44.8%
Net profit attributable to owners of the Company	**97,704**	1,372	7,021.3%
Net profit margin attributable to owners of the Company	**9.6%**	0.2%	9.4%
Dividend per ordinary share:			
– Proposed final dividend	**2.0 cents**	–	
– Interim dividend declared during the year	**–**	3.0 cents	
	2.0 cents	3.0 cents	

FINANCIAL REVIEW

Group financial performance

Convoy has achieved an outstanding financial performance for the year ended 31 December 2013. The profit attributable to owners of the Company increased sharply from approximately HK$1.4 million for the year ended 2012 to approximately HK$97.7 million for the year ended 2013. The net profit margin attributable to owners of the Company increased from approximately 0.2% for the year ended 2012 to approximately 9.6% for the year ended 31 December 2013. These impressive financial results are primarily attributable to the significant 26.7% growth in revenue of the Hong Kong IFA business which was due to product diversification, successful sales incentives and a dedicated marketing effort to counter new commission disclosure regulations. The financial results were also helped by our strategy of business diversification, including a profit of HK$38.5 million from the money lending business, as well as realised and unrealised gains and dividend income from the proprietary investment business, both of which began operating in 2013.

Group revenue

Our Group revenue increased approximately 44.8% from HK$703.7 million in 2012 to HK$1,019.0 million in 2013.

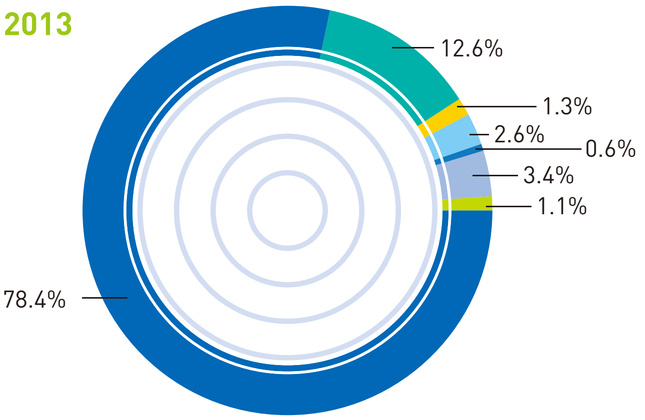
The increase was due to strong results in our core ILAS products in the IFA business, as well as business diversification and regional expansion strategies that we have put into place since our Listing. In 2013, Convoy began money lending and proprietary investment businesses to provide new financial services to customers and to create an all-rounded IFA group. These businesses brought immediate economic benefits to the shareholders with revenue of approximately HK$52.1 million. An analysis of the Group's revenue is as follows:

Revenue by reportable segments:	2013 HK$'000	2012 HK$'000	Increase HK$'000	% Change %
IFA business	**966,896**	703,726	**263,170**	**37.4%**
Money lending business	**5,667**	–	**5,667**	**n/a**[Note]
Proprietary investment business	**46,420**	–	**46,420**	**n/a**
Total	**1,018,983**	703,726	**315,257**	**44.8%**

Note: For management discussion and analysis purpose, no application of merger accounting (as disclosed in note 4 to the financial statements) will be made for the year ended 31 December 2012.

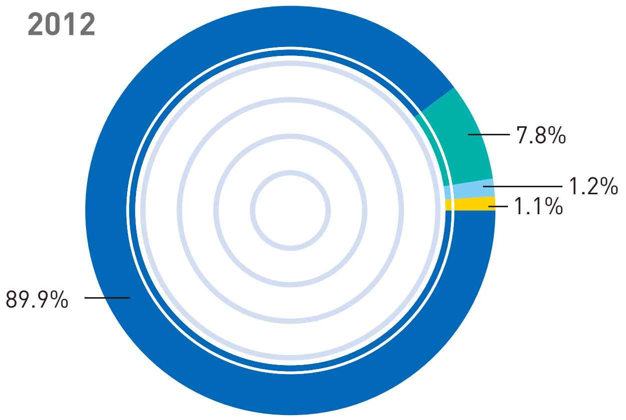
REVENUE MIX ANALYSIS:

2013



- Investment brokerage commission income
- Insurance brokerage commission income
- Pension scheme brokerage commission income
- Advisory income
- Interest income from money lending business
- Fair value gains on equity investments at fair value through profit or loss, net
- Dividend income

2012



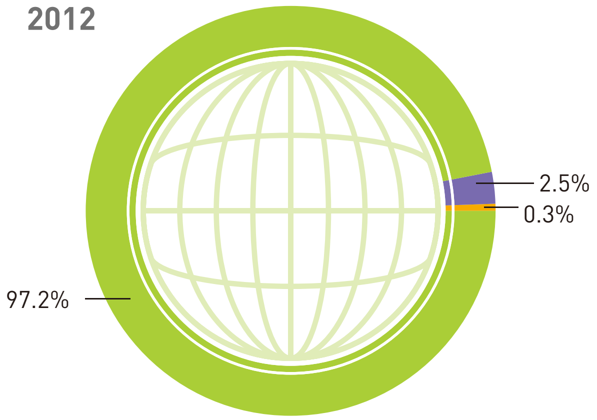
- Investment brokerage commission income
- Insurance brokerage commission income
- Pension scheme brokerage commission income
- Advisory income

REVENUE BY GEOGRAPHICAL REGION:

2013

- Hong Kong
- Mainland China
- Macau

2012



- Hong Kong
- Mainland China
- Macau

Note: The revenue information above is based on the location of the operations. The Group's fair value gains on equity investments at fair value through profit or loss, net and dividend income are excluded from total revenue for the purpose of identifying revenue from external customers.

Group operating expenses

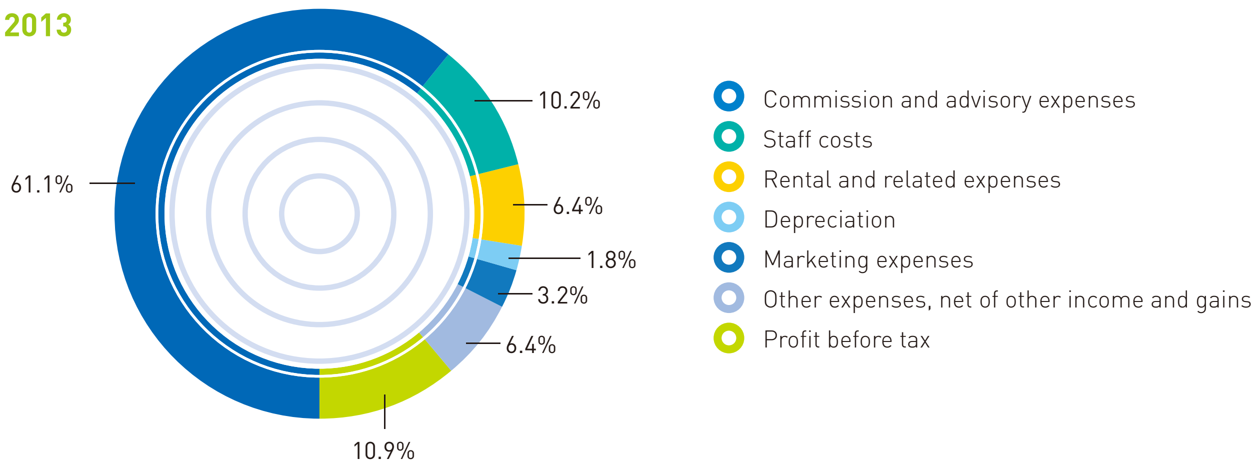
Total operating expenses increased by 30.9% from HK$698.6 million in 2012 to HK$914.5 million in 2013. The overall cost-to-revenue ratio improved from 99.3% in 2012 to 89.7% in 2013, which was due to our stringent and effective cost control strategies. An analysis of these expenses is as follows:

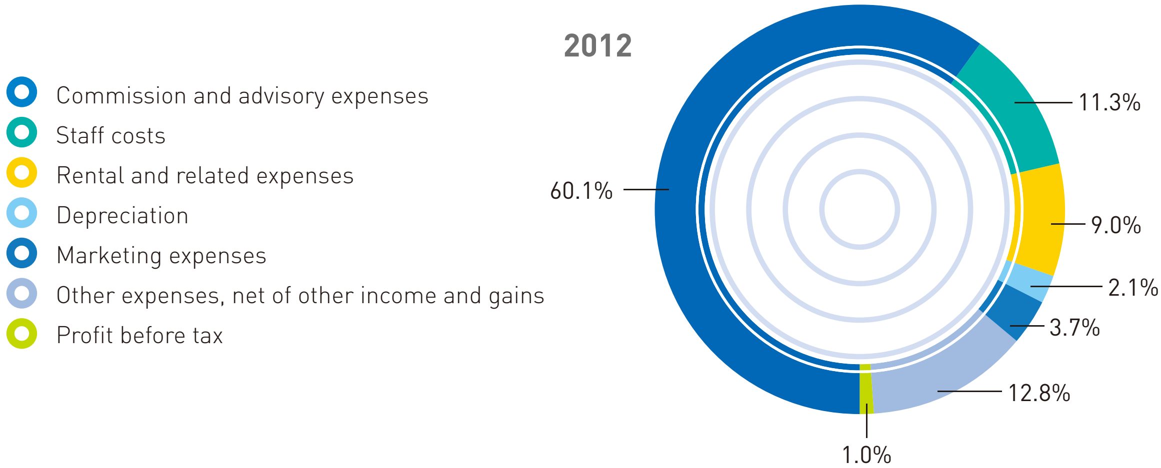
	2013 HK$'000	2012 HK$'000	Increase HK$'000	% Change %
IFA business	886,379	687,507	198,872	28.9%
Money lending business	2,637	–	2,637	n/a[Note]
Proprietary investment business	10,886	–	10,886	n/a
Corporate head office	14,602	11,089	3,513	31.7%
Total	914,504	698,596	215,908	30.9%

Segmental financial performance

The following section describes the Group's segmental financial performance for the year ended 31 December 2013, as well as each segment's future prospects.

COST TO REVENUE ANALYSIS:





Note: The revenue information above is based on the location of the operations. The Group's fair value gains on equity investments at fair value through profit or loss, net and dividend income are excluded from total revenue for the purpose of identifying revenue from external customers.

IFA business

Hong Kong

Convoy's Hong Kong operations continued to be the largest contributor of revenue and profits to the Group's IFA business. Revenue increased 26.7% from HK$683.7 million in 2012 to HK$866.0 million in 2013. Profit attributable to owners of the Company increased by 34.2% from HK$72.0 million in 2012 to HK$96.6 million in 2013.

Revenue

Revenue from our Hong Kong operations increased 26.7% from HK$683.7 million in 2012 to HK$866.0 million in 2013. This was due to product diversification, successful sales incentive schemes and a dedicated marketing efforts to counter new commission disclosure regulations.

Revenue mix analysis (HK operations):	**2013**	2012	**Increase**	**% Change**
	HK$'000	HK$'000	**HK$'000**	**%**
Investment brokerage commission income	**776,719**	630,098	**146,621**	**23.3%**
Insurance brokerage commission income	**75,876**	45,620	**30,256**	**66.3%**
Pension scheme brokerage commission income	**13,452**	7,950	**5,502**	**69.2%**
Total	**866,047**	683,668	**182,379**	**26.7%**

ILAS revenue continued to be the major contributor to the Hong Kong IFA business. ILAS revenue increased 23.3% over the year, despite the rapidly changing economic and regulatory environment. New commission disclosure regulations forced us to make comprehensive preparations, including the training of consultants, the amendment of all documentation and a concerted effort to explain the changes clearly to our clients. Leveraging on our strong consultancy team and well-established brand name, we were able to not only achieve grow, but our ILAS business comprehensively outperformed the market. This has proved the effectiveness of our core business models.

There was an increasing demand for our ILAS products from wealthy Mainland China customers, who treat Hong Kong as an important investment destination and need wealth management and financial planning services. Revenue from Mainland China customers accounted for approximately 25.1% of new ILAS's new business for 2013, an increase on 2012's figure of 18.6%. This figure is expected to keep rising.

As part of the Group's strategy to diversify product revenue, we have developed non-linked insurance, general insurance and MPF business. These businesses achieved an excellent performance in the 2013.

Non-linked and general insurance product revenue increased by approximately 66.3% in 2013. The proportion of revenue derived from other insurance products increased from 6.7% in 2012 to approximately 8.8% in 2013. The increases were due to a cross selling campaign and a new telemarketing campaign to existing customers. The Group will continue to pursue its strategy to diversify its businesses and customer portfolio and to invite more life insurance partners to join our platform so as to achieve healthy and stable growth in revenue.

MPF revenue increased by 69.2% and its proportion of revenue derived from other insurance products increased from 1.2% in 2012 to 1.6% in 2013. This was mainly driven by the successful launch of the Mandatory Provident Fund's new Employee Choice Arrangement (ECA – known as "MPF Semi-Portability"), in November 2012. It is expected that new business opportunities in relation to MPF and the relevant financial planning business would continue to grow for years because the market would react to this change gradually and definitely increase the awareness of the importance of financial planning. Thus, the Group would commit on the investment and development in this respect. Although the ECA market is not as active as expected, we believe it will take time to attain a critical mass of explosive growth.

Operating expenses

Total operating expenses recorded by our Hong Kong operations increased 25.8% from HK$598.5 million in 2012 to HK$752.9 million in 2013.

Operating expenses (HK operations)	2013 HK$'000	2013 Margin (%)	2012 HK$'000	2012 Margin (%)
Commission expenses	558,044	64.4%	413,035	60.4%
Staff costs	60,297	7.0%	48,767	7.1%
Rental and related expenses	47,222	5.5%	53,005	7.8%
Depreciation	14,331	1.7%	11,358	1.7%
Commission clawback	8,392	1.0%	6,668	1.0%
Marketing expenses	30,649	3.5%	25,722	3.8%
Other expenses	33,943	3.9%	39,912	5.8%
Total	752,878	87.0%	598,467	87.5%

Commission expenses increased 35.1% from HK$413.0 million in 2012 to HK$558.0 million in 2013, outpacing the corresponding rise in revenue. The increase was primarily attributable to the Group's strategies of relocating more resources to our service contributor in bid to strengthen our consultant team to attain further growth in future.

Staff costs increased 23.6% from HK$48.8 million in 2012 to HK$60.3 million in 2013. This was attributable to the Group's strategies of devoting more resources to attract, recruit and retain talent in bid to support our business expansion and to strengthen our operational platform. We believe that the staff costs were increased at a reasonable pace and were within our cost control.

Rental and related expenses decreased 10.9% from HK$53.0 million in 2012, to HK$47.2 million in 2013, due to various space planning strategies to enhance the usage efficiency and lower the unit cost of space.

Marketing expenses increased 19.2% from HK$25.7 million in 2012 to HK$30.6 million in 2013, mainly due to more promotional campaigns. Branding, advertising and sales incentives were increased in the first half of 2013 to celebrate the 20th anniversary of Convoy and gain momentum in new product categories. We will continue to explore more business promotion campaigns and marketing channels in bid to keep the momentum in the coming years.

Other expenses decreased by 15.0% from HK$39.9 million in 2012 to HK$33.9 million in 2013, due to effective cost control strategies that have been in place and the decrease in one-off expense of the relocation of the Company's Hong Kong office premises of approximately HK$12.2 million.

Mainland China

The Group entered Mainland China in January 2011. We have now successfully commenced operations in Beijing, Guangdong, Jiangxi and Sichuan and made significant improvements to financial performance, with total revenue increasing by 446.7% from HK$17.7 million in 2012 to HK$96.5 million in 2013 and cost-to-revenue ratio has been significantly improved from 489.5% in 2012 to 134.0% in 2013. Such encouraging results were expected and in-line with our original business plan. Revenue was increased due to sales efforts and product diversification, while effective and stringent cost controls were also put in place. Also, the integration of 江西康宏泛誠保險代理有限公司 ("康宏江西") and 康宏碧升保險代理有限公司 ("康宏碧升") has strengthened our nationwide network and platform. Furthermore, the rapidly expansion of our Guangdong business and the set-up of 深圳前海康宏匯資產管理有限公司 ("前海康宏匯") in Qianhai in 2013, also affected the performance in the year.

Revenue by Mainland China geographical region:	**2013 HK$'000**	**2013 %**	2012 HK$'000	2012 %
Beijing	**31,217**	**32.3%**	9,815	55.6%
Guangdong province	**30,076**	**31.2%**	986	5.6%
Jiangxi province	**16,201**	**16.8%**	3,731	21.1%
Sichuan province	**19,024**	**19.7%**	3,123	17.7%
Total	**96,518**	**100.0%**	17,655	100.0%

Revenue mix analysis (Mainland China operations):	**2013 HK$'000**	2012 HK$'000	**Increase HK$'000**	**% Change %**
Investment brokerage commission income	**18,045**	–	**18,045**	**n/a**
Insurance brokerage commission income	**51,772**	8,978	**42,794**	**476.7%**
Advisory income	**26,701**	8,677	**18,024**	**207.7%**
Total	**96,518**	17,655	**78,863**	**446.7%**

Operating expenses (Mainland China operations):	**2013 HK$'000**	**2013 Margin (%)**	2012 HK$'000	2012 Margin (%)
Commission expenses	**61,832**	**64.1%**	8,940	50.6%
Staff costs	**32,528**	**33.7%**	27,146	153.8%
Rental and related expenses	**17,866**	**18.5%**	9,916	56.2%
Depreciation	**4,079**	**4.2%**	3,069	17.4%
Marketing expenses	**882**	**0.9%**	493	2.8%
Other expenses	**12,142**	**12.6%**	36,860	208.8%
Total	**129,329**	**134.0%**	86,424	489.5%

Mainland China operating expenses increased by 49.6% from HK$86.4 million in 2012 to HK$129.3 million in 2013. The increase in operating expenses was mainly due to the implementation of Mainland China expansion strategies and certain costs were incurred for the setup of our nationwide network and platform for long term development. Cost-to-revenue ratio has been significantly improved from 489.5% in 2012 to 134.0% in 2013, mainly attributable to our dedicated efforts in driving sales and our effective and stringent cost control strategies that we have put in place. Such ratio would be expected to further improve while revenue growth would outpace the cost to a great extend as the operating platform being established and upon economy of scale achieved.

Macau

During 2013, our Macau operations have turned around from a net loss of HK$211,000 in 2012 to a net profit of HK$159,000 in 2013. This was due to business growth and increased brand recognition in Macau.

Money lending business

The Group began a money lending business in April 2013 through the acquisition of the entire issued share capital in Convoy Collateral Limited, a licensed money lender in Hong Kong. The new business has enabled Convoy to further diversify its products which provides customers with additional liquidity and flexibility in their financial planning. The new business further enhances Convoy's competitiveness as an all-rounded IFA.

The money lending business earned interest income of approximately HK$5.7 million in 2013, with net profit margin of 53.5%. This margin is expected to improve once economies of scale are achieved. At 31 December 2013, the aggregate value of total loan receivables was approximately HK$90.7 million.

Proprietary investment business

The Group also further expanded its business scope with a proprietary investment business, which would optimise the economic benefits to our shareholders.

The Group recorded realised and unrealised fair value gain on equity investments and dividend income of HK$46.4 million in 2013. The realised and unrealised fair value gains was mainly due to the rebound of local stock market in the second half of 2013 as a result of a revival of investment sentiment upon an improved global economy. The net profit margin was approximately 79.5% at 31 December 2013, the aggregate fair value of the Group's listed investments classified as equity investments at fair value through profit or loss amounted to approximately HK$97.2 million.

Financial position

Total consolidated assets of the Group increased by approximately 78.0% from HK$402.3 million as at 31 December 2012 to HK$716.0 million as at 31 December 2013. Total consolidated current assets of the Group increased by approximately 123.9% from HK$257.8 million as at 31 December 2012 to HK$577.1 million as at 31 December 2013. This was mainly driven by the development of the money lending and proprietary investment businesses in April 2013.

Prospects

Our Group will continue to pursue its vision of becoming the leading IFA across Asia. There are tremendous opportunities for wealth management and financial planning services as the economy of Asia grows and matures. The demand for such services has been growing continuously for recent years and we believe this trend will continue in coming decades. To enhance our competitiveness in the market and diversify our business risks, we will continue to broaden our platform with different types of financial products and services in 2014.

Hong Kong operations

The Group expects to maintain its leading position in the IFA industry in Hong Kong by the way of continuous organic growth of the consultancy force. We will continue to broaden the product range, and add strategic business partners. In 2013, we have devoted large capital resources to start various new business operations, including money lending, asset management and proprietary investment. In 2014, we shall further develop these operations to realise the synergies. In addition, we shall explore more strategic partners in various markets, such as banking and property, in further enlarge our customer base.

IFA business

We have set up our diversification objectives years ago and continued to drive the growth of non-linked insurance, general insurance and MPF business to counter the cyclical nature of ILAS business and its stringent regulatory environment. These businesses are more counter-cyclical and therefore will ensure stable growth for the Group under various economic conditions. We will continue to carry-out targeted cross-selling projects to boost sales from customers. We will also devote more resources to advertise i-Convoy.com. to boost sales for the general insurance business. With the general public's increasing awareness of life protection and retirement saving, we expect that the growth momentum in these products will continue in 2014.

We hope to continue to seize more business opportunities from our Mainland China, where there is an increasing demand for wealth management and financial planning services. Mainland Chinese customers accounted for approximately 25.1% of ILAS new business revenue for 2013 up from 18.6% in 2012. We expect that this trend will continue. To support this we will also conduct marketing activities, such as customer receptions, e-marketing campaigns and promotional programs to further enhance customers' awareness of Convoy's brand name and international platform in the Mainland China.

ECA was launched in November 2012, and although the market is not as active as expected, we believe it will rocket once MPF participants achieve critical mass for plan switching. This market is a very sticky business for IFA and total market size will double immediately upon the free switch in 3 years time. We will develop this business to gain a larger customer base. We will also continue to approach employers for MPF business as we believe that employer segment is the major MPF market for ECA. In May 2013, we renamed our MPF Business Development Department to the Corporate Solutions Department, to provide a one stop shop for corporate customers for both MPF and group insurance. We expect that our market share of the MPF business will grow gradually.

With the completion of acquisition of Convoy Asset Management Limited ("CAM") which specialises in fund distribution and asset management, our Group has expanded into the entire investment market directly. Fund distribution would complete the brokerage capability of our IFA business.

In the coming years, we will actively promote technology applications, such as our e-platform and mobile tools. This will improve operational efficiency through an increase in automation to deepen our existing customer relationship. We aim to organise, automate and synchronise sales, marketing, customer service and technical support with an integrated customer value management system in bid to create more cross selling and save costs in the long run.

Apart from organic growth in the IFA business, strategic business partnership will be in focus for business development in 2014. We are currently preparing to hold a strategic partnership with a bank to extend our IFA product to banking services. Moreover, overseas property investment is growing popular in Hong Kong as well as Mainland China. We hope to partner with property agents and developers to set-up a new business division for international properties.

All of these developments will serve as a good foundation for business collaboration, which will be one of our major growth drivers in the coming decade. As we execute business diversification strategies our business will grow stronger and more stable, allowing us to become the leading IFA across Asia.

Money lending and proprietary investment business

In 2013, we successfully expanded into money lending and proprietary investment through the acquisition of Convoy Collateral Limited. The high profit margin for these businesses has enhanced the Group's profitability and in 2014, the Group will continue to expand them to create an all-rounded IFA which manages wealth and provides liquidity for customers.

Money lending in future will be one of the major operations of the Group. Although market competition is keen, we believe that our well-established brand name and complementary IFA products differentiate us from our competitors.

For money lending we target good-quality customers with reasonable interest charges (currently ranged from 5% p.a. to 24% p.a.) and adopt stringent credit policies. As a result, we recorded nil doubtful debt in all money lending in 2013. We shall continue this strategy to accumulate a stable income stream.

Our proprietary investment business has primarily invested in a diversified portfolio of listed equities. The investment team's ability has been proven with the good performance of their portfolio in 2013. Nevertheless, we will not be aggressive, but will only increase its scale at a moderate pace. We shall continue to invest and re-invest in investments with good value for long-term gain.

Asset management business

After the 2013 year end, on 3 March 2014, Convoy completed the acquisition of CAM and acquisition of Kerberos (Nominee) Limited ("Kerberos"). CAM has provided investment advice, fund dealing, broker introduction and asset management services in Hong Kong for the past 10 years. Kerberos principally provides nominee services.

At 31 December 2013, CAM had USD284 million asset under management ("AUM") which would contribute a significant recurring income to the Group. We intend to grow AUM continuously and enhance its investment capability by adding experienced and energetic investment managers. Apart from discretionary portfolio management services provided to ILAS customers, CAM will also develop listed and private equity investment funds for professional investors. These acquisitions enable the Group to provide broader financial services and we expect it to generate great value for our shareholders.

Mainland China operations

The development of the Mainland China business has followed our overall development blueprint. In 2013, with the integration of 康宏江西 and 康宏碧升 and the rapidly expansion of the Guangdong business, we have achieved significant growth in revenue and narrowed our losses.

In 2014, the Group will strengthen the nationwide management and development platform. This platform will equip us to expand in a cost-effective and timely fashion from 2015. The platform will centralise all remote operations at headquarters and allow us to expand sales office across the country in a short period of time. To achieve this, we will integrate the shared services centre for Hong Kong with China to establish one of the strongest regional operations. The platform will differentiate us from major competitors who are principally domestic without much overseas experience. We believe that IT development plays an important role in achieving a market-leading position and we will devote significant capital resources into the commission system, ERP system, the CRM system, the data analysis platform, the HR system and e-platforms in the coming years to improve operational efficiency.

We shall build up the leading IFA in China. Currently, the Mainland China operation consists of insurance agency and brokerage, wealth management advisory, and asset management. We shall continue to look for opportunities arising from the continuous reform of the financial sector in China. With continuous improvement in the cost-to-revenue ratio and sustainable growth in revenue, the Group aims to achieve monthly breakeven in China in 2014 and expects a profit contribution to the Group thereafter. Apart from the direct contribution, there are indirect merits from China operations with the continuous increase of Chinese customers in Hong Kong. This is one of major drivers for our high growth in revenue from the Hong Kong operation.

Macau operations

The demand for wealth management services is increasing in Macau, due to strong economic growth in the Special Administrative Region. Our Macau operations turned a net loss into a net profit in 2013. In 2014, we plan to scale up our operations in Macau and consolidate our growing position there.

All of the developments above are undertaken with one aim in mind; to become the leading IFA across Asia.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund and cash generated from its business operations to finance its operations and expansion. As at 31 December 2013, the Group had cash and cash equivalents of approximately HK$275.0 million (31 December 2012: HK$159.6 million) and had not incurred any borrowings and the Group had shareholders' funds of approximately HK$407.2 million (31 December 2012: HK$176.0 million). As at 31 December 2013, the net current assets of the Group amounted to approximately HK$273.7 million (31 December 2012: HK$39.5 million) and the current ratio (current assets/current liabilities) was approximately 1.9 (31 December 2012: 1.2).

During the year, the Company raised net proceeds of approximately HK$0.6 million from warrant placing which was utilised as general working capital of the Group.

In addition, on 23 May 2013, the Company has completed the allotment and issuance of 19,000,000 subscription shares, raising net proceeds of approximately HK$43.7 million to the Group. On 12 August 2013, the Company has also completed the placing of 44,000,000 placing shares, raising net proceeds of approximately HK$78.5 million to the Group. Both net proceeds were utilised by the Group for money lending and proprietary investment business. Further details are contained in the Company's announcement dated 26 March 2013 and 24 July 2013, respectively.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed 353 (31 December 2012: 325) supporting staff and 11 (31 December 2012: 10) salary-based trainees. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$104.2 million for the year ended 2013 (2012: approximately HK$79.2 million).

The Group offered competitive market remuneration packages for employees and granted bonuses with reference to employees' performance during the reporting periods according to the general rules of the Group's remuneration policy.

The emoluments of the Directors are in accordance with the remuneration policy of our Group that it is our Group's remuneration objective to, in consultation with the remuneration committee of our Company, remunerate Directors fairly but not excessively for their efforts, time and contributions made to the Group and the remuneration of Directors would be determined with reference to various factors such as duties and level of responsibilities of each Director, the available information in respect of companies of comparable business or scale, the performance of each Director and the Group's performance for the financial year concerned and the prevailing market conditions.

In addition, the Company's share award scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. A trustee, as an independent third party, was appointed by the Company for the administration of the Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold in trust for the relevant selected participants with the provisions of the Scheme.

RISK MANAGEMENT

The Group adopts very stringent risk management policies and monitoring systems to mitigate the risks associated with interest rate, credit, liquidity, foreign currency and equity price in all its major operations.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets. Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustments if necessary.

Credit risk

The Group conducts business only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Even though there is no significant credit risk exposure, the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group has also adopted stringent credit policies on money lending business. The credit policies specify the credit approval, review and monitoring processes. A credit committee was set up and authorised by the Board to have full authority to handle all credit matters.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains its level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign currency risk

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group were denominated in the units' functional currency and as a result, the Group does not anticipate significant transactional currency exposure. The Group has not used any derivative to hedge its exposure to foreign currency risk.

Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in financial sector quoted in the Stock Exchange. The Group has a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no material acquisition and disposal of subsidiaries for the year ended 31 December 2013.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2013, the fair value of the Group's listed investments classified as equity investments at fair value through profit or loss amounted to approximately HK$97,166,000 (31 December 2012: HK$2,099,000). The increase was mainly due to the set up of proprietary investment operation in April 2013.

Except for the above, the Group did not have any other significant investment held during the year ended 31 December 2013.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

On 19 July 2013 (after trading hours), CFG (as vendor) and Favour Sino Holdings Limited ("Favour Sino"), a wholly owned subsidiary of the Company (as purchaser) entered into the CAM Memorandum in relation to the possible sale and purchase of the entire issued share capital of CAM. On 19 July 2013 (after trading hours), Convoy Inc. (as vendor) and Favour Sino (as purchaser) entered into the Kerberos Memorandum in relation to the possible sale and purchase of the entire issued share capital of Kerberos. Further details are contained in the Company's announcement dated 19 July 2013. This transaction has been completed on 3 March 2014 and an aggregate of 16,104,000 consideration shares (of which 16,050,000 shares are consideration shares for CAM acquisition and 54,000 shares are consideration shares for the Kerberos acquisition) are allotted and issued to CFG on completion of the CAM acquisition and Kerberos acquisition.

On 12 November 2013, Hero Castle Holdings Limited (a wholly-owned subsidiary of the Company) and CAM entered into the cooperation framework agreement for the establishment of the joint venture company proposed to be established in Shenzhen, the PRC (the "JV Company"). The JV Company will be principally engaged in promoting the establishment of equity investment enterprises, administering the entrusted equity investment enterprises and consulting on equity investment. This transaction has not been completed up to the date of this annual report.

Except for the above, the Group has not executed any agreement in respect of material investment or capital asset and did not have any other future plans relating to material investment or capital assets as at the date of this annual report.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2013.

CAPITAL EXPENDITURES

The Group's capital expenditures primarily consisted of expenditures on leasehold improvements, acquisition of computer equipment and systems, office equipment and motor vehicle and intangible assets including assets from acquisitions of 康宏江西 and 康宏碧升. For the year ended 31 December 2013 and 2012, the Group incurred capital expenditures in the amounts of approximately HK$25.2 million and HK$26.2 million, respectively.

Other than the above, the Group also paid deposits for acquisition of computer equipment and systems amounted to approximately HK$0.5 million for the year ended 31 December 2013 (2012: HK$2.1 million), mainly related to the development of on-line application system.

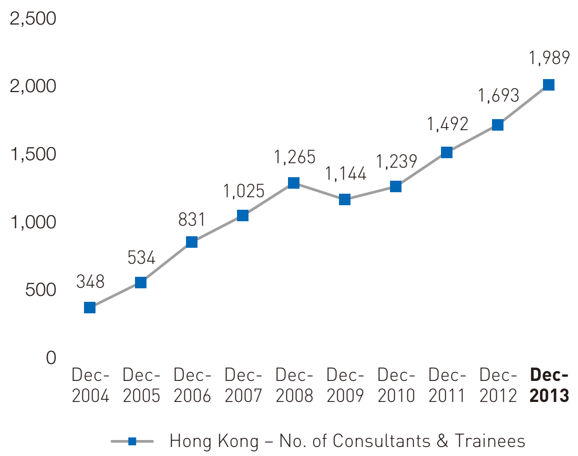
COMMITMENTS

The Group's contractual commitments are disclosed in notes 35 and 36 to the financial statements.

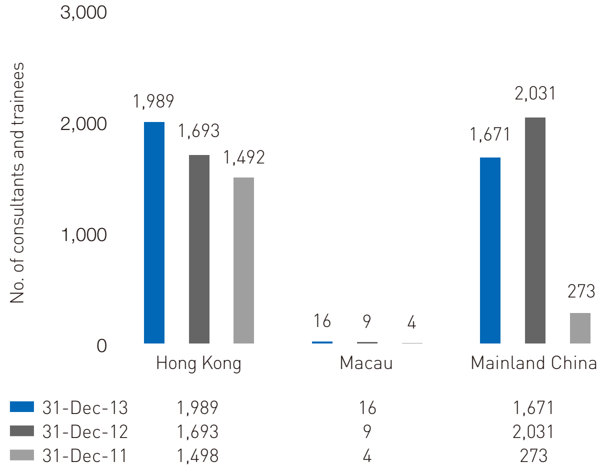
OPERATION REVIEW

Change in the number of consultants and trainees:

Hong Kong –
No. of Consultants & Trainees

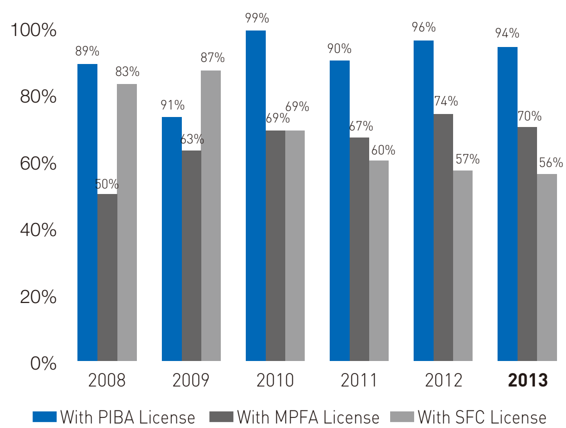


Hong Kong and other regions –
No. of Consultants & Trainees

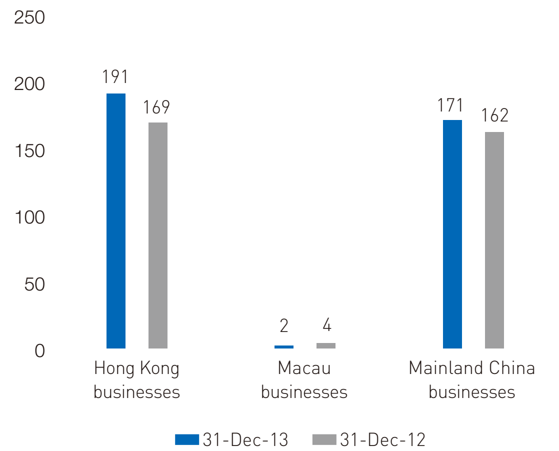


Licensing profile of consultants and trainees:

Hong Kong –
License records of consultants and trainees



Number of employees:



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Lee Man,

aged 45, was appointed as an executive Director and Chairman of our Company on 12 March 2010. Mr. Wong is the director of 6 subsidiaries of the Company. He is also the chairman of CFG, a director of Convoy Inc. and a director of Perfect Team Group Limited. Mr. Wong joined the Group in November 1998 and led the Group transforming into a IFA company, which is a pioneer in personal financial planning business. He served in different functions in the Group, including consultancy force, operations and regional expansions. He is now responsible for the overall management and strategic development of the Group. Over 20 years experience in financial service industry, Mr. Wong has gained all-round experience and has established a strong network through working with both international and local financial companies in Hong Kong. Moreover, he is the Founding Member and Honorary Secretary of the Independent Financial Advisors Association Limited in Hong Kong.

Ms. Fong Sut Sam,

aged 45, was appointed as an executive Director on 12 March 2010. Ms. Fong is the chief executive officer of the Company and the director of 6 subsidiaries of the Company. She has also been the chief executive officer and an executive director of CFS. Ms. Fong joined our Group in November 1998 and has led various functions, including the consultancy force, corporate communications, sales and marketing, training and operation. Her exceptional achievements in the financial industry and contribution to the community earned her the title of "Benchmark Most Extraordinary Women in Finance 2009" from the Benchmark magazine. Ms. Fong graduated from the South Bank University in London in June 1992 with a Bachelor of Science degree. In December 2002, she graduated with a Master's Degree in Business Administration from The Chinese University of Hong Kong and was placed on the Dean's List.

Ms. Fong was appointed as the panel member of 2 Appeal Boards (Amusement Game Centres Ordinance and Betting Duty Ordinance) of Home Affairs Bureau and the panel member of the Municipal Services Appeal Board by Chief Executive of the Government of the Hong Kong Special Administrative Region in 2010 and 2012, respectively. In 2011, she was appointed as the advisory board member of the Center for Entrepreneurship of The Chinese University of Hong Kong. In 2013, she was appointed as a lay member of Solicitors Disciplinary Tribunal Panel. In 2014, she was appointed as a member of the Appeal Panel (Housing) of Office of the Secretary for Transport and Housing Government Secretariat.

Mr. Mak Kwong Yiu,

aged 39, was appointed as an executive Director on 16 March 2010. Mr. Mak is the director of 18 subsidiaries of the Company. He joined our Group in May 2002 as the chief financial officer and is responsible for the accounting and finance functions of our Group. Mr. Mak graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Finance in November 1996 and a Master of Business Administration degree in November 2004. He earned the Chartered Financial Analyst designation in September 2000. He has been a Certified Public Accountant in the United States since May 2002 and a member of the HKICPA since May 2003. Mr. Mak is currently an executive director of Computech Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange and an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Limited), whose shares are listed on the Main Board of the Stock Exchange.

Mr. Kwok Shun Tim,

aged 39, was appointed as an executive Director on 30 April 2013. Mr. Kwok is the investor relations director of a subsidiary of the Company and a director of another subsidiary of the Company. He graduated from The Hong Kong University of Science and Technology with a bachelor degree of Business Administration in Accounting in 1999. He also received a master degree of science in China Business Studies from The Hong Kong Polytechnic University and a master degree of laws (International Economic Law) from the City University of Hong Kong in 2004 and 2008 respectively. Mr. Kwok is an associate of HKICPA and a fellow of the Association of Chartered Certified Accountants. Mr. Kwok is currently a member of Guangdong Province Zhaoqing City Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省肇慶市委員會), a director of Yan Oi Tong for the year 2013/14. Mr. Kwok is currently an executive director of China Leason CBM & Shale Gas Group Company Limited (formerly known as China Leason Investment Group Co., Limited), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. He is also an independent non-executive director of Longlife Group Holdings Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange, and the company secretary of Tianjin Jinran Public Utilities Company Limited (formerly known as Tianjin Tianlian Public Utilities Company Limited), a company whose shares are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Fu Kwong Wing Ting, Francine,

aged 45, was appointed as an independent non-executive Director on 16 March 2010. Mrs. Fu attained her master degree from Oxford University in the United Kingdom in Politics, Philosophy and Economics in June 1994 and has been holding the CERTIFIED FINANCIAL PLANNERCM designation since October 2001. Mrs. Fu is the managing principal and owner of a business consulting firm, Coram Advisory Services (HK) Limited, set up in 2008 to provide advisory service to business based in Hong Kong. Before setting up her own practice, she was the Chief Marketing Officer of AXA China Region Insurance Company Limited, one of the top three long term insurers in Hong Kong, from January 2006 to June 2008. She has been in the financial services industry for over 15 years with various leading financial services companies and the past President of the IFPHK. She has previously been an Award Council Member of the Hong Kong Award for Young People, a member of the Advisory Committee on Applied Mathematics for The Hong Kong Polytechnic University, a full member of the committee on Investment – Linked Assurance and Pooled Retirement Funds, an alternate member of the same committee, a member of the Investor Education Advisory Committee of the Hong Kong Securities and Futures Commission, a member of the Award Council of the Hong Kong Award for Young People and a member of the Banking and Finance Industry Training Board of the Vocational Training Council of Hong Kong. Mrs. Fu is currently a board member of Li Po Chun United World College (Hong Kong), Limited (since 1991), United World Colleges Hong Kong Committee Limited (since 2008), the Insurance Industry Training Advisory Committee (since 2011), the Non-local Higher and Professional Education Appeal Board (since 2010), Solicitors Disciplinary Tribunal Panel (since 2010), the Accreditation of Academic and Vocational Qualifications Ordinance Appeal Board (since 2011), Housing Appeal Panel (since 2012) and Municipal Services Appeal Board (since 2012). In 2014, she was appointed as a member of Independent Police Complaint Council.

Dr. Wu Ka Chee, Davy,

aged 45, was appointed as an independent non-executive Director on 16 March 2010. Dr. Wu has been a senior lecturer of the Department of Accountancy and Law at the Hong Kong Baptist University since September 2009. He attained a doctorate degree in law in December 2003, a postgraduate certificate in law in June 1994 and a bachelor degree in law in November 1993, all from The University of Hong Kong. He also obtained a master's degree in business administration from The Hong Kong Polytechnic University in November 2013. He is a co-author of the Guide to Corporate Governance for Subvented Organisations, which was published by the Hong Kong Government in May 2010. He is a member of the Advisory Group on Modernisation of Corporate Insolvency Law on appointment by the Financial Services and Treasury Bureau of the Hong Kong Government. In September 2012, he was appointed by the HKICPA as a director of a diploma programme for training insolvency practitioners.

Mr. Ma Yiu Ho, Peter,

aged 49, was appointed as an independent non-executive Director on 16 March 2010. He is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the HKICPA since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master of Business Administration Degree from The Hong Kong University of Science and Technology in November 1995. He is also an associate member of the Hong Kong Institute of Directors. He has over 20 years of experience in the finance and accounting field. Mr. Ma has also worked for Standard Chartered Equitor Trustee HK Limited and Hong Kong Government's Audit Department. Mr. Ma is currently an independent non-executive director of China Packaging Holdings Development Limited and Huisheng International Holdings Limited since December 2013 and February 2014 respectively, both are listed companies on the Main Board of the Stock Exchange.

Mr. Lam Chi Keung (appointed on 31 March 2014),

aged 43, was appointed as an independent non-executive Director on 31 March 2014. Mr. Lam is currently an independent non-executive director of Universe International Holdings Limited, and the financial controller and company secretary of Ngai Shun Holdings Limited, each of the companies whose shares are listed on the Main Board of the Stock Exchange. He holds a bachelor's degree of science in accounting awarded by Brigham Young University-Hawaii in 1996. He also obtained a master's degree of science in e-commerce from The Chinese University of Hong Kong in 2002. Mr. Lam is a fellow of the HKICPA, a holder of the specialist designation in insolvency of the HKICPA and a certified fraud examiner of the Association of Certified Fraud Examiners. Mr. Lam has over 15 years of experience in accounting and insolvency field.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2013.

The Board is committed to maintaining good corporate governance standard and procedures to safeguard the interests of the Company's shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Directors of the Company recognise the importance of good corporate governance in the management of the Group. During the year ended 31 December 2013, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions by the Directors adopted by the Company throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

Composition

As at 31 December 2013, the Board comprises four executive Directors and three independent non-executive Directors. The list of Directors during the year is set out in the section headed "Directors' Report" of this annual report. Mr. Kwok Shun Tim was appointed as an executive Director on 30 April 2013.

The Board includes a balanced composition of executive and non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report.

Composition of the Board, including names of independent non – executive Directors of the Company, is disclosed in all corporate communications to shareholders.

The Company has maintained on its website and on the Stock Exchange's website an updated list of its Directors identifying their role and function and whether they are independent non-executive Directors.

Role and Function

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the audit committee, the remuneration committee, the nomination committee and the corporate governance committee. Further details of these committees are set out in this annual report.

Board Meetings

The Board is going to meet at least four times a year. Additional meetings would be arranged, if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles.

The company secretary of the Company (the "Company Secretary") assists the chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail regarding the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board and the Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of circulation.

Change in Directors' information

Pursuant to the relevant requirement under the Listing Rules, the changes in Directors' information since the date of 2013 interim report of the Company are set out below:

1. Ms. Fong Sut Sam was appointed as a lay member of Solicitors Disciplinary Tribunal Panel and was appointed as a member of the Appeal Panel (Housing) of Office of the Secretary for Transport and Housing Government Secretariat and has resigned as a director of CFG.

2. Mr. Mak Kwong Yiu was appointed as an independent non-executive director of GR Properties Limited (formerly known as Buildmore International Limited) (Stock Code: 108), whose shares are listed on the Main Board of the Stock Exchange.

3. Mr. Kwok Shun Tim has resigned as the executive director of Computech Holdings Limited (Stock Code: 8081) and has resigned as the independent non-executive director of Hong Kong Education (Int'l) Investments Limited (formerly known as Modern Education Group Limited) (Stock Code: 1082). He ceased to be an investment director of a subsidiary of the Company and was appointed as an investor relations director of a subsidiary of the Company. He has resigned as an executive director of De Tiger Capital Limited and ceased to be a licensed person for Type 4 and Type 9 regulated activities under the SFO.

4. Mrs. Fu Kwong Wing Ting, Francine was appointed as a member of Independent Police Complaint Council.

5. Dr. Wu Ka Chee, Davy obtained a master's degree in business administration from The Hong Kong Polytechnic University in November 2013.

6. Mr. Ma Yiu Ho, Peter was appointed as an independent non-executive director of China Packaging Holdings Development Limited (Stock Code: 1439) and Huisheng International Holdings Limited (Stock Code: 1340), both are listed companies on the Main Board of the Stock Exchange.

Attendance Records

During the financial year ended 31 December 2013, the Directors have made active contribution to the affairs of the Group and 7 Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the final results for the year ended 31 December 2012 and the interim results for the six months ended 30 June 2013 of the Group.

Details of Directors' attendance records in 2013 are as follows:

	Meetings attended/Eligible to attend
Executive Directors	
Mr. Wong Lee Man	7/7
Ms. Fong Sut Sam	7/7
Mr. Mak Kwong Yiu	7/7
Mr. Kwok Shun Tim	5/5 (Note)
Independent non-executive Directors	
Mr. Ma Yiu Ho, Peter	7/7
Mrs. Fu Kwong Wing Ting, Francine	7/7
Dr. Wu Ka Chee, Davy	7/7

Note: Mr. Kwok Shun Tim was newly appointed on 30 April 2013 and hence he has not attended any board meetings held on or before 30 April 2013 in his capacity as a Director.

Access to Information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointments and Re-Election of Directors

Appointment of new Directors is a matter for consideration by the nomination committee. The nomination committee will review the profiles of the candidates and make recommendations to the Board on the appointment, re-nomination and retirement of Directors.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re–election at such general meeting. Every Director (including non–executive Director) is appointed for a specific term and is subject to retirement by rotation at least once every three years.

Induction and Continuing Professional Development of Directors

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Under code provision A.6.5, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2013, all Directors, namely Mr. Wong Lee Man, Ms. Fong Sut Sam, Mr. Mak Kwong Yiu, Mr. Kwok Shun Tim, Mr. Ma Yiu Ho, Peter, Mrs. Fu Kwong Wing Ting, Francine and Dr. Wu Ka Chee, Davy have participated in continuous professional development by attending training courses organised by professional firms/institutions.

Independent Non-Executive Directors

Pursuant to Rules 3.10 and 3.10A of the Listing Rules during the year, the Company has appointed three independent non-executive Directors representing at least one-third of the Board and at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its independent non–executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the independent non-executive Directors are independent. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a fixed term of three years commencing from 13 July 2013.

Directors' and Officers' Liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should not be performed by the same individual. To ensure a balance of power and authority, the roles of chairman and the chief executive officer are separate and are not performed by the same individual to reinforce their independence and accountability. Mr. Wong Lee Man assumes the role of the chairman and Ms. Fong Sut Sam serves as the chief executive officer of the Company. The chairman provides leadership for the Board and overall strategic formulation for the Group. The chief executive officer has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the chairman and the chief executive officer is clearly established and set out in writing.

With the support of executive Directors and the Company Secretary, the chairman seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and receive adequate and reliable information in a timely manner.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 23 June 2010 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The members of the Audit Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Independent non-executive Directors	
Mr. Ma Yiu Ho, Peter	
(Chairman of the Audit Committee)	2/2
Ms. Fu Kwong Wing Ting, Francine	2/2
Dr. Wu Ka Chee, Davy	2/2

With effect from 31 March 2014, Mr. Lam Chi Keung was appointed as a member of Audit Committee.

During the year, 2 meetings of the Audit Committee were held for, amongst other things:

- Reviewing the final results of the Group for the year ended 31 December 2012 and interim results of the Group for the six months ended 30 June 2013;
- Reviewing the Group's financial information;
- Reviewing the continuing connected transactions as set forth on pages 57 of this annual report;
- Reviewing the effectiveness of the Group's internal control system; and
- Reviewing of the status of all business.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 23 June 2010 with written terms of reference in compliance with the CG Code. The primary function of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board. The full terms of reference are available on the Company's website and the Stock Exchange's website.

Board Diversity

The Board adopted a board diversity policy on 28 August 2013 in compliance with a new code provision on board diversity in the CG Code, which came into effect on 1 September 2013. In designing the Board's composition, the diversity of members of the Board has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience and qualifications, relevant industry experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered and selected based on a range of diversity perspectives including but not limited to the said aspects.

The members of the Nomination Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Independent non-executive Directors	
Mrs. Fu Kwong Wing Ting, Francine	
(Chairman of the Nomination Committee)	2/2
Dr. Wu Ka Chee, Davy	2/2
Executive Directors	
Mr. Wong Lee Man	
(appointed on 11 January 2013)	2/2
Ms. Fong Sut Sam	
(resigned on 11 January 2013)	0/0 (Note)

Note: No meetings of Nomination Committee were held on or before 11 January 2013.

With effect from 31 March 2014, Mr. Lam Chi Keung was appointed as a member of Nomination Committee.

During the year, 2 meetings of the Nomination Committee were held for, amongst other things:

- Reviewing the structure, size and composition of the Board;
- Assessing the independence of the independent non–executive Directors; and
- Making recommendation to the Board on matters relating to the appointment of Directors.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 23 June 2010 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The members of the Remuneration Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Independent non-executive Directors	
Mrs. Fu Kwong Wing Ting, Francine	
(Chairman of the Remuneration Committee)	2/2
Dr. Wu Ka Chee, Davy	2/2
Executive Directors	
Mr. Wong Lee Man	2/2

With effect from 31 March 2014, Mr. Lam Chi Keung was appointed as a member of Remuneration Committee.

During the year, 2 meetings of the Remuneration Committee were held for, amongst other things:

- Reviewing the remuneration and terms of service contracts of the executive Directors;
- Determining the bonuses of the executive Directors for the year 2013; and
- Making recommendations to the Board on the directors' fee of the independent non-executive Directors for the year 2013.

Details of the Company's remuneration policies are set out in the Management Discussion and Analysis on page 37 and Directors' emoluments are disclosed in note 8 to the financial statements.

CORPORATE GOVERNANCE COMMITTEE

The Company established a compliance committee (the "Compliance Committee") on 23 June 2010. The primary function of the Compliance Committee is to make recommendations to the Board regarding regulatory and compliance matters relating to our Group. The Compliance Committee consisted of four members, namely Mrs. Fu Kwong Wing Ting, Francine, Dr. Wu Ka Chee, Davy, Ms. Fong Sut Sam and Mr. Mak Kwong Yiu. Dr. Wu Ka Chee, Davy is the chairman of the Compliance Committee.

With effect from 1 January 2012, the Board has established a corporate governance committee (the "Corporate Governance Committee") in place of the existing Compliance Committee.

The Corporate Governance Committee is established for the purpose of developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board; and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The members of the Corporate Governance Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Independent non-executive Directors	
Dr. Wu Ka Chee, Davy	
(Chairman of the Corporate Governance Committee)	3/3
Mrs. Fu Kwong Wing Ting, Francine	3/3
Executive Directors	
Ms. Fong Sut Sam	3/3
Mr. Wong Lee Man	
(appointed on 11 January 2013)	3/3
Mr. Mak Kwang Yiu	
(resigned on 11 January 2013)	0/0 (Note)

Note: No meetings of Corporate Governance Committee were held on or before 11 January 2013.

During the year, 3 meetings of the Corporate Governance Committee were held for, amongst other things:

- Discussing on and reviewing of regulatory and compliance matters relating to the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flows of the Group and in compliance with relevant law and disclosure provisions of the Listing rules. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement of the auditor of the Company, Ernst & Young, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 59 to 60 of this annual report.

AUDITOR'S REMUNERATION

During the year, the remuneration paid and payable to the Company's auditor, Ernst & Young, are approximately HK$1,350,000 for audit services and HK$781,000 for non-audit services.

COMPANY SECRETARY

Mr. Chow Kim Hang ("Mr. Chow"), was appointed as the Company Secretary and the authorized representative of the Company on 16 March 2010. Mr. Chow is a Solicitor of Ma Tang & Co., Solicitors, a corporate and commercial law firm in Hong Kong. He is a practicing solicitor in Hong Kong and a member of The Law Society of Hong Kong. His primary contact person at the Company is Mr. Mak Kwong Yiu, the chief financial officer and the executive Director of the Company.

During the year ended 31 December 2013, Mr. Chow has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders and the assets of the Company against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Group has engaged a firm of certified public accountants, namely Messrs. Dominic K.F. Chan & Co. to perform an internal control review of the Group's internal control system.

The Directors acknowledge their responsibility for reviewing the Group's internal control systems and would communicate regularly with the Audit Committee and the certified public accountants. The Board was satisfied to the effectiveness of the Company in managing risks based on the internal audit report and the findings performed by the certified public accountants.

COMMUNICATION WITH SHAREHOLDERS

The Company considers effective communication with shareholders is essential to enable them to have a clear assessment of the Group's performance as well as accountability of the board of directors. Major means of communication with shareholders of the Company include the followings:

Information Disclosure on Company's Website

The Company maintains a corporate website at www.convoy.com.hk where important information of the Group's activities and corporate matters, such as annual reports, interim reports to shareholders, announcements and corporate governance practices are available for review by shareholders.

When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

During 2013, the Company has issued announcements which can be viewed on the Company's website.

General Meetings With Shareholders

The annual general meeting (the "AGM") provides a useful forum for shareholders to exchange views with the Board. The Company's Directors (including independent non-executive Directors) are available at the AGM to answer questions from shareholders about the business and performance of the Company. In addition, the Company's external auditor is also invited to attend the AGM to answer questions about the conduct of the audit, and the preparation and contents of the auditor's report. Separate resolutions are proposed at general meetings for each substantial issue. An explanation of the detailed procedures of conducting poll was provided to shareholders at the AGM, to ensure that shareholders are familiar with such procedures.

The Company's last AGM was held on Monday, 10 June 2013 at 3/F, Nexxus Building, 77 Des Voeux Road, Central, Hong Kong. All the resolutions proposed at that meeting were approved by shareholders by poll voting. The poll results were posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

The next AGM will be held on Monday, 26 May 2014, the notice of which will be sent to shareholders at least 20 clear business days before the said meeting.

In addition to the AGM, 2 extraordinary general meetings (the "EGM") were held by the Company on Wednesday, 15 May 2013 and Thursday, 12 December 2013 respectively during the year. All the resolutions proposed at each of these meetings were also approved by shareholders by poll voting. The poll results of each of these meetings were also posted on the websites of the Stock Exchange and the Company respectively.

Details of Directors' attendance at the general meetings held for the year ended 31 December 2013 were as follow:

	Meetings attended/Eligible to attend	
	AGM	**EGM**
Executive Directors		
Mr. Wong Lee Man	1/1	2/2
Ms. Fong Sut Sam	1/1	2/2
Mr. Mak Kwong Yiu	1/1	2/2
Mr. Kwok Shun Tim *(appointed on 30 April 2013)*	0/1	1/2
Independent non-executive Directors		
Mr. Ma Yiu Ho, Peter	1/1	2/2
Mrs. Fu Kwong Wing Ting, Francine	0/1	2/2
Dr. Wu Ka Chee, Davy	1/1	1/2

Investor Relations

Information of the Group is delivered to the shareholders and investors through a number of channels, which includes annual report, interim report and announcements. The latest information of the Group together with the published documents are also available on the Company's website at http://www.convoy.com.hk.

The Company recognizes its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. The Company's chairman, chief executive officer and chief financial officer also made presentations and held meetings with investors and analysts to keep them abreast of the Company's development, subject to compliance with the applicable laws and regulations.

In addition, questions received from the general public and individual shareholders are answered promptly.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue. Besides, pursuant to the Articles, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address:	39/F, @CONVOY, 169 Electric Road, North Point, Hong Kong
Email:	IR_Info@convoy.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Procedures for Putting Forward Proposals at General Meeting by Shareholders

Pursuant to Article 85, no person other than a retiring director shall be eligible for election to the office of Director at any general meeting unless (a) such person is recommended by the Directors for election; or (b) such person is nominated by notice in writing by a shareholder (other than the person to be proposed) entitled to attend and vote at the meeting. The notice of nomination shall be accompanied by a notice signed by that person indicating his willingness to be elected to the office of Director and shall be lodged at the head office from time to time or at the registration office within the seven day period commencing from the day after the dispatch of the notice of the meeting (or such other period, being a period of not less than seven days, commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, as may be determined by the Directors from time to time.)

CONSTITUTIONAL DOCUMENTS

At the 2012 AGM, amendments to the Articles were approved by the shareholders of the Company. An updated version of the Articles is available on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

CORPORATE REORGANISATION

The Company is a limited liability company incorporated in the Cayman Islands on 12 March 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Pursuant to the Reorganisation to rationalise the structure of the Group in preparation for the Listing, the Company became the direct/indirect holding company of the subsidiaries comprising the Group on 21 June 2010. Details of the Reorganisation were set out in the section headed "Corporate Reorganisation" in Appendix V to the Prospectus issued by the Company.

The Company's Shares have been listed on the Stock Exchange since 13 July 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the IFA business, money lending business and proprietary investment business. The activities of its principal subsidiaries are set out in note 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 59 to 129.

The Board recommended a final dividend of HK2.0 cents per share for the year ended 31 December 2013 (31 December 2012: Nil), payable on Friday, 4 July 2014 to those persons registered as shareholders on Thursday, 12 June 2014 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Monday, 26 May 2014 (or any adjournment thereof).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

(a) For the purpose of ascertaining shareholders who are entitled to attend and vote at the annual general meeting to be held on Monday, 26 May 2014 (or any adjournment thereof), the register of members of the Company will be closed from Wednesday, 21 May 2014 to Monday, 26 May 2014 (both days inclusive). In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), all transfers accompanied by the relevant share certificates should be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 20 May 2014.

(b) For the purpose of ascertaining shareholders who qualify for the proposed final dividend, the register of members of the Company will be closed from Monday, 9 June 2014 to Thursday, 12 June 2014 (both days inclusive). In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 6 June 2014. Shares of the Company will be traded ex-dividend as from Thursday, 5 June 2014.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands, amounted to HK$242.7 million (2012: HK$134.4 million). The amount of HK$242.7 million (2012: HK$134.4 million) includes the Company's share premium account which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$1,466,000 (2012: HK$390,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 28 to the financial statements.

MAJOR PRODUCTS ISSUERS AND SUPPLIERS

In the year under review, revenue from the Group's five largest product issuers accounted for 79.7% (2012: 88.1%) of the total revenue for the year and revenue from the largest product issuer included therein amounted to 49.1% (2012: 57.1%). The Group's interest income from loan financing and fair value gains on equity investments at fair value through profit or loss are excluded from total revenue for the purpose of identifying major product issuers of the Group.

Commission expenses attributable to the 5 highest paid consultants of the Group accounted for less than 30% of the Group's total commission expenses for the year under review.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's entire issued share capital) had any beneficial interest in the Group's five largest product issuers.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 130. This summary does not form part of the audited financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was conditionally approved by written resolutions of the sole shareholder of the Company dated 23 June 2010 and shall be valid and effective for a period of 10 years to 22 June 2020.

According to the Share Option Scheme, the Board may at its absolute discretion, offer to grant option to any Employee, Business Associate and the trustee (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group (collectively, the "Participants").

For the purpose of this section, Employee means (i) any full-time employee and director (including executive director, non-executive director and independent non-executive director or proposed executive director, non-executive director and independent non–executive director) of any member of the Group; and (ii) any part–time employee with weekly working hours of 10 hours or above of the Group; and Business Associate means (a) any adviser, consultant or agent (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group).

The purpose of the Share Option Scheme is to encourage the Participants to perform their best in achieving the goals of the Group and at the same time allow the Participants to enjoy the results of the Company attained through their efforts and contributions and to provide the Participants with incentives and help the Company in retaining its existing Employees and recruiting additional Employees.

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the options but in any case the subscription price shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of a Share. Each of the grantee is required to pay HK$1.00 as consideration for the grant of share options in accordance with the Share Option Scheme and the offer of share options must be accepted within 21 days from the date of the offer.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 40,000,000 Shares, which represented 10% of the total issued share capital of the Company as at the date of approval of the Share Option Scheme.

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in 12-month period up to and including the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

An option may be exercised in accordance with the terms and conditions of the Share Option Scheme at any time during such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant of the option and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. There is no requirement that an option must be held for any minimum period before it can be exercised but the Board are empowered to impose at its discretion any such minimum period at the time of grant of any option.

During the year ended 31 December 2013, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme.

SHARE AWARD SCHEME

The Company's share award scheme (the "Award Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group.

Details of the Award Scheme are disclosed in note 29 to the financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Wong Lee Man *(Chairman)*
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu
Mr. Kwok Shun Tim *(appointed on 30 April 2013)*

Independent Non-Executive Directors

Mrs. Fu Kwong Wing Ting, Francine
Dr. Wu Ka Chee, Davy
Mr. Ma Yiu Ho, Peter

Biographical details of the above Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 42 to 44 of this report.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non–executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and to continue thereafter until terminated by a three months' notice in writing served by either party on the other without payment of compensation.

Each of the executive Directors shall also be entitled to a bonus for each financial year of the Company which is at the discretion of the Board and determined by reference to performance of each Director concerned and the Group's performance for the financial year concerned and based on the recommendation from the remuneration committee of our Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTRACT OF SIGNIFICANCE

There is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACT

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manager or administer the whole or any substantial part of any business of the Company.

INTERESTS IN COMPETITORS

So far as the Directors were aware, none of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group.

INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, so far as the Directors are aware, none of the Directors, chief executives and their associates had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO", Chapter 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

Save as disclosed in the section headed "INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS", as at 31 December 2013, so far as the Directors are aware, the following corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Long/short position	Number of Shares held	Approximate percentage of the issued share capital as at 31 December 2013
Convoy Inc. (Note 1)	Interest of a controlled corporation	Long position	125,918,834	27.20%
Perfect Team Group Limited (Note 1)	Interest of a controlled corporation	Long position	125,918,834	27.20%
CFG (Note 1)	Beneficial owner	Long position	125,918,834	27.20%
Town Health International Investments Limited (Note 2)	Interest of a controlled corporation	Long position	74,972,000	16.19%
Town Health Corporate Advisory and Investments Limited (Note 2)	Beneficial owner	Long position	67,828,000	14.65%
RHB Asset Management Sdn Bhd	Investment manager	Long position	36,116,000	7.80%

Notes:

1. The 125,918,834 Shares are held by CFG which is owned as to approximately 43.79% by Convoy Inc. and approximately 56.21% by Perfect Team Group Limited. Accordingly, Convoy Inc. and Perfect Team Group Limited are deemed to be interested in the 125,918,834 Shares held by CFG by virtue of the SFO.

2. Out of 74,972,000 Shares, 67,828,000 Shares are directly held by Town Health Corporate Advisory and Investments Limited, a company ultimately controlled by Town Health International Investments Limited, 7,144,000 Shares are directly held by Ultimate Achieve Limited, a company which is an indirect wholly-owned subsidiary of Town Health Asset Management Limited, which in turn is a subsidiary of Town Health (BVI) Limited, a wholly-owned subsidiary of Town Health International Investments Limited.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Interests and/or Short Positions of the Directors and Chief Executives in the Share Capital of the Company and its Associated Corporations" above and in the "Share Option Scheme" disclosed on pages 54 to 55 of this report, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain agreements and arrangements with its connected persons in the ordinary and usual course of business of the Group during the reporting period. Details of these transactions are set out below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Service Fees Paid to Connected Persons

Reference is made to the Prospectus of the Company, in which it was disclosed that CFS had entered into contracts for services (the "Shin Family Service Contracts") with three associates (as defined under the Listing Rules) of Mr. Shin Kin Man (the "Shin Family") pursuant to which the Company agreed to pay commission to the Shin Family for their acting as consultants of CFS to provide the insurance and MPF scheme brokerage services in Hong Kong for a period of three years from 1 January 2010 to 31 December 2013. The Shin Family Service Contracts have been expired on 31 December 2012.

On 11 March 2013, CFS entered into contracts for services (the "New Shin Family Service Contracts") with Shin Family with a view to renew the terms and conditions of the Shin Family Service Contracts. Mr. Shin Kin Man is the executive director of CFS (an indirect wholly-owned subsidiary of the Company) and thus the Shin Family, being the three associates (as defined under the Listing Rules) of Mr. Shin Kin Man, are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Shin Family Service Contracts constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Pursuant to the New Shin Family Service Contracts, in consideration for the Shin Family acting as consultants of CFS to provide the insurance and MPF scheme brokerage services in Hong Kong, CFS agreed to pay to the Shin Family commission which shall be calculated in accordance with the terms of the New Shin Family Service Contracts and be payable monthly. Such commission to be paid to the Shin Family represent normal commission applicable to all other consultants of CFS, and would not include payment of any kind to which all other consultants would not be entitled.

The New Shin Family Service Contracts are for a term of three years commencing from 1 January 2013 and ending on 31 December 2015 (both days inclusive), with the proposed annual caps amounts to HK$8,300,000, HK$8,750,000 and HK$9,200,000 for each of three financial years ending 31 December 2013, 2014 and 2015 respectively. Details of the transactions were disclosed in the Company's announcement dated 11 March 2013.

During the year, the commission expenses paid to the Shin Family amounted to approximately HK$5,028,000.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The auditor has reported to the Directors that (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors; (ii) for transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the announcement dated 11 March 2013 made by the Company in respect of the disclosed continuing connected transactions.

AUDIT COMMITTEE

The Company established an audit committee on 23 June 2010 (the "Audit Committee) with written terms of reference in compliance with the Listing Rules. The Audit Committee of the Company comprised of three independent non-executive Directors of the Company in 2013, namely Mr. Ma Yiu Ho, Peter (the chairman of the Audit Committee), Mrs. Fu Kwong Wing Ting, Francine and Dr. Wu Ka Chee, Davy.

The Audit Committee has reviewed together with the management of the Company the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 41 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Lee Man
Chairman

Hong Kong, 27 March 2014

INDEPENDENT AUDITORS' REPORT

EY 安永

To the shareholders of Convoy Financial Services Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Convoy Financial Services Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 61 to 129, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
27 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
REVENUE	6	**1,018,983**	703,812
Other income and gains, net	6	**6,924**	2,100
Commission and advisory expenses		**(622,691)**	(423,333)
Staff costs	7	**(104,185)**	(79,204)
Depreciation	14	**(18,737)**	(14,728)
Commission clawback		**(8,412)**	(6,694)
Other expenses		**(160,479)**	(174,659)
PROFIT BEFORE TAX	7	**111,403**	7,294
Income tax expense	10	**(19,825)**	(14,387)
PROFIT/(LOSS) FOR THE YEAR		**91,578**	(7,093)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(179)**	49
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**91,399**	(7,044)
Profit/(loss) for the year attributable to:			
Owners of the Company	11	**97,704**	1,372
Non-controlling interests		**(6,126)**	(8,465)
		91,578	(7,093)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**97,572**	1,377
Non-controlling interests		**(6,173)**	(8,421)
		91,399	(7,044)
			(Restated)
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic (HK cents)		**22.8**	0.3
Diluted (HK cents)		**19.7**	0.3

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**31 December 2013 HK$'000**	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**42,478**	35,876	26,655
Prepayments, deposits and other receivables	21	**22,559**	46,712	40,579
Goodwill	15	**39,840**	39,840	5,381
Intangible assets	32	**1,525**	2,069	–
Loans receivable	20	**4,736**	3,031	3,522
Available-for-sale investments	17	**12,984**	4,976	–
Restricted cash	23	**1,611**	1,550	–
Deferred tax assets	18	**13,173**	10,450	3,779
Total non-current assets		**138,906**	144,504	79,916
CURRENT ASSETS				
Accounts receivable	19	**91,806**	54,110	53,349
Loans receivable	20	**85,963**	904	904
Prepayments, deposits and other receivables	21	**26,232**	37,344	15,174
Equity investments at fair value through profit or loss	22	**97,166**	2,099	183
Due from a fellow subsidiary	37(c)	**19**	643	643
Tax recoverable		**215**	2,570	–
Restricted cash	23	**692**	510	394
Cash and cash equivalents	24	**275,025**	159,584	220,478
Total current assets		**577,118**	257,764	291,125
CURRENT LIABILITIES				
Accounts payable	25	**210,900**	130,421	98,429
Other payables and accruals	26	**69,364**	72,286	33,714
Due to the immediate holding company	37(c)	**–**	8,791	9,780
Due to a fellow subsidiary	37(c)	**115**	–	–
Tax payable		**15,114**	28	217
Commission clawback	27	**7,905**	6,739	6,588
Total current liabilities		**303,398**	218,265	148,728
NET CURRENT ASSETS		**273,720**	39,499	142,397
TOTAL ASSETS LESS CURRENT LIABILITIES		**412,626**	184,003	222,313
NON-CURRENT LIABILITIES				
Other payables and accruals	26	**7,013**	–	–
Total non-current liabilities		**7,013**	–	–
Net assets		**405,613**	184,003	222,313

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
EQUITY				
Equity attributable to owners of the Company				
Issued capital	28	46,300	40,000	40,000
Reserves		360,885	136,046	182,567
		407,185	176,046	222,567
Non-controlling interests		(1,572)	7,957	(254)
Total equity		405,613	184,003	222,313

Wong Lee Man
Director

Fong Sut Sam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000 (note 28)	Capital reserve HK$'000 (note 30(a))	Merger reserve HK$'000 (note 30(a))	Shares held for share award scheme HK$'000 (note 29)	Warrant reserve HK$'000 (note 28)	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 30(a))	Other reserves HK$'000 (note 30(a))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012														
As previously reported		40,000	133,396	(64,379)	(1,056)	–	965	(33)	46	580	119,791	229,310	(254)	229,056
Prior year adjustments	4(c)	–	–	–	100	–	–	–	–	–	(6,843)	(6,743)	–	(6,743)
As restated		40,000	133,396*	(64,379)*	(956)*	–*	965*	(33)*	46*	580*	112,948*	222,567	(254)	222,313
Profit/(loss) for the year (as restated)		–	–	–	–	–	–	–	–	–	1,372	1,372	(8,465)	(7,093)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	5	–	–	–	5	44	49
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	5	–	–	1,372	1,377	(8,421)	(7,044)
Transfer from warrant reserve		–	–	–	–	–	(965)	–	–	–	965	–	–	–
Shares purchased for share award scheme	29	–	–	–	–	(3,250)	–	–	–	–	–	(3,250)	–	(3,250)
Deemed acquisition of non-controlling interests	30(a)	–	–	–	–	–	–	–	–	(4,648)	–	(4,648)	3,656	(992)
Acquisition of a subsidiary	31	–	–	–	–	–	–	–	–	–	–	–	12,976	12,976
Transfer to reserve funds		–	–	–	–	–	–	–	95	–	(95)	–	–	–
2011 final dividend	12	–	–	–	–	–	–	–	–	–	(28,000)	(28,000)	–	(28,000)
2012 interim dividend	12	–	–	–	–	–	–	–	–	–	(12,000)	(12,000)	–	(12,000)
At 31 December 2012		40,000	133,396*	(64,379)*	(956)*	(3,250)*	–*	(28)*	141*	(4,068)*	75,190*	176,046	7,957	184,003

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000 (note 28)	Capital reserve HK$'000 (note 30(a))	Merger reserve HK$'000 (note 30(a))	Shares held for share award scheme HK$'000 (note 29)	Warrant reserve HK$'000 (note 28)	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 30(a))	Other reserves HK$'000 (note 30(a))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013														
As previously reported		40,000	133,396	(64,379)	(1,056)	(3,250)	-	(28)	141	(4,068)	82,290	183,046	6,069	189,115
Prior year adjustments	4(b)	-	-	-	100	-	-	-	-	-	(7,100)	(7,000)	1,888	(5,112)
As restated		40,000	133,396	(64,379)	(956)	(3,250)	-	(28)	141	(4,068)	75,190	176,046	7,957	184,003
Profit/(loss) for the year		-	-	-	-	-	-	-	-	-	97,704	97,704	(6,126)	91,578
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(132)	-	-	-	(132)	(47)	(179)
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	(132)	-	-	97,704	97,572	(6,173)	91,399
Issue of new shares, net of issue expenses	28	6,300	115,944	-	-	-	-	-	-	-	-	122,244	-	122,244
Acquisition of a subsidiary under common control	37(b)(i)	-	-	-	(964)	-	-	-	-	-	-	(964)	-	(964)
Share purchased for share award scheme	29	-	-	-	-	(3,250)	-	-	-	-	-	(3,250)	-	(3,250)
Equity-settled share-based payment	29	-	-	-	-	3,529	-	-	-	-	-	3,529	-	3,529
Issue of warrants, net of issue expenses	28	-	-	-	-	-	776	-	-	-	-	776	-	776
Transfer to reserve funds		-	-	-	-	-	-	-	444	-	(444)	-	-	-
Wavier of an amount due to the immediate holding company	30(a)	-	-	-	-	-	-	-	-	7,876	-	7,876	-	7,876
Gain on deemed disposal of interests in subsidiaries, net	30(a)	-	-	-	-	-	-	-	-	3,356	-	3,356	(3,356)	-
At 31 December 2013		46,300	249,340*	(64,379)*	(1,920)*	(2,971)*	776*	(160)*	585*	7,164*	172,450*	407,185	(1,572)	405,613

* These reserve accounts comprise the consolidated reserves of HK$360,885,000 (31 December 2012: HK$136,046,000, as restated; 1 January 2012: HK$182,567,000, as restated) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**111,403**	7,294
Adjustments for:			
Bank interest income	6	**(195)**	(725)
Other interest income	6	**(384)**	(248)
Dividend income	6	**(11,559)**	–
Fair value gains on equity investments at fair value through profit or loss, net	6	**(34,861)**	(264)
Gain on disposal of deposits paid for purchases of properties, net	6	**(2,737)**	–
Gain on disposal of items of property, plant and equipment	6	**–**	(261)
Reversal of impairment of loans and other receivables	7	**(2,356)**	–
Write-off of items of property, plant and equipment	7	**66**	75
Depreciation	14	**18,737**	14,728
Amortisation of intangible assets	7	**544**	104
Impairment of loans and other receivables	7	**1,733**	16,129
Impairment of an amount due from a fellow subsidiary	7	**994**	–
Write-off of other receivables	7	**–**	37
Equity-settled share-based payment	7	**3,529**	–
Commission clawback		**8,412**	6,694
		93,326	43,563
Decrease/(increase) in accounts receivable		**(37,670)**	421
Decrease/(increase) in loans receivable		**(86,764)**	491
Decrease/(increase) in prepayments, deposits and other receivables		**14,261**	(34,292)
Increase in equity investments at fair value through profit or loss		**(60,206)**	(1,652)
Decrease in an amount due from a fellow subsidiary		**96**	–
Increase in accounts payable		**80,450**	30,887
Increase/(decrease) in other payables and accruals		**(2,031)**	10,288
Decrease in an amount due to the immediate holding company		**(915)**	(989)
Decrease in commission clawback		**(7,246)**	(6,543)
Cash generated/(used in) from operations		**(6,699)**	42,174
Other interest income received		**384**	248
Hong Kong profits tax paid		**(5,009)**	(16,282)
Mainland China taxes paid		**(100)**	(230)
Net cash flows from/(used in) operating activities		**(11,424)**	25,910

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**195**	725
Dividend income received		**11,559**	–
Acquisitions of Acquired Businesses	31	**–**	6,775
Acquisition of a subsidiary under common control	37(b)(i)	**(964)**	–
Acquisition of an additional interest in a subsidiary	37(b)(ii)	**–**	(992)
Deposits paid for purchases of items of property, plant and equipment		**(12,093)**	(27,201)
Purchases of items of property, plant and equipment		**(20,880)**	(17,033)
Proceeds from disposal of items of property, plant and equipment		**–**	310
Proceeds from disposal of deposits paid for purchases of properties, net	6	**36,455**	–
Purchases of available-for-sale investments		**(8,008)**	(4,976)
Increase in restricted cash		**(193)**	(1,353)
Net cash flows from/(used in) investing activities		**6,071**	(43,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares, net of issue expenses	28	**122,244**	–
Proceeds from placement of warrants, net of issue expenses	28	**776**	–
Shares purchased for share award scheme	29	**(3,250)**	(3,250)
Dividends paid		**–**	(40,000)
Net cash flows from/(used in) financing activities		**119,770**	(43,250)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**114,417**	(61,085)
Cash and cash equivalents at beginning of year		**159,584**	220,478
Effect of foreign exchange rate changes, net		**1,024**	191
CASH AND CASH EQUIVALENTS AT END OF YEAR		**275,025**	159,584
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**268,915**	153,595
Non-pledged time deposits with original maturity of less than three months when acquired	24	**6,110**	5,989
		275,025	159,584

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**66,435**	66,435
CURRENT ASSETS			
Due from subsidiaries	16	**306,098**	225,901
Prepayments	21	**41**	180
Cash and cash equivalents	24	**14,591**	8,315
Total current assets		**320,730**	234,396
CURRENT LIABILITIES			
Due to subsidiaries	16	**97,577**	129,070
Accruals	26	**2,779**	635
Total current liabilities		**100,356**	129,705
NET CURRENT ASSETS		**220,374**	104,691
Net assets		**286,809**	171,126
EQUITY			
Issued capital	28	**46,300**	40,000
Reserves	30(b)	**240,509**	131,126
Total equity		**286,809**	171,126

Wong Lee Man
Director

Fong Sut Sam
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1.1 CORPORATE INFORMATION

Convoy Financial Services Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 12 March 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was principally engaged in independent financial advisory ("IFA") business, money lending business and proprietary investment business. The money lending business and proprietary investment business are new business segments of the Group through an acquisition of a subsidiary during the current year.

In the opinion of the Directors, during the year, the immediate holding company of the Company is Convoy Financial Group Limited ("CFG"), and the ultimate holding company of the Company is Convoy Inc., both of which are incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 13 and HKAS 1 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC) – Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows: (continued)

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in notes 39 to the financial statements.

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of these circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, goodwill and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has controls or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	20%
Computer equipment	30%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Customers' contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 4 years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes recognised in profit or loss. These net fair value changes do not include any dividends earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated Group's continuing involvement. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Shares held under the share award scheme

Where shares of the Company are purchased from the market for a restricted share award scheme, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held under the share award scheme" and deducted from equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Deferred revenue

Deferred revenue represents service fees received in advance from the rendering of the corresponding services. Revenue is recognised and deferred revenue is released to profit or loss when the corresponding services have been rendered.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) investment brokerage commission income, on an accrual basis when brokerage services are rendered and in accordance with the terms of the underlying agreements with the product issuers;

(b) insurance and pension scheme brokerage commission income, on an accrual basis based on the commissioning of the respective insurance policies and pension schemes;

(c) advisory income, referral income and service income, on an accrual basis when services have been rendered;

(d) income from sales of equity securities, on a trade-date basis;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a restricted share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on the quoted market price of the equity instruments at the date at which they are granted, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period reflects the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the respective local municipal governments. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Social security scheme

The employees of the Group's subsidiary which operates in Macau are required to participate in a central social security scheme operated by the Macao SAR Government. The subsidiary is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central social security scheme.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of each reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the Directors after the end of the reporting period are not recognised as a liability at the end of the reporting period. When these dividends have been approved by the shareholders and declared in a general meeting, they are recognised as a liability.

Interim dividends were simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends were recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Income tax provisions

Determining income tax provisions involves judgements on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislations and practices.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale investments

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment should be recognised in profit or loss. During the year ended 31 December 2013, no impairment losses have been recognised (2012: Nil). The carrying amount of available-for-sale investments was HK$12,984,000 (2012: HK$4,976,000).

Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a loan and receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of loans and receivables (continued)

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Addition to or reduction in depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation of commission clawback

The Group reviews the carrying amount of commission clawback at the end of the reporting period and estimates the expected cash outflows related to commission clawback. The estimation requires the Group to make estimates of the expected future occurrence of commission clawback by the product issuers and the expenditure required to settle the obligations. Details of the commission clawback are set out in note 27 to the financial statements.

4. RESTATEMENTS OF PRIOR PERIODS

Merger accounting

The Group accounts for all its business combinations involving entities under common control under the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG 5") issued by the HKICPA. For the year ended 31 December 2013, the Group acquired Convoy Collateral Limited ("CCL") from the immediate holding company, CFG, and accordingly, the Group applied the principle of merger accounting in accordance with the requirements set out in AG 5 to the acquisition. CCL, incorporated on 2 June 2003, is a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong).

The consolidated statements of financial position of the Group as at 31 December 2012 and 1 January 2012 have been restated to include the assets and liabilities of CCL as if it was within the Group on the respective dates. The consolidated statement of comprehensive income for the year ended 31 December 2012 has been restated to include the results of CCL as if the acquisition of CCL by the Group had occurred from the date when CCL first came under control of CFG.

Restatements of provisional amounts in relation to business combinations

Provisional amounts relating to the Group's acquisitions of 江西康宏泛誠保險代理有限公司 ("康宏江西") (previously known as "江西泛誠保險代理有限公司") and 康宏碧升保險代理有限公司 ("康宏碧升") (previously known as "北京碧升保險代理有限公司") (collectively, the "Acquired Businesses") in 2012 have been finalised. As a result, the Group has recognised intangible assets of HK$2,173,000 in aggregate. Goodwill has been restated to HK$39,840,000 and deferred tax assets of HK$7,305,000 in respect of tax losses of 康宏江西 and 康宏碧升 were recognised.

4. RESTATEMENTS OF PRIOR PERIODS (continued)

The effects of the application of merger accounting and restatements of provisional amounts in relation to business combinations on the consolidated statement of comprehensive income for the year ended 31 December 2012 and the consolidated statements of financial position as at 31 December 2012 and 1 January 2012 were summarised below:

(a) Consolidated statement of comprehensive income for the year ended 31 December 2012

	HK$'000 (As previously reported)	Adjustments on application of merger accounting HK$'000 (note i)	Adjustments on restatements of provisional amounts in relation to business combinations HK$'000 (note iii)	HK$'000 (Restated)
REVENUE	703,726	86	–	703,812
Other income and gains, net	2,100	–	–	2,100
Commission and advisory expenses	(423,333)	–	–	(423,333)
Staff costs	(79,204)	–	–	(79,204)
Depreciation	(14,511)	(217)	–	(14,728)
Commission clawback	(6,694)	–	–	(6,694)
Other expenses	(174,533)	(22)	(104)	(174,659)
PROFIT/(LOSS) BEFORE TAX	7,551	(153)	(104)	7,294
Income tax expense	(14,387)	–	–	(14,387)
LOSS FOR THE YEAR	(6,836)	(153)	(104)	(7,093)
OTHER COMPREHENSIVE INCOME				
Exchange differences arising on translation of foreign operations	49	–	–	49
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(6,787)	(153)	(104)	(7,044)
Profit/(loss) for the year attributable to:				
Owners of the Company	1,629	(153)	(104)	1,372
Non-controlling interests	(8,465)	–	–	(8,465)
	(6,836)	(153)	(104)	(7,093)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	1,634	(153)	(104)	1,377
Non-controlling interests	(8,421)	–	–	(8,421)
	(6,787)	(153)	(104)	(7,044)

	(As previously reported)	(Restated)
Earnings per share attributable to owners of the Company		
Basic and diluted	HK0.4 cent	HK0.3 cent

4. RESTATEMENTS OF PRIOR PERIODS (continued)

(b) Consolidated statement of financial position as at 31 December 2012

	HK$'000 (As previously reported)	Adjustments on application of merger accounting HK$'000 (note ii)	Adjustments on restatements of provisional amounts in relation to business combinations HK$'000 (note iii)	HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	35,511	365	–	35,876
Prepayments, deposits and other receivables	46,712	–	–	46,712
Goodwill (note 15)	47,430	–	(7,590)	39,840
Intangible assets (note 32)	–	–	2,069	2,069
Loans receivable	–	3,031	–	3,031
Available-for-sale investments	4,976	–	–	4,976
Restricted cash	1,550	–	–	1,550
Deferred tax assets (note 18)	3,145	–	7,305	10,450
Total non-current assets	139,324	3,396	1,784	144,504
CURRENT ASSETS				
Accounts receivable	54,110	–	–	54,110
Loans receivable	–	904	–	904
Prepayments, deposits and other receivables	36,986	358	–	37,344
Equity investments at fair value through profit or loss	2,099	–	–	2,099
Due from a fellow subsidiary	643	–	–	643
Tax recoverable	2,570	–	–	2,570
Restricted cash	510	–	–	510
Cash and cash equivalents	159,043	541	–	159,584
Total current assets	255,961	1,803	–	257,764

4. RESTATEMENTS OF PRIOR PERIODS (continued)

(b) Consolidated statement of financial position as at 31 December 2012 (continued)

	HK$'000 (As previously reported)	Adjustments on application of merger accounting HK$'000 (note ii)	Adjustments on restatements of provisional amounts in relation to business combinations HK$'000 (note iii)	HK$'000 (Restated)
CURRENT LIABILITIES				
Accounts payable	130,421	–	–	130,421
Other payables and accruals	68,982	3,304	–	72,286
Due to the immediate holding company	–	8,791	–	8,791
Tax payable	28	–	–	28
Commission clawback	6,739	–	–	6,739
Total current liabilities	206,170	12,095	–	218,265
NET CURRENT ASSETS/(LIABILITIES)	49,791	(10,292)	–	39,499
Net assets/(liabilities)	189,115	(6,896)	1,784	184,003
EQUITY				
Equity attributable to owners of the Company				
Issued capital	40,000	–	–	40,000
Reserves	143,046	(6,896)	(104)	136,046
	183,046	(6,896)	(104)	176,046
Non-controlling interests	6,069	–	1,888	7,957
Total equity	189,115	(6,896)	1,784	184,003

4. RESTATEMENTS OF PRIOR PERIODS (continued)

(c) Consolidated statement of financial position as at 1 January 2012

	HK$'000 (As previously reported)	Adjustments on application of merger accounting HK$'000 (note ii)	HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	26,074	581	26,655
Prepayments, deposits and other receivables	40,579	–	40,579
Goodwill	5,381	–	5,381
Loans receivable	–	3,522	3,522
Deferred tax assets	3,779	–	3,779
Total non-current assets	75,813	4,103	79,916
CURRENT ASSETS			
Accounts receivable	53,349	–	53,349
Loans receivable	–	904	904
Prepayments, deposits and other receivables	14,821	353	15,174
Equity investments at fair value through profit or loss	183	–	183
Due from a fellow subsidiary	643	–	643
Restricted cash	394	–	394
Cash and cash equivalents	219,248	1,230	220,478
Total current assets	288,638	2,487	291,125

4. RESTATEMENTS OF PRIOR PERIODS (continued)

(c) Consolidated statement of financial position as at 1 January 2012 (continued)

	HK$'000 (As previously reported)	Adjustments on application of merger accounting HK$'000 (note ii)	HK$'000 (Restated)
CURRENT LIABILITIES			
Accounts payable	98,429	–	98,429
Other payables and accruals	30,161	3,553	33,714
Due to the immediate holding company	–	9,780	9,780
Tax payable	217	–	217
Commission clawback	6,588	–	6,588
Total current liabilities	135,395	13,333	148,728
NET CURRENT ASSETS/(LIABILITIES)	153,243	(10,846)	142,397
Net assets/(liabilities)	229,056	(6,743)	222,313
EQUITY			
Equity attributable to owners of the Company			
Issued capital	40,000	–	40,000
Reserves	189,310	(6,743)	182,567
	229,310	(6,743)	222,567
Non-controlling interests	(254)	–	(254)
Total equity	229,056	(6,743)	222,313

Notes:

(i) The adjustments are to include the results of CCL for the year ended 31 December 2012.

(ii) The adjustments are to include the assets and liabilities of CCL as at 31 December 2012 or 1 January 2012.

(iii) The adjustments are to restate the provisional amounts in relation to business combinations in the prior year for which (i) intangible assets of HK$2,069,000, net of amortisation of HK$104,000, were recognised; (ii) goodwill previously recognised was restated to HK$39,840,000; (iii) deferred tax assets of HK$7,305,000 in respect of tax losses of 康宏江西 and 康宏碧升 were recognised; and (iv) non-controlling interests at acquisition date were remeasured.

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has the following reportable operating segments:

(a) the IFA segment engages in insurance brokerage business and the provision of IFA services;

(b) the money lending segment engages in the provision of loan financing in Hong Kong; and

(c) the proprietary investment segment engages in investment in listed and unlisted investments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income and gains, net, as well as head office and corporate expenses are excluded from such measurement.

Revenue and results

Years ended 31 December

	IFA segment		Money lending segment		Proprietary investment segment		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue								
Segment revenue	**966,896**	703,726	**5,667**	86	**46,420**	–	**1,018,983**	703,812
Results								
Segment results	**80,517**	16,219	**3,030**	64	**35,534**	–	**119,081**	16,283
Unallocated income							**6,924**	2,100
Unallocated corporate expenses							**(14,602)**	(11,089)
Profit before tax							**111,403**	7,294
Income tax expense							**(19,825)**	(14,387)
Profit/(loss) for the year							**91,578**	(7,093)

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities

31 December

	2013 HK$'000	2012 HK$'000
Segment assets		
IFA segment	**224,459**	216,594
Money lending segment	**90,699**	3,935
Proprietary investment segment	**110,150**	–
Total segment assets	**425,308**	220,529
Unallocated assets	**290,716**	181,739
Total assets	**716,024**	402,268
Segment liabilities		
IFA segment	**290,427**	213,970
Money lending segment	**812**	3,304
Proprietary investment segment	**–**	–
Total segment liabilities	**291,239**	217,274
Unallocated liabilities	**19,172**	991
Total liabilities	**310,411**	218,265

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

(1) all assets were allocated to operating segments other than tax recoverable, cash and cash equivalents, restricted cash and deferred tax assets as at 31 December 2013 and 31 December 2012 and equity investments at fair value through profit or loss and an available-for-sale investment as at 31 December 2012; and

(2) all liabilities were allocated to operating segments other than tax payable and other head office and corporate liabilities as these liabilities are managed on a group basis.

5. SEGMENT INFORMATION (continued)

Other segment information

Years ended 31 December

	IFA segment		Money lending segment		Proprietary investment segment		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditure*	**23,659**	26,217	**1,587**	–	**–**	–	**25,246**	26,217
Depreciation of property, plant and equipment								
– operating segment	**18,544**	14,511	**–**	–	**–**	–	**18,544**	14,511
– unallocated							**193**	217
							18,737	14,728
Amortisation of intangible assets	**544**	104	**–**	–	**–**	–	**544**	104

* Capital expenditure represented additions to property, plant and equipment and intangible assets including assets from acquisitions of Acquired Businesses.

Geographical information

(a) Revenue from external customers

	2013	2012
	HK$'000	HK$'000 (Restated)
Hong Kong	**871,714**	683,754
Mainland China	**96,518**	17,655
Macau	**4,331**	2,403
	972,563	703,812

The revenue information above is based on the locations of the customers. The Group's fair value gains on equity investments at fair value through profit or loss, net and dividend income are excluded from total revenue for the purpose of identifying revenue from external customers.

5. SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2013 HK$'000	2012 HK$'000 (Restated)
Hong Kong	45,489	44,265
Mainland China	50,986	74,021
Others	81	157
	96,556	118,443

The non-current asset information above is based on the locations of the assets and excludes financial instruments, restricted cash and deferred tax assets.

Information about product issuers

Revenue from major product issuers, which respectively amounted to 10% or more of the Group's revenue, is set out below:

	2013 HK$'000	2012 HK$'000
Product issuer A	474,558	401,513
Product issuer B	N/A*	73,111
Product issuer C	N/A*	74,483

* The revenue from Product issuer B and C for the year ended 31 December 2013 was less than 10% of the Group's revenue. The Group's interest income from loan financing, fair value gains on equity investments at fair value through profit or loss, net and dividend income are excluded from the total revenue for the purpose of identifying major product issuers of the Group who contributed to 10% or more of the Group's revenue.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the aggregate of investment brokerage commission income, insurance brokerage commission income, pension scheme brokerage commission income, advisory income, interest income from loan financing, fair value gains on equity investments at fair value through profit or loss, net and dividend income during the year.

An analysis of revenue, other income and gains, net is as follows:

	2013 HK$'000	2012 HK$'000 (Restated)
Revenue		
Investment brokerage commission income	798,771	632,501
Insurance brokerage commission income	127,972	54,598
Pension scheme brokerage commission income	13,452	7,950
Advisory income	26,701	8,677
Interest income from loan financing	5,667	86
Fair value gains on equity investments at fair value through profit or loss, net	34,861	–
Dividend income	11,559	–
	1,018,983	703,812
Other income and gains, net		
Bank interest income	195	725
Other interest income	384	248
Referral income	212	157
Gain on disposal of items of property, plant and equipment	–	261
Fair value gains on equity investments at fair value through profit or loss	–	264
Gain on disposal of deposits paid for purchases of properties, net	2,737*	–
Foreign exchange differences, net	755	323
Others	2,641	122
	6,924	2,100

* The aggregate consideration for the disposal of deposits amounted to HK$36,455,000, comprising deposits paid for purchases of properties in the PRC and Hong Kong. The deposit for property in Hong Kong was held by a wholly-owned subsidiary of the Group, which represented its entire asset and was disposed of by the Group through the disposal of that subsidiary during the year ended 31 December 2013.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Minimum lease payments under operating leases in respect of:			
Land and buildings		**65,272**	51,901
Equipment		**1,845**	2,038
		67,117	53,939
Employee benefit expense (including Directors' remuneration (note 8)):			
Salaries, allowances, bonuses and benefits in kind		**95,596**	73,707
Pension scheme contributions		**8,589**	5,497
		104,185	79,204
Equity-settled share-based payment			
– Consultants (included in other expenses)		**3,529**	–
Auditors' remuneration		**1,350**	1,112
Amortisation of intangible assets*	32	**544**	104
Impairment of loans and other receivables	21(d)	**1,733**	16,129
Reversal of impairment of loans and other receivables	21(d)	**(2,356)**	–
Impairment of an amount due from a fellow subsidiary	37(c)	**994**	–
Write-off of items of property, plant and equipment	14	**66**	75
Write-off of other receivables		**–**	37

* The amortisation of intangible assets for the year are included in "Other expenses" in the consolidated statement of comprehensive income.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
Fees	**1,104**	435
Other emoluments:		
Salaries, allowances and benefits in kind	**6,586**	5,999
Discretionary bonuses	**3,415**	1,002
Pension scheme contributions	**476**	445
	10,477	7,446
	11,581	7,881

Included in the Directors' remuneration were rental benefits for accommodation provided to directors of HK$360,000 (2012: HK$582,000) during the year.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive Directors

The fees paid and payable to independent non-executive Directors during the year were as follows:

	2013 HK$'000	2012 HK$'000
Mrs. Fu Kwong Wing Ting, Francine	**166**	159
Dr. Wu Ka Chee, Davy	**144**	138
Mr. Ma Yiu Ho, Peter	**144**	138
	454	435

There were no other emoluments payable to the independent non-executive Directors during the year (2012: Nil).

(b) Executive Directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013					
Mr. Wong Lee Man	**245**	**1,876**	**983**	**140**	**3,244**
Ms. Fong Sut Sum	**181**	**2,392**	**1,238**	**177**	**3,988**
Mr. Mak Kwong Yiu	**181**	**2,122**	**1,169**	**144**	**3,616**
Mr. Kwok Shun Tim	**43**	**196**	**25**	**15**	**279**
	650	**6,586**	**3,415**	**476**	**11,127**
2012					
Mr. Wong Lee Man	–	1,825	315	136	2,276
Ms. Fong Sut Sum	–	2,296	382	172	2,850
Mr. Mak Kwong Yiu	–	1,878	305	137	2,320
	–	5,999	1,002	445	7,446

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2012: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three Directors (2012: three), details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining two (2012: two) non-Director, highest paid employees for the year are as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and bonuses	**5,033**	3,743
Pension scheme contributions	**223**	202
	5,256	3,945

The number of non-Director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	1
Over HK$2,500,000	**1**	–
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2013 HK$'000	2012 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**21,951**	13,562
Overprovision in prior years	**(932)**	(24)
Current – Mainland China	**1,529**	215
Deferred (note 18)	**(2,723)**	634
Total tax charge for the year	**19,825**	14,387

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory rate in which the Group's major operating subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2013 HK$'000	%	2012 HK$'000 (Restated)	%
Profit before tax	**111,403**		7,294	
Tax at the Hong Kong statutory tax rate	**18,382**	**16.5**	1,204	16.5
Higher tax rates for specific provinces in Mainland China	**(3,965)**		(2,941)	
Lower tax rate in Macau	**(7)**		13	
Adjustments in respect of current tax of previous periods	**(932)**		(24)	
Income not subject to tax	**(9,918)**		(103)	
Expenses not deductible for tax	**4,810**		8,104	
Tax losses not recognised	**13,107**		8,691	
Tax losses utilised from previous periods	**(1,617)**		–	
Others	**(35)**		(557)	
Tax charge at the Group's effective rate	**19,825**	**17.8**	14,387	197.2

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK$7,616,000 (2012: loss of HK$4,366,000, excluding the 2011 final dividend income from its subsidiary of HK$43,000,000), which has been dealt with in the financial statements of the Company (note 30(b)).

12. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends paid during the year:		
2012 final dividend – Nil (2011 final dividend: HK7.0 cents) per ordinary share	**–**	28,000
2013 interim dividend – Nil (2012 interim dividend: HK3.0 cents) per ordinary share	**–**	12,000
	–	40,000
Proposed 2013 final – HK2.0 cents (2012: Nil) per ordinary share	**9,260**	–

The proposed final dividend for the year is subject to the approval of Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 428,726,027 (2012: 400,000,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

For the year ended 31 December 2012, no adjustment had been made to the basic earnings per share amount presented in respect of a dilution as the warrants of the Company issued during the year ended 31 December 2011 had no dilutive effect on the basic earnings per share amount presented.

The calculations of the basic and diluted earnings per share are based on:

	2013 HK$'000	2012 HK$'000 (Restated)
Earnings		
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**97,704**	1,372

	Number of shares 2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**428,726,027**	400,000,000
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**67,945,205**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**496,671,232**	400,000,000

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013					
At 31 December 2012 and at 1 January 2013:					
Cost (Restated)	36,659	20,392	52,580	5,505	115,136
Accumulated depreciation (Restated)	(14,329)	(15,207)	(44,693)	(5,031)	(79,260)
Net carrying amount (Restated)	22,330	5,185	7,887	474	35,876
At 1 January 2013, net of accumulated depreciation (Restated)	22,330	5,185	7,887	474	35,876
Additions	19,141	1,625	4,480	–	25,246
Write-off	–	(37)	(29)	–	(66)
Depreciation provided during the year	(11,222)	(2,437)	(4,800)	(278)	(18,737)
Exchange realignment	23	90	46	–	159
At 31 December 2013, net of accumulated depreciation	30,272	4,426	7,584	196	42,478
At 31 December 2013:					
Cost	55,982	22,057	57,091	5,505	140,635
Accumulated depreciation	(25,710)	(17,631)	(49,507)	(5,309)	(98,157)
Net carrying amount	30,272	4,426	7,584	196	42,478

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2012					
At 1 January 2012:					
Cost (as previously reported)	36,594	17,536	49,061	4,059	107,250
Prior year adjustments (note 4(c))	–	–	–	765	765
As restated	36,594	17,536	49,061	4,824	108,015
Accumulated depreciation (as previously reported)	(24,901)	(13,005)	(39,531)	(3,739)	(81,176)
Prior year adjustments (note 4(c))	–	–	–	(184)	(184)
As restated	(24,901)	(13,005)	(39,531)	(3,923)	(81,360)
Net carrying amount (Restated)	11,693	4,531	9,530	901	26,655
At 1 January 2012, net of accumulated depreciation (Restated)	11,693	4,531	9,530	901	26,655
Additions	16,119	1,794	3,146	–	21,059
Disposal	–	–	–	(49)	(49)
Write-off	–	(47)	(28)	–	(75)
Acquisitions of Acquired Businesses (note 31)	1,563	850	198	374	2,985
Depreciation provided during the year	(7,064)	(1,948)	(4,963)	(753)	(14,728)
Exchange realignment	19	5	4	1	29
At 31 December 2012, net of accumulated depreciation (Restated)	22,330	5,185	7,887	474	35,876
At 31 December 2012:					
Cost (Restated)	36,659	20,392	52,580	5,505	115,136
Accumulated depreciation (Restated)	(14,329)	(15,207)	(44,693)	(5,031)	(79,260)
Net carrying amount (Restated)	22,330	5,185	7,887	474	35,876

15. GOODWILL

	Group 2013 HK$'000	2012 HK$'000 (Restated)
Cost at 1 January	**39,840**	5,381
Acquisitions of Acquired Businesses (note 31)	**–**	34,459
Cost and net carrying amount at 31 December	**39,840**	39,840

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit of provision of insurance brokerage services operations for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections (the "Cash Flow Projections") based on financial budgets covering a five-year period (2012: a five-year period) approved by senior management. The discount rates applied to the Cash Flow Projections are at rates ranging from 18.5% to 19.4% (2012: 10.7%).

Assumptions were used in the value in use calculation of the cash-generating unit for 31 December 2013 and 31 December 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted commission rate – The basis used to determine the value assigned to the budgeted commission rate is the average commission rate charged to product issuers in the period immediately before the budget year.

Discounts rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Price inflation – The basis used to determine the value assigned to operating expenses price inflation is the price index in the period immediately before the budget year for Mainland China where the operating expenses are incurred.

The values assigned to the key assumptions are consistent with external information sources.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**66,435**	66,435

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$306,098,000 (2012: HK$225,901,000) and HK$97,577,000 (2012: HK$129,070,000), respectively, are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company 2013	2012	Principal activities
Directly owned					
Convoy China Limited	British Virgin Islands/ Hong Kong	HK$8	**100**	100	Investment holding
Convoy (BVI) Limited	British Virgin Islands/ Hong Kong	HK$10,000	**100**	100	Investment holding
Convoy Financial Holdings Limited	Hong Kong	HK$1	**100**	100	Management of business development
Prosper Ocean Investments Limited	British Virgin Islands/ Hong Kong	HK$8	**100**	100	Investment holding
CFSH (Macau) Limited	Hong Kong	HK$100	**100**	100	Investment holding

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company 2013	2012	Principal activities
Indirectly owned					
Convoy Financial Services Limited	Hong Kong	HK$1,000,000	**100**	100	Provision of insurance and MPF scheme brokerage services
Convoy Insurance Brokers (Macau) Limited*	Macau	MOP100,000	**100**	100	Provision of insurance brokerage services
CCIA Holdings Limited	British Virgin Islands/ Hong Kong	HK$106,447	**91.4**	91.4	Investment holding
CIB Holdings Limited	Hong Kong	HK$1	**100**	100	Provision of referral services
Convoy China Insurance Agency Co., Limited	Hong Kong	HK$2	**91.4**	91.4	Investment holding and management of business development
Convoy China Financial Services Holdings Limited	Hong Kong	HK$10	**91.4**	91.4	Investment holding
康宏財富投資管理(北京)有限公司**@	People's Republic of China ("PRC")/ Mainland China	RMB10,000,000	**91.4**	91.4	Provision of investment advisory and corporate marketing services
深圳康宏信息咨詢有限公司 ("康宏信息", formerly known as 深圳盛海信息咨詢有限公司)**@	PRC/ Mainland China	RMB500,000	**100**	100	Provision of administrative services

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company 2013	2012	Principal activities
Indirectly owned (continued)					
深圳康宏保險經紀有限公司 ("深圳康宏")(note a)*****^^@	PRC/ Mainland China	RMB50,000,000 (2012: RMB20,000,000)	**96.6**	100	Provision of insurance brokerage services
江西康宏泛誠保險代理有限公司 ("康宏江西") (note b)***@	PRC/ Mainland China	RMB20,000,000 (2012: RMB5,000,000)	**69.5**	100	Provision of insurance brokerage services
康宏碧升保險代理有限公司 ("康宏碧升")#^@	PRC/ Mainland China	RMB50,000,000	**69.5**	69.5	Provision of insurance brokerage services
Genius Choice Holdings Limited@@	Hong Kong	HK$1	**–**	100	Property investment
Favour Sino Holdings Limited	British Virgin Islands/ Hong Kong	HK$8	**100**	–	Investment holding
DRL Capital Investment Management Limited	Cayman Islands/ Hong Kong	HK$8	**70**	–	Provision of investment management services
Convoy Collateral Limited ("CCL") (note (c))	Hong Kong	HK$100,000	**100**	–	Provision of money lending and proprietary investment

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ paid-up share capital	Percentage of equity attributable to the Company 2013	2012	Principal activities
Indirectly owned (continued)					
Convoy International Holdings Limited	British Virgin Islands/ Hong Kong	HK$8	100	–	Investment holding
Clever Path Holdings Limited	British Virgin Islands/ Hong Kong	HK$8	100	–	Investment holding
康宏保險銷售服務(江蘇)有限公司**@	PRC/ Mainland China	RMB10,000,000	91.4	–	Provision of insurance brokerage services
深圳前海康宏匯資產管理有限公司(“康宏前海”)**^^^@	PRC/ Mainland China	RMB20,000,000	91.4	–	Provision of asset management services

* Share capital of MOP10,000 is held in trust by two directors of the subsidiary.

** Registered as wholly-foreign-owned enterprises under PRC law.

*** Registered as domestic enterprises under PRC law.

\# Registered as a non-wholly-foreign-owned enterprise under PRC law.

^ Share capital of RMB38,000,000 (2012: RMB38,000,000) is held in trust by a senior management member of the subsidiary.

^^ Share capital of RMB4,000,000 (2012: RMB4,000,000) is held in trust by a fellow subsidiary of the Company.

^^^ Share capital of RMB20,000,000 is held in trust by a business partner of the Company.

@ Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@@ The subsidiary was disposed of during the year, details of which are disclosed in note 6 to the financial statements.

Notes:

(a) During the year, capital contributions into 深圳康宏 of RMB10,000,000 and RMB20,000,000 were made by 康宏信息, a 100%-owned subsidiary of the Group and 康宏前海, a 91.4%-owned subsidiary of the Group, respectively, thereby decreased the Group's interest in 深圳康宏 from 100% to 96.6%.

(b) During the year, 康宏碧升, a 69.5%-owned subsidiary of the Group, acquired the entire equity interest of 康宏江西 from 深圳康宏, thereby decreased the Group's interest in 康宏江西 from 100% to 69.5%.

(c) During the year, the Group acquired 100% equity interest in CCL. Details of the transaction are set out in note 37(b)(i) to the financial statements.

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	**12,984**	4,976

Available-for-sale investments represented the Group's investments in unlisted funds and an unquoted equity investment, which are neither classified as held for trading nor designated at fair value through profit or loss and have no fixed maturity date or coupon rate. The investments are stated as cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of the investments in the near future.

18. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Group

	Depreciation in excess of related depreciation allowance HK$'000	**Commission clawback** HK$'000	**Provision for other receivables** HK$'000	**Losses available for offsetting against future taxable profits** HK$'000	**Total** HK$'000
Deferred tax assets at 1 January 2012	1,380	1,087	1,312	–	3,779
Acquisitions of Acquired Businesses (note 31)	–	–	–	7,305	7,305
Deferred tax credited/(debited) to profit or loss during the year (note 10)	(1,240)	21	585	–	(634)
Deferred tax assets at 31 December 2012 and at 1 January 2013 (restated)	140	1,108	1,897	7,305	10,450
Deferred tax credited to profit or loss during the year (note 10)	805	188	313	1,417	2,723
Deferred tax assets at 31 December 2013	945	1,296	2,210	8,722	13,173

18. DEFERRED TAX (continued)

For presentation purposes, the deferred tax assets and liabilities that relate to the same taxable entity and the same taxation authority have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2013 **HK$'000**	2012 HK$'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**13,173**	10,450

The Group has estimated tax losses arising in Mainland China of HK$40,279,000 (2012: HK$34,594,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to unpredictability of taxable income streams.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

19. ACCOUNTS RECEIVABLE

	Group	
	2013 **HK$'000**	2012 HK$'000
Accounts receivable	**91,806**	54,110

Accounts receivable represent brokerage commission receivables which are generally settled within 45 days upon the execution of the insurance policies and/or receipt of statements from product issuers.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its account receivable balances. Accounts receivable are non-interest-bearing.

Accounts receivable as at the end of the reporting period, based on the date of recognition of revenue and net of provisions, were aged within one month and neither past due nor impaired.

The Group's accounts receivables relate to a number of reputable product issuers for whom there has been no recent history of default.

20. LOANS RECEIVABLE

	Group 2013 HK$'000	2012 HK$'000 (Restated)
Loans receivable	**91,355**	4,591
Impairment	**(656)**	(656)
	90,699	3,935
Less: Balances due within one year included in current assets	**(85,963)**	(904)
Non-current portion	**4,736**	3,031

Loans receivable represent receivables arising from money lending business of the Group, and bear interests at rates ranging from 5% per annum to 24% per annum (2012: ranging from 1% per annum to 5% per annum). The grants of these loans were approved and monitored by the Group's management.

Certain loans receivable with an aggregate carrying amount of HK$65,400,000 (2012: HK$2,818,000) were secured by the pledge of collaterals and/or the provision of personal guarantees/corporate undertakings by certain independent third parties.

An aged analysis of the loans receivable (that are not considered to be impaired) as at the end of the reporting period, based on the payment due date, is as follows:

	Group 2013 HK$'000	2012 HK$'000 (Restated)
Neither past due nor impaired	**89,863**	3,522
1 to 3 months past due	**423**	–
Over 3 months past due	**413**	413
	90,699	3,935

The movements in provision for impairment of loans receivable are as follows:

	Group 2013 HK$'000	2012 HK$'000 (Restated)
At 1 January and 31 December	**656**	656

Included in the above provision for impairment of loans receivable was a provision for individually impaired loans receivable of HK$656,000 (2012: HK$656,000) with an aggregate carrying amount of HK$656,000 (2012: HK$656,000). The individually impaired loans receivable relate to borrowers that were in default and were not expected to be recoverable.

Loans receivable that were neither past due nor impaired relate to a number of diversified borrowers for whom there was no recent history of default.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	Group 2013 HK$'000	2012 HK$'000 (Restated)
Deposits paid for purchases of items of plant and equipment		**12,093**	8,577
Deposits paid for purchases of properties	(a)	**–**	24,304
Rental and utility deposits		**16,885**	21,525
Loans receivable to Target Companies	(b)	**–**	9,820
Other receivables	(c)	**27,296**	32,797
Prepaid expenses		**7,630**	5,078
Deferred expenses		**307**	7,818
		64,211	109,919
Impairment for loans and other receivables	(b), (c), (d)	**(15,420)**	(25,863)
		48,791	84,056
Prepayments, deposits and other receivables analysed into:			
Non-current assets		**22,559**	46,712
Current assets		**26,232**	37,344
		48,791	84,056

	Company 2013 HK$'000	2012 HK$'000
Prepayments	**41**	180

Notes:

(a) Included in the deposits for purchases of properties as at 31 December 2012 was an amount of HK$15,587,000 paid for staff quarters in Mainland China which were under construction. The purchases of the staff quarters were executed by the Group through a trust arrangement with a business partner for the year ended 31 December 2012. The deposits paid for purchases of properties were disposed of during the year, details of which are disclosed in note 6 to the financial statements.

(b) During the year ended 31 December 2011, the Group had negotiation with certain independent third parties to acquire certain companies established in the PRC (the "Target Companies") which were primarily engaged in provision of insurance brokerage services in Mainland China. During the prior year, the Group had made an aggregate amount of HK$18,941,000 to the Target Companies for the purpose of their working capital, out of which, HK$9,121,000 was due from 康宏江西. Other than 康宏江西, the contemplated acquisitions of the remaining Target Companies fell through eventually and the outstanding advances of HK$9,820,000 due therefrom were fully impaired during the year ended 31 December 2012. With no new positive indication on the recoverability emerging during the current year, the loans receivable to Target Companies together with the corresponding provision amounts were written-off in full during the year.

(c) Other receivables are unsecured and repayable within one year or have no fixed terms of repayment. Apart from an other receivable as at 31 December 2012 of HK$12,400,000 which borne interest at a rate of 2% per month, the remaining balances as at 31 December 2013 and 2012 are non-interest-bearing.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(d) The movements in the provision for impairment of loans and other receivables are as follows:

	Group 2013 HK$'000	2012 HK$'000
At 1 January	**25,863**	9,734
Impairment losses recognised (note 7)	**1,733**	16,129
Amount written off as uncollectible (note b)	**(9,820)**	–
Impairment losses reversed (note 7)	**(2,356)**	–
At 31 December	**15,420**	25,863

Included in the above provision for impairment of loans and other receivables is a provision for individually impaired loans and other receivables of HK$15,420,000 (2012: HK$25,863,000) with a carrying amount before provision of HK$15,420,000 (2012: HK$25,863,000). This provision was determined after taking into account the age of the respective receivable balances, the creditworthiness of the debtors, their repayment history and their historical write-off experience. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of loans and other receivables that are not considered to be impaired is as follows:

	Group 2013 HK$'000	2012 HK$'000 (Restated)
Neither past due nor impaired	**6,375**	12,648
Less than 1 month past due	**1,103**	1,710
1 month to 2 months past due	**1,265**	265
2 months to 3 months past due	**132**	316
Over 3 months past due	**3,001**	1,815
	11,876	16,754

Other receivables that were neither past due nor impaired relate to a large number of debtors for whom there has been no recent history of default.

Other receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK$'000	HK$'000
Listed equity investments, at fair value:		
Hong Kong	**97,166**	2,099

The above equity investments at 31 December 2013 and 2012 were classified as held for trading and were designated upon initial recognition by the Group as financial assets as at fair value through profit or loss.

23. RESTRICTED CASH

At the end of the reporting period, the Group had approximately HK$2,303,000 (2012: HK$2,060,000) of which was restricted as to use. The restricted cash of HK$1,611,000 (2012: HK$1,550,000) was placed in a bank in the PRC to comply the requirements of the PRC authority for insurance brokerage operation in Mainland China. The restricted cash in the PRC is not expected to be released within the next 12 months from the end of the reporting period and accordingly, the restricted cash in the PRC was classified under non-current assets. The remaining balance represented the client monies arising from insurance brokerage business that are segregated in licensed banks. The Group is not allowed to use the client's monies to settle its own obligations and accordingly, the Group has classified the client monies as restricted cash under the current assets.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		
Cash and bank balances	**268,915**	153,595	**8,481**	2,326
Time deposits	**6,110**	5,989	**6,110**	5,989
Cash and cash equivalents	**275,025**	159,584	**14,591**	8,315

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to HK$24,645,000 (2012: HK$38,692,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. ACCOUNTS PAYABLE

Accounts payable represent commission payables for the provision of IFA services which are generally settled within 30 days to 120 days upon receipt of payments from product issuers by the Group.

An aged analysis of accounts payable as at the end of each reporting period is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 1 month	**83,602**	49,148
1 to 2 months	**53,345**	34,618
2 to 3 months	**19,708**	16,980
Over 3 months	**54,245**	29,675
	210,900	130,421

Accounts payable are non-interest-bearing. Included in the accounts payable were commission payables to the spouse, a brother and a cousin of a director of the Group's operating subsidiary who are consultants of the Group, totalling HK$1,048,000 (2012: HK$1,152,000), which are payable on similar terms to other consultants of the Group.

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Other payables	**20,857**	28,564	**–**	–
Accruals	**45,493**	30,988	**2,779**	635
Deferred revenue	**1,371**	8,686	**–**	–
Provision for reinstatement costs	**8,656**	4,048	**–**	–
	76,377	72,286	**2,779**	635
Other payables and accruals analysed into:				
Current liabilities	**69,364**	72,286	**2,779**	635
Non-current liabilities	**7,013**	–	**–**	–
	76,377	72,286	**2,779**	635

Included in the other payables was an amount due to a non-controlling shareholder of HK$700,000 (2012: HK$8,255,000), which is unsecured, interest-free and payable on demand. All other payables are non-interest-bearing and have an average term of three months.

During the year, the additions in provision for reinstatement costs amounted to HK$4,608,000.

27. COMMISSION CLAWBACK

The Group is entitled to receive investment brokerage commission income from various product issuers for business referral and introduction. The commission is calculated based on pre-determined percentages of the regular contributions by the Group's customers to these product issuers. Pursuant to the terms of the agreements entered into between the Group and these product issuers, the commission paid by the product issuers to the Group is subject to a commission clawback by the product issuers on a pro-rata basis over an indemnified period. The indemnified period is generally from 6 months to 24 months. In the event that a customer terminates the regular contribution within the indemnified period, the product issuers will clawback the relevant commission. The amount of the commission clawback represents expected cash outflows which are estimated with reference to the sales volume, past experience of the levels of clawback, and the directors' best estimates of the expenditure required to settle the obligations. The estimation basis is reviewed on an ongoing basis and revised by the directors where appropriate.

28. SHARE CAPITAL

Shares

	2013	2012
	HK$'000	HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
463,000,000 (2012: 400,000,000) ordinary shares of HK$0.10 each	**46,300**	40,000

A summary of the movements in the Company's issued share capital and share premium account is as follows:

	Notes	**Number of shares in issue**	**Issued capital**	**Share premium account**	**Total**
			HK$'000	HK$'000	HK$'000
At 1 January 2012, 31 December 2012 and 1 January 2013		400,000,000	40,000	133,396	173,396
Issue of new shares in May 2013	(i)	19,000,000	1,900	41,800	43,700
Issue of new shares in August 2013	(ii)	44,000,000	4,400	77,000	81,400
		63,000,000	6,300	118,800	125,100
Share issue expenses		–	–	(2,856)	(2,856)
At 31 December 2013		463,000,000	46,300	249,340	295,640

Notes:

(i) On 23 May 2013, the Company has completed the allotment and issuance of 19,000,000 ordinary shares of HK$0.1 each to an independent third party at a subscription price of HK$2.3 per share. The fair value of these ordinary shares allotted of approximately HK$43,700,000 less par value of the ordinary shares was recorded as share premium of approximately HK$41,800,000. Further details are contained in the Company's announcement dated 26 March 2013.

(ii) On 12 August 2013, the Company has completed the allotment and issuance of 44,000,000 ordinary shares of HK$0.1 each to six independent third parties at a subscription price of HK$1.85 per share. The fair value of these ordinary shares of approximately HK$81,400,000 less par value of the ordinary shares was recorded as share premium of approximately HK$77,000,000. Further details are contained in the Company's announcement dated 24 July 2013.

28. SHARE CAPITAL (continued)

Warrants

During the year ended 31 December 2011, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agents conditionally agreed to place, on a best effort basis, up to 50,000,000 warrants conferring rights to subscribe for 50,000,000 warrants shares at the exercise prices of HK$1.6 per warrant to HK$2.0 per warrant to not less than six warrant placees who, together with their respective ultimate owners, are independent third parties. The warrants were to be placed at a warrant placing price of HK$0.02 each.

During the year ended 31 December 2011, the proceeds from warrant placing of HK$965,000, net of warrant placing expense of HK$35,000, were recorded as a component of shareholders' equity in warrant reserve. No warrants were exercised before expiry on 23 February 2012.

During the year ended 31 December 2013, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agents conditionally agreed to place, on a best effort basis, up to 80,000,000 warrants conferring rights to subscribe for 80,000,000 warrant shares at the exercise price of HK$1.41 per warrant to not less than six warrant placees who and their respective ultimate beneficial owners are independent third parties. The warrants are to be placed at a warrant placing price of HK$0.01 each.

During the year, no warrants were exercised. The proceeds from warrant placing of HK$776,000, net of warrant placing expenses of HK$24,000, were recorded as a component of shareholders' equity in warrant reserve.

29. SHARE AWARD SCHEME

On 25 January 2011, the Company adopted a share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected participants, including employees, consultants and business associates of the Group (the "Selected Participants") in accordance with the provisions of the Award Scheme and an irrevocable trust (the "Trust") was also established by the Company for the purpose of the Award Scheme. The Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date. Further details of the Award Scheme are also set out in the Company's announcement dated 25 January 2011.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 10% of the issued share capital of the Company as at 25 January 2011, i.e., 40,000,000 shares.

Pursuant to the rules governing the operation of the Award Scheme (the ''Scheme Rules''), the board of directors of the Company (the ''Board'') shall select the Selected Participants and determine the number of Awarded Shares to be awarded. The Board shall cause to pay the trustee of the Trust (the ''Trustee'') the purchase price and the related expenses from the Company's resources for the shares of the Company to be purchased by the Trustee. The Trustee is an independent third party appointed by the Board for the administration of the Award Scheme. The Trustee shall purchase from the market such number of shares of the Company awarded as specified by the Board and shall hold such shares until they are vested in accordance with the Scheme Rules.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that employee at no cost.

29. SHARE AWARD SCHEME (continued)

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

The fair value of the Awarded Shares awarded was based on the market value of the Shares on the grant date.

During the year ended 31 December 2012, the Trustee acquired under the Award Scheme 1,518,000 ordinary shares of the Company through purchases on the open market at a total cost (including related transaction costs) of HK$3,250,000 which was credited to shares held for share award scheme account of the Company as an equity component of the Company. No awarded shares were granted to employees nor consultants during the year ended 31 December 2012.

During the year ended 31 December 2013, the Trustee acquired under the Award scheme 2,420,000 ordinary shares of the Company through purchase on the open market at a total cost (including related transaction costs) of HK$3,250,000 which was credited to the shares held for share award scheme account of the Company as an equity component of the Company.

During the year ended 31 December 2013, an aggregate number of 1,802,000 Awarded Shares were awarded, fully vested at the grant dates, to certain consultants of the Group, which were transferred to the consultants at nil consideration. The fair value of the Awarded Shares awarded was based on the market value of the Company's shares at the grant date and the Group recognised an equity-settled share-based payment expense of HK$3,529,000 for the year ended 31 December 2013 with a corresponding debit to the shares held for share award scheme account of the Company with the same amount.

No Awarded Shares was outstanding as at 31 December 2013 (2012: Nil).

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 64 to 65 of the financial statements.

Capital reserve

The Group's capital reserve represents (i) the issued paid-up capital of a subsidiary of the Company; and (ii) the excess of the nominal value of the shares of a subsidiary acquired pursuant to the Reorganisation, over the investment cost of the Company's shares issued in exchange therefor.

Merger reserve

Merger reserve relates to business combination under common control and represents the difference in the fair value of the consideration paid to CFG and the share capital of Prosper Ocean Investments Limited and its subsidiary acquired in 2011 and CCL acquired in 2013.

Reserve funds

Pursuant to the relevant laws and regulations applicable to Mainland China, the Group's subsidiaries established in Mainland China are required to transfer part of their net profit after tax to the reserve funds, which are non-distributable and restricted as to use.

Other reserves

Other reserves represents (i) the net gain on deemed disposal of interests in subsidiaries amounting to HK$65,000 in 2011 and HK$3,356,000 in 2013; (ii) the net loss on acquisition of additional interests in subsidiaries amounting to HK$4,648,000 in 2012; and (iii) the waivers of amounts due to CFG amounting to HK$515,000 in 2011 and HK$7,876,000 in 2013.

30. RESERVES (continued)

(b) Company

	Notes	Share premium HK$'000	Shares held for share award scheme HK$'000	Warrant reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2012		133,396	–	965	1,381	135,742
Profit for the year and total comprehensive income for the year		–	–	–	38,634	38,634
Share purchased for share award scheme	29	–	(3,250)	–	–	(3,250)
2011 final dividend	12	–	–	–	(28,000)	(28,000)
2012 interim dividend	12	–	–	–	(12,000)	(12,000)
Transfer from warrant reserve	28	–	–	(965)	965	–
At 31 December 2012 and 1 January 2013		133,396	(3,250)	–	980	131,126
Loss for the year and total comprehensive loss for the year		–	–	–	(7,616)	(7,616)
Share purchased for share award scheme	29	–	(3,250)	–	–	(3,250)
Equity-settled share-based payment	29	–	3,529	–	–	3,529
Issue of new shares, net of issue expenses	28	115,944	–	–	–	115,944
Issue of warrants, net of issue expenses	28	–	–	776	–	776
At 31 December 2013		249,340	(2,971)	776	(6,636)	240,509

31. BUSINESS COMBINATIONS

In alignment with the Group's regional expansion strategy and to expand the Group's market share in the independent financial advisory business in Mainland China, the Group has completed the acquisitions of 100% equity interest in 康宏江西 and 76% equity interest in 康宏碧升 during the year ended 31 December 2012. The Group has elected to measure the non-controlling interest in 康宏碧升 at the non-controlling interests' proportionate share of 康宏碧升's identifiable net liabilities.

Following the finalisation of the provisional fair values relating to intangible assets and deferred tax assets in respect of the Group's acquisitions of 康宏江西 and 康宏碧升, the total fair value of identifiable net assets acquired was adjusted to HK$50,820,000 and goodwill was adjusted to HK$34,459,000.

The provisional and finalised fair values of identifiable assets and liabilities of 康宏江西 and 康宏碧升 as at the respective dates of acquisitions immediately before the acquisitions were restated as follows:

	Notes	**Provisional fair value** HK$'000	**Finalised fair value** HK$'000
Property, plant and equipment		2,985	2,985
Intangible assets	32	–	2,173
Deferred tax assets	18	–	7,305
Accounts receivable		1,178	1,178
Prepayments, deposits and other receivables		5,849	5,849
Cash and bank balances		56,375	56,375
Restricted cash		310	310
Accounts payable		(1,105)	(1,105)
Other payables and accruals		(24,250)	(24,250)
Total identifiable net assets		41,342	50,820
Non-controlling interests		(11,088)	(12,976)
Goodwill on acquisitions	15	42,049	34,459
Total consideration		72,303	72,303
Satisfied by:			
Cash			49,600
Loans advanced to the Acquired Businesses			22,703
Total consideration			72,303

31. BUSINESS COMBINATIONS (continued)

An analysis of the cash flows in respect of the acquisitions of the Acquired Businesses is as follows:

	HK$'000
Cash consideration	(49,600)
Cash and bank balances acquired	56,375
Net inflow of cash and cash equivalents included in cash flows from investing activities	6,775

Since the acquisitions, the Acquired Businesses contributed HK$5,367,000 to the Group's revenue and caused a loss of HK$5,564,000 to the consolidated loss for the year ended 31 December 2012.

Had the acquisitions taken place at the beginning of the prior year, the revenue of the Group and the loss of the Group for the year ended 31 December 2012 would have been HK$735,420,000 and HK$24,997,000, respectively.

32. INTANGIBLE ASSETS

	Note	HK$'000
31 December 2012		
Cost at acquisitions of Acquired Businesses	31	2,173
Amortisation provided during the year		(104)
At 31 December 2012		2,069
At 31 December 2012:		
Cost		2,173
Accumulated amortisation		(104)
Net carrying amount		2,069
31 December 2013		
Cost at 1 January 2013, net of accumulated amortisation		**2,069**
Amortisation provided during the year		**(544)**
At 31 December 2013		**1,525**
At 31 December 2013:		
Cost		**2,173**
Accumulated amortisation		**(648)**
Net carrying amount		**1,525**

The intangible assets represent customers' contracts which were acquired through the acquisitions of Acquired Businesses as disclosed in note 31. The intangible assets have definite useful lives and are amortised on straight-line basis over 4 years.

33. CONTINGENT LIABILITIES

At the end of each of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(i) The Group entered into rental agreements in respect of its office premises located in Hong Kong and Mainland China under operating leases. Pursuant to the terms and conditions of the rental agreements, the Group is required to restore the office premises to the conditions as stipulated in the rental agreements. During the year, the Group has accrued and capitalised the estimated restoration cost of HK$4,366,000 (2012: HK$4,048,000) for such obligation.

(ii) As at 31 December 2011, the Group made advances of HK$7,109,000 to 康宏江西 and HK$7,122,000 to the beneficial shareholders of 康宏江西 for the purpose of their working capital. During the year ended 31 December 2012, the above advances were applied to settle the purchase consideration for acquisition of a 100% interest in 康宏江西.

35. OPERATING LEASE COMMITMENTS

The Group leases its office properties, equipment and staff quarters under operating lease arrangements. Leases for properties, equipment and staff quarters are negotiated for terms ranging from four months to six years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**47,264**	52,890
In the second to fifth years, inclusive	**82,620**	88,700
Over five years	**113**	–
	129,997	141,590

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following commitments at the end of the reporting period:

	2013	2012
	HK$'000	HK$'000
Capital commitment:		
Contracted, but not provided for:		
Property, plant and equipment	**–**	92,843
Others:		
Contracted, but not provided for:		
Acquisitions of subsidiaries	**–**	10,712
Acquisition of an available-for-sale investment	**7,469**	7,469
Capital contributions payable to a joint venture	**12,603**	–
	20,072	18,181

37. RELATED AND CONNECTED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2013 HK$'000	2012 HK$'000
Commission expenses to:			
Spouse of a director of the Group's operating subsidiary	(i)	**1,062**	1,607
Brother of a director of the Group's operating subsidiary	(i)	**840**	595
Cousin of a director of the Group's operating subsidiary	(i)	**3,126**	3,029
Commission and brokerage fee from securities dealings paid to a fellow subsidiary	(ii)	**417**	49
Warrant placing commission fee to a fellow subsidiary	(iii)	**24**	–

Notes:

(i) The commission expenses were paid to the related parties who are also the Group's consultants and were determined based on the volume of brokerage transactions executed by them for the accounts of the Group. The commissions offered are substantially in line with those offered to other consultants of the Group.

(ii) The commission and brokerage fees were paid to Convoy Investment Services Limited ("CIS"), a fellow subsidiary for securities brokerage services rendered. The terms and conditions associated with the dealing of securities were made according to the terms and conditions offered to external customers of the fellow subsidiary.

(iii) The warrant placing commission fee was paid to CIS, based on the warrant placing agreement entered between the parties. The terms and conditions associated with warrant placing commission were made according to the terms and conditions offered to the external customers of the fellow subsidiary.

(b) Other transactions with related parties:

(i) On 5 March 2013, the Group entered into the instrument of transfer with CFG, whereby the Group agreed to purchase and CFG agreed to sell the entire interests in CCL at a consideration of approximately HK$964,000, equivalent to the unaudited net asset value of CCL as at 31 January 2013. The transaction has been completed on 5 March 2013.

(ii) On 20 August 2012, the Group acquired the then 20% interest in 深圳康宏 (the "Trust Interest") at RMB800,000 (equivalent to approximately HK$992,000) from 康宏財富投資顧問(北京)有限公司 which is a fellow subsidiary of the Company (the "Fellow Subsidiary"). As at 31 December 2013, the Trust Interest was held by the Fellow Subsidiary in trust on behalf of the Group.

(c) Outstanding balances with related parties:

As at 31 December 2013, the balances with a fellow subsidiary are unsecured, interest-free and repayable on demand.

As at 31 December 2012, the balances with a fellow subsidiary and the immediate holding company were unsecured, interest-free and repayable on demand.

During the year ended 31 December 2013, an amount of HK$7,876,000 payable by CCL was waived by CFG, the immediate holding company. The amount waived was credited to the other reserve of the Group.

During the year ended 31 December 2013, impairment was recognised for an amount due from a fellow subsidiary with an aggregate carrying amount of HK$994,000 (before deducting the impairment loss) because that fellow subsidiary has suffered losses over years and the amount is considered as not recoverable by management.

37. RELATED AND CONNECTED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	2013 HK$'000	2012 HK$'000
Salaries, allowances, bonuses and benefits in kind	**11,105**	7,436
Pension scheme contributions	**476**	445
Total compensation paid to key management personnel	**11,581**	7,881

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i) and a(ii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The related party transactions in respect of items a(iii) and (b) above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading		Loans and receivables		Available-for-sale investments		Total	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000 (Restated)	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000 (Restated)
Available-for-sale investments	**–**	–	**–**	–	**12,984**	4,976	**12,984**	4,976
Loans receivable	**–**	–	**90,699**	3,935	**–**	–	**90,699**	3,935
Accounts receivable	**–**	–	**91,806**	54,110	**–**	–	**91,806**	54,110
Financial assets included in prepayments, deposits and other receivables	**–**	–	**28,781**	37,921	**–**	–	**28,781**	37,921
Equity investments at fair value through profit or loss	**97,166**	2,099	**–**	–	**–**	–	**97,166**	2,099
Due from a fellow subsidiary	**–**	–	**19**	643	**–**	–	**19**	643
Restricted cash	**–**	–	**2,303**	2,060	**–**	–	**2,303**	2,060
Cash and cash equivalents	**–**	–	**275,025**	159,584	**–**	–	**275,025**	159,584
	97,166	2,099	**488,633**	258,253	**12,984**	4,976	**598,783**	265,328

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Group (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Accounts payable	**210,900**	130,421
Financial liabilities included in other payables and accruals	**57,157**	59,052
Due to the immediate holding company	**–**	8,791
Due to a fellow subsidiary	**115**	–
Commission clawback	**7,905**	6,739
	276,077	205,003

Company

Financial assets

	Loans and receivables	
	2013	2012
	HK$'000	HK$'000
Due from subsidiaries	**306,098**	225,901
Cash and cash equivalents	**14,591**	8,315
	320,689	234,216

Financial liabilities

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Due to subsidiaries	**97,577**	129,070
Accruals	**2,779**	635
	100,356	129,705

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts of the Group's and Company's financial assets and financial liabilities approximated to their fair values.

Management has assessed that the fair values of accounts receivable, current loans receivable, current financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, restricted cash, accounts payable, financial liabilities included in other payables and accruals, commission clawback and balances with a fellow subsidiary and the immediate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group has a special team to monitor the equity price risk and will consider hedging the risk exposure should the need arise.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current financial assets included in prepayments, deposits and other receivables, available-for-sale investments, non-current loans receivable and non-current financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of the listed equity investments are based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	97,166	–	–	97,166

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value: (continued)

Group (continued)

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	2,099	–	–	2,099

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2012: Nil).

The Group did not have any financial liabilities measured at fair value as at the end of each reporting period.

The Company did not have any financial instruments measured at fair value as the end of each reporting period.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, accounts receivable, deposits and other receivables, equity investments at fair value through profit or loss, restricted cash, accounts payable and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Foreign currency risk

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group was denominated in the units' functional currencies and as a result, the Group does not anticipate significant transactional currency exposures. The Group has not used any derivative to hedge its exposure to foreign currency risk.

Credit risk

The Group conducts business only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise loans receivable, accounts receivable, deposits and other receivables, restricted cash and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

During the year ended 31 December 2013, 49% (2012: 57%) and 80% (2012: 88%) of the Group's revenue were derived from the Group's largest product issuer and the five largest product issuers, respectively. The Group's interest income from loan financing, fair value gains on equity investments at fair value through profit or loss, net and dividend income are excluded from total revenue for the purpose of identifying major product issuers of the Group.

At the end of the reporting period, the Group had certain concentrations of credit risk of accounts receivable as 37% (2012: 73%) and 82% (2012: 94%) of the Group's accounts receivable were due from the Group's largest product issuer and the five largest product issuers, respectively.

At the end of the reporting period, the Group had certain concentrations of credit risk of loans receivable as 34% (2012: 80%) and 70% (2012: 99%) of the Group's loans receivable were due from the Group's largest loan borrower and the five largest loan borrowers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, loans receivable and other receivables are disclosed in notes 19, 20 and 21 to the financial statements.

Liquidity risk

In order to manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2013			
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**Total HK$'000**
Accounts payable	**–**	**54,245**	**156,655**	**210,900**
Financial liabilities included in other payables and accruals	**729**	**56,428**	**–**	**57,157**
Due to a fellow subsidiary	**115**	**–**	**–**	**115**
Commission clawback	**7,905**	**–**	**–**	**7,905**
	8,749	**110,673**	**156,655**	**276,077**

	2012			
	On demand HK$'000 (Restated)	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000 (Restated)
Accounts payable	–	29,672	100,749	130,421
Financial liabilities included in other payables and accruals	11,289	47,763	–	59,052
Due to the immediate holding company	8,791	–	–	8,791
Commission clawback	6,739	–	–	6,739
	26,819	77,435	100,749	205,003

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2013 On demand HK$'000	Less than 3 months HK$'000	Total HK$'000
Due to subsidiaries	**97,577**	**–**	**97,577**
Accruals	**–**	**2,779**	**2,779**
	97,577	**2,779**	**100,356**

	2012 On demand HK$'000	Less than 3 months HK$'000	Total HK$'000
Due to subsidiaries	129,070	–	129,070
Accruals	–	635	635
	129,070	635	129,705

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 22). The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 30% change in the fair values of the equity investments to which the Group has significant exposure at the end of the reporting period, with all other variables held constant and before any impact on tax.

	Carrying amount of investments HK$'000	Change in profit before tax HK$'000	Change in equity* HK$'000
Investments listed in Hong Kong – held for trading			
As at 31 December 2013	97,166	29,150	–
As at 31 December 2012	2,099	630	–

* Excluding retained profits

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for a subsidiary registered under the Insurance Companies Ordinance of Hong Kong which is subject to the relevant minimum capital requirement. During the year, that subsidiary complied with the externally imposed capital requirement at all times by maintaining both minimum paid-up share capital and minimum net assets of HK$100,000. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

Capital of the Group comprises all components of shareholders' equity.

41. EVENT AFTER THE REPORTING PERIOD

On 3 March 2014, the Group has completed the acquisition of CAM and Kerberos in accordance with the terms of the sale and purchase agreements and the supplementary sale and purchase agreements and an aggregate of 16,104,000 consideration shares (of which 16,050,000 shares are consideration shares for the CAM acquisition and 54,000 are consideration shares for the Kerberos acquisition as directed by Convoy Inc.) were allotted and issued to CFG on completion. Upon completion, each of CAM and Kerberos became a wholly-owned subsidiary of the Group.

42. COMPARATIVE AMOUNTS

As further explained in note 4 to the financial statements, due to the adoption of merger accounting for the acquisitions of CCL during the current year and restatements of provisional amounts in relation to business combinations in 2012, the presentation of certain items in the financial statements has been revised. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation, and a third statement of financial position as at 1 January 2012 has been presented.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2014.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results for the last five years and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the respective published audited financial statements and the prospectus of the Company dated 29 June 2010, and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**1,018,983**	703,812	652,958	572,548	456,106
Other income and gains, net	**6,924**	2,100	2,186	2,817	209
Commission and advisory expenses	**(622,691)**	(423,333)	(390,608)	(330,146)	(253,538)
Staff costs	**(104,185)**	(79,204)	(60,369)	(49,743)	(46,067)
Depreciation	**(18,737)**	(14,728)	(15,515)	(15,856)	(16,761)
Commission clawback	**(8,412)**	(6,694)	(6,332)	(6,035)	(4,651)
Other expenses	**(160,479)**	(174,659)	(117,867)	(95,196)	(88,525)
PROFIT BEFORE TAX	**111,403**	7,294	64,453	78,389	46,773
Income tax expense	**(19,825)**	(14,387)	(15,056)	(14,110)	(9,002)
PROFIT/(LOSS) FOR THE YEAR	**91,578**	(7,093)	49,397	64,279	37,771
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	**(179)**	49	78	16	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**91,399**	(7,044)	49,475	64,295	37,771

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**716,024**	402,268	371,041	343,030	165,654
TOTAL LIABILITIES	**(310,411)**	(218,265)	(148,728)	(157,964)	(125,699)
NON-CONTROLLING INTERESTS	**(1,572)**	7,957	(254)	–	–

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

"Articles"	means the articles of association of the Company
"Board" or "Board of Directors"	means the board of Directors of the Company
"CFG"	means Convoy Financial Group Limited (康宏金融集團有限公司), a company incorporated in the British Virgin Islands with limited liability
"CFS"	means Convoy Financial Services Limited (康宏理財服務有限公司) (formerly known as Wardley Shipping Limited (和利船務有限公司), Equitable Insurance Management Limited (公正保險管理有限公司), Convoy Insurance Brokers Limited (康威保險經紀行有限公司) and Convoy NPL Financial Services Limited (康宏理財服務有限公司)), a company incorporated in Hong Kong with limited liability on 12 March 1992, an indirect wholly-owned subsidiary of our Company and a registered member of PIBA and corporate intermediary of MPFA
"Company" or "our Company"	means Convoy Financial Services Holdings Limited (康宏理財控股有限公司), a company incorporated in the Cayman Islands on 12 March 2010 with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1019)
"Consultant(s)"	means individual(s) registered with PIBA as technical representative(s) and accredited to CFS, and engaged by CFS to provide services to customers and potential customers in negotiating contracts of insurance and, in some cases, MPF schemes
"Director(s)"	means the director(s) of our Company
"ECA"	means the Employee Choice Arrangement of MPF
"Group", "Our Group", "we", "us" or "Convoy"	means the Company and its subsidiaries
"HK$" or "HK dollars"	means Hong Kong dollars, the lawful currency of Hong Kong
"HK cents"	means Hong Kong cents, the lawful currency of Hong Kong
"HKICPA"	means the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	means Hong Kong Special Administrative Region of PRC
"IA"	means the public officer appointed as the Insurance Authority pursuant to the Insurance Companies Ordinance
"IFA"	means independent financial advisory
"IFPHK"	means Institute of Financial Planners of Hong Kong
"ILAS"	means the acronym for Investment-linked Assurance Scheme, an insurance policy of the "linked long term" class as defined in First Schedule, Part 2 of the ICO
"Insurance Companies Ordinance" or "ICO"	means the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong), as amended and supplemented from time to time

"Listing"	means the listing of our Shares on the Main Board
"Listing Date"	means 13 July 2010
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Macau"	means Macau Special Administrative Region of PRC
"Main Board"	means the main board of the Stock Exchange
"MPF"	means Mandatory Provident Fund
"MPFA"	means Mandatory Provident Fund Schemes Authority
"OCI"	means the Office of the Commissioner of Insurance of the Government of Hong Kong
"Renminbi" or "RMB"	means Renminbi, the lawful currency of the PRC
"Reorganisation"	means the reorganisation of group of companies now comprising our Group in preparing for the Listing completed on 21 June 2010, details of which are set forth under the paragraph headed "History and development" in the section headed "Corporate history, development and Reorganisation" and under the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus
"PIBA"	means Professional Insurance Brokers Association, a body of insurance brokers which is approved by the IA under the Insurance Companies Ordinance
"PRC"	means the People's Republic of China
"Prospectus"	means the prospectus issued by the Company dated 29 June 2010
"SFC"	means the Securities and Futures Commission of Hong Kong
"Share(s)"	means ordinary share(s) with a nominal value of HK$0.10 each in the share capital of our Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"%"	means per cent.

the English translation of the Chinese names or words in this annual report, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

CONVOY 康宏

your finance navigator