NET2GATHER (CHINA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 1049)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The audited consolidated results of Net2Gather (China) Holdings Limited ("Company" or "Net2Gather") and its subsidiaries ("Group") for the year ended 31 December 2011 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2011 HK$'000**	2010 HK$'000
Continuing operations			
Revenue	(4)	**9,418**	13,823
Other income, gains and losses		**235**	4,518
Cost of sales and services for online game business		**(4,673)**	(6,892)
Salaries, allowances and commission		**(9,753)**	(20,746)
Other operating, administrative and selling expenses		**(47,126)**	(30,046)
Depreciation of property and equipment		**(9,528)**	(7,809)
Amortisation of intangible assets		**(4,457)**	(8)
Finance costs		**(9,998)**	(12,764)
Net loss on financial assets at fair value through profit or loss		**(5,307)**	(2,095)
Fair value gain on investment properties		**3,722**	19,074
Share of results of an associate		**(17,138)**	33,888
Loss on dilution of shareholding in an associate		**-**	(9,507)
Loss on early redemption of convertible notes		**(7,108)**	-
Loss before taxation		**(101,713)**	(18,564)
Income tax expense	(6)	**(90)**	(3,152)
Loss for the year from continuing operations		**(101,803)**	(21,716)
Discontinued operations	(7)		
(Loss) profit for the year from discontinued operations		**(30,147)**	64,953
(Loss) profit for the year		**(131,950)**	43,237

	Note	2011 HK$'000	2010 HK$'000
Other comprehensive income for the year, net of income tax			
Exchange difference on translation of foreign operations		**1,277**	95
Reclassification adjustment - transfer translation reserve to profit or loss upon losing control of subsidiaries		**-**	(5,435)
Loss on revaluation of leasehold land and buildings		**-**	(1,639)
Deferred taxation arising on revaluation of leasehold land and buildings		**-**	270
Share of properties revaluation surplus of the associate		**-**	1,919
Share of translation reserve of the associate		**2,450**	-
Total other comprehensive income (expense) for the year		**3,727**	(4,790)
Total comprehensive (expense) income for the year		**(128,223)**	38,447
(Loss) profit for the year attributable to owners of the Company:			
- From continuing operations		**(96,514)**	(21,716)
- From discontinued operations		**(30,810)**	72,508
(Loss) profit for the year attributable to owners of the Company		**(127,324)**	50,792
(Loss) profit for the year attributable to non-controlling interests:			
- From continuing operations		**(5,289)**	-
- From discontinued operations		**663**	(7,555)
Loss for the year attributable to non-controlling interests		**(4,626)**	(7,555)
		(131,950)	43,237
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(123,597)**	46,709
Non-controlling interests		**(4,626)**	(8,262)
		(128,223)	38,447
(Loss) earnings per share	(8)		
From continuing and discontinued operations:			
- Basic and diluted (HK cents)		**(3.658)**	1.968
From continuing operations:			
- Basic and diluted (HK cents)		**(2.773)**	(0.841)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2011** **HK$'000**	 2010 HK$'000
Non-current assets			
Property and equipment		**17,134**	19,986
Investment properties		**99,532**	95,810
Goodwill		**83,361**	83,361
Interest in an associate		**391,933**	410,922
Intangible assets		**92,976**	25,460
Rental deposits		**3,233**	-
		688,169	635,539
Current assets			
Inventories		**186**	-
Accounts receivable	(9)	**744**	632
Prepayments, deposits and other receivables		**22,093**	10,578
Held for trading investments		**-**	1,875
Bank balances and cash		**81,109**	81,951
		104,132	95,036
Current liabilities			
Accounts payable	(10)	**523**	32
Deferred revenue		**1,628**	2,482
Accrued liabilities and other payables		**21,125**	17,924
Taxation payable		**15**	29
Obligations under finance leases		**617**	-
Borrowings - amount due within one year		**61,608**	153,681
Convertible notes		**-**	18,733
		85,516	192,881
Net current assets (liabilities)		**18,616**	(97,845)
Total assets less current liabilities		**706,785**	537,694

	As at 31 December	
	2011	2010
	HK$'000	HK$'000
Capital and reserves		
Share capital	**36,943**	30,902
Reserves	**595,012**	481,270
Equity attributable to owners of the Company	**631,955**	512,172
Non-controlling interests	**(18,716)**	-
Total equity	**613,239**	512,172
Non-current liabilities		
Deferred tax liabilities	**13,961**	7,222
Borrowings - amount due after one year	**78,892**	18,300
Obligations under finance leases	**693**	-
	93,546	25,522
	706,785	537,694

Notes:

(1) Change of Company name

Pursuant to a special resolution passed by the shareholders, at a special general meeting of the Company held on 3 June 2011, the name of the Company was changed from Celestial Asia Securities Holdings Limited (時富投資集團有限公司) to Net2Gather (China) Holdings Limited 網融(中國)控股有限公司. The change of the name became effective on 3 June 2011.

(2) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

Amendments to HKFRSs	Improvement to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC) - INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments

The adoption of these new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements disclosure.

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

HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets[1]
HKFRS 7 (Amendments)	Disclosures - Offsetting financial assets and financial liabilities[2]
HKFRS 9	Financial instruments[3]
HKFRS 9 & HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[5]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 January 2012.*
[5] *Effective for annual periods beginning on or after 1 July 2012.*
[6] *Effective for annual periods beginning on or after 1 January 2014.*

<u>New and revised Standards on consolidation, associates and disclosures</u>

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) - INT 12 “Consolidation - Special Purpose Entities”. HKFRS 10 includes a new definition of control that contains three elements: (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. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

The directors of the Company anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associate may become a Group's subsidiary based on the new definition of control and the related guidance in HKFRS 10). However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may not affect the amounts reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group for annual periods beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred tax - Recovery of underlying assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. If the presumption is not rebutted, the directors of the Company anticipate that the application of the amendments to HKAS 12 in future accounting periods will result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties located in Hong Kong of approximately HK$8,047,000 as at 31 December 2011, of which the carrying amounts are presumed to be recovered through sale.

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

(4) Revenue

Revenue from the Group's principal activities recognised during the year is as follow:

	2011 **HK$'000**	2010 HK$'000
An analysis of the Group's revenue for the year from continuing operations is as follows:		
Online game subscription income	**8,386**	12,301
Licensing income	**1,032**	1,522
	9,418	13,823

(5) Segment information

Segment information

Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the year, the Group is newly engaged in mobile digital services through acquisition of Yole Wireless Technology (Hongkong) Co., Limited ("Yole Wireless") and became a new operating and reportable segment in current year.

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

Online game services	Provision of online game services, sales of online game auxiliary products and licensing services
Mobile digital services	Provision of mobile digital entertainment services

Mobile digital services operation, which was involved in provision of mobile digital entertainment services, was discontinued during the year ended 31 December 2011 upon the disposal of Yole Wireless and two operating segments (financial services and retailing) were discontinued during the year ended 31 December 2010 upon losing control of CFSG, the segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note (7) below.

Segment revenue and results

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

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Online game services revenue	**9,418**	13,823
Online game services segment loss	**(35,195)**	(7,845)
Other income, gains and losses	**536**	562
Corporate expenses	**(36,532)**	(41,972)
Fair value gain on investment properties	**3,722**	19,074
Share of results of an associate	**(17,138)**	33,888
Loss on dilution of shareholding in an associate	**-**	(9,507)
Loss on early redemption of convertible notes	**(7,108)**	-
Finance costs	**(9,998)**	(12,764)
Loss before taxation (continuing operations)	**(101,713)**	(18,564)

Segment result represents the loss incurred by online game services segment without allocation of certain other income, gains and losses, corporate expenses, finance costs, fair value gain on investment properties, share of results of an associate, loss on dilution of shareholding in an associate and loss on early redemption of convertible notes. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	As at 31 December	
	2011	2010
	HK$'000	HK$'000
Segment assets		
Online game services segment assets	**204,161**	123,331
Reconciliation of segment total to group level:		
Investment properties	**99,532**	95,810
Unallocated property and equipment	**9,332**	8,823
Interest in an associate	**391,933**	410,922
Unallocated prepayments, deposits and other receivables	**6,234**	7,863
Held for trading investments	**-**	1,875
Bank balances and cash	**81,109**	81,951
Total assets	**792,301**	730,575
Segment liabilities		
Online game services segment liabilities	**10,770**	6,318
Reconciliation of segment total to group level:		
Unallocated accrued liabilities and other payables	**12,506**	14,120
Taxation payable	**15**	29
Borrowings	**140,500**	171,981
Convertible notes	**-**	18,733
Deferred tax liabilities	**13,961**	7,222
Obligations under finance leases	**1,310**	-
Total liabilities	**179,062**	218,403

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

- all assets are allocated to operating segment other than investment properties, certain property and equipment, interest in an associate, certain prepayments, deposits and other receivables, held for trading investments and bank balances and cash; and

- all liabilities are allocated to operating segment other than certain accrued liabilities and other payables, taxation payable, borrowings, convertible notes, obligations under finance leases and deferred tax liabilities.

Other segment information

Continuing operations

For the year ended 31 December 2011

	Online game services HK$'000	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Additions of property and equipment	**1,755**	**4,217**	**5,972**
Additions of intangible assets	**71,973**	**-**	**71,973**
Depreciation of property and equipment	**5,818**	**3,710**	**9,528**
Amortisation of intangible assets	**4,457**	**-**	**4,457**

For the year ended 31 December 2010

	Online game services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions of property and equipment	1,002	1,107	2,109
Additions of intangible assets	20,000	-	20,000
Depreciation of property and equipment	5,731	2,078	7,809
Amortisation of intangible assets	8	-	8
Reversal of impairment on intangible assets	2,730	-	2,730
Reversal of bad and doubtful debts	920	-	920

Geographical information

The Group's continuing operations is located in the People's Republic of China ("PRC").

The Group's non-current assets by geographical location of the assets are detailed below:

	2011 HK$'000	2010 HK$'000
Hong Kong	**484,498**	494,735
PRC	**203,671**	140,804
	688,169	635,539

No customer contributed over 10% of revenue from online games services during both years.

(6) Income tax expense

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Deferred taxation	**90**	3,152

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(7) Discontinued operations

(a) Discontinued operations of mobile digital business in year 2011

On 9 November 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose a subsidiary, Yole Wireless, which carried out all of the Group's mobile digital business for feature phones in the PRC. The disposal was completed on 28 December 2011, on which date control of Yole Wireless was passed to the acquirer.

The loss for the year from the discontinued operations is analysed as follows:

	26.4.2011 to 28.12.2011 **HK$'000**
Profit of mobile digital business for the period	**1,407**
Impairment loss recognised in respect of goodwill	**(28,231)**
Loss on disposal of Yole Wireless	**(3,323)**
Loss for the period from discontinued operations	**(30,147)**
Loss for the period attributable to:	
Owners of the Company	**(30,810)**
Non-controlling interests	**663**
	(30,147)

(b) Discontinued operations of financial services and retailing business in year 2010

Before 11 October 2010, the Group held 48.32% equity interests in CASH Financial Services Group Limited ("CFSG") through Celestial Investment Group Limited ("CIGL") and Cash Guardian Limited ("Cash Guardian"), a related party of the Group, held 2.75% equity interest in CFSG. In addition, Mr Kwan Pak Hoo Bankee and Mr Ng Kung Chit Raymond, directors of the Company, had 1.32% and 0.49% equity interests and voting power respectively in CFSG. Cash Guardian, Mr Kwan Pak Ho Bankee and Mr Ng Kung Chit Raymond had agreed that they would cast all votes at all shareholders' meeting of CFSG, in accordance with the voting decision of the Company at all times. Therefore, the Company was able to control the voting power at all the general meetings of CFSG. Accordingly, CFSG was accounted for as a subsidiary of the Company.

On 11 October 2010, Cash Guardian, Mr Kwan Pak Hoo Bankee and Mr Ng Kung Chit Raymond disposed of an aggregate of 2.94% equity interest in CFSG ("Directors' Disposals") in the open market. Immediately after the Directors' Disposals, the voting power of the Company in CFSG dropped from 52.88% to 49.94%, so CFSG has ceased as a subsidiary of the Company with effect from 11 October 2010.

As result, the Group's financial services and retailing operations which are carried out by CFSG were considered as discontinued during the year ended 31 December 2010.

The profit for the period from the discontinued operations is analysed as follows:

	1.1.2010 to 10.10.2010 HK$'000
Loss of financial services operation for the period	**(18,937)**
Profit of retailing operation for the period	**3,145**
Gain on losing control of subsidiaries	**80,745**
Profit for the period from discontinued operations	**64,953**
Profit for the period attributable to:	
Owners of the Company	**72,508**
Non-controlling interests	**(7,555)**
	64,953

(8) (Loss) earnings per share

From continuing and discontinued operations

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

	2011 HK$'000	2010 HK$'000
(Loss) earnings for the purpose of basic (loss) earnings per share	**(127,324)**	50,792

The denominators used are the same as those detailed below for the loss per share from continuing operations.

The incremental shares from assumed exercise of share options and conversion of convertible notes are excluded in calculating the diluted (loss) earnings per share from the continuing and discontinued operations because they are antidilutive in calculating the diluted loss per share from continuing operations.

From continuing operations

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

Loss figures are calculated as follows:

	2011 **HK$'000**	2010 HK$'000
(Loss) profit for the year attributable to owners of the Company	**(127,324)**	50,792
Less: Loss (profit) for the year from discontinued operations attributable to the owners of the Company	**30,810**	(72,508)
Loss for the purpose of basic loss per share from continuing operations	**(96,514)**	(21,716)

	2011 **'000**	2010 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share from continuing operations	**3,480,649**	2,581,143

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 24 September 2010, a total of approximately 46,601,000 bonus shares were issued on the basis of one bonus share for every five existing shares held by the shareholders. In addition, pursuant to an ordinary resolution passed by the shareholders at a special general meeting of the Company held on 27 October 2010, each of the Company's share was subdivided into ten shares. Accordingly, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share have been adjusted retrospectively for the share subdivision and the bonus issue for the year ended 31 December 2010.

The computation of diluted loss per share from the continuing operations for both years has not assumed the exercise of share options and conversion of convertible notes as the effect of which would decrease in the loss per share from the continuing operations.

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.885 cents per share (2010: earnings per share of HK2.809 cents per share).

The denominators used are the same as those detailed above for the loss per share from continuing operations.

The incremental shares from assumed exercise of share options and conversion of convertible notes are excluded in calculating the diluted (loss) earnings per share from the discontinued operations because they are antidilutive in calculating the diluted loss per share from continuing operations.

(9) Accounts receivable

	2011 **HK$'000**	2010 HK$'000
Accounts receivable arising from the business of provision of online game services	**744**	632

The Group allows an average credit period of 30 days to its customers. The accounts receivable with a carrying amount of approximately HK$744,000 (2010: HK$632,000) are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are recoverable.

(10) Accounts payable

	2011 **HK$'000**	2010 HK$'000
Accounts payable arising from the business of provision of online game services	**523**	32

(11) Dividends

	2011 **HK$'000**	2010 HK$'000
Dividends recognised as distribution during the year:		
2010 Final – HK0.2 cent per share (2010: nil)	**6,846**	-
2010 Interim – HK2 cents per share (before share subdivision and bonus issue in year 2010)	-	4,660
	6,846	4,660

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: Final dividend of HK0.2 cent per share).

(12) Capital risk management

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

(13) Financial instruments

Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Held for trading investments	**-**	1,875
Loans and receivables (including cash and cash equivalents)	**103,039**	86,904
Financial liabilities		
Amortised cost	**162,148**	208,670

Market risk

Equity price risk

The Group's exposure to equity price risk is significantly reduced after losing control of CFSG during the year ended 31 December 2010. At 31 December 2010, the Group was exposed to equity price risk mainly through its investment in listed equity securities. The management managed this exposure by maintaining a portfolio of investments with different risk.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances and fixed-rate obligations under finance leases. The Group currently does not have a fair value hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank balances. The Group currently does not have a cash flow interest rate hedging policy. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and Hong Kong Interbank Offered Rate arising from the Group's variable interest rate instruments.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, as the exposure spread over a number of counterparties and customers.

Bank balances and deposits are placed in various authorised institutions and the Directors of the Company consider the credit risk of such authorised institutions is low.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with all the loan covenants.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2011 (2010: HK 0.2 cent per share).

REVIEW AND OUTLOOK

Financial Review

FINANCIAL PERFORMANCE

For the year ended 31 December 2011, the Group recorded a loss from continuing operations of HK$101.8 million as compared to the loss of HK$21.7 million last year. During the year under review, the activities carried out by CASH Financial Services Group Limited (CFSG), the Group's associate, was affected by the unprecedented financial crises and economic downturn. The Group recorded a share of loss from an associate of HK$17.1 million for the year ended 31 December 2011 as compared to a share of profit of HK$33.9 million last year. In addition, during the year under review, the Group recorded a loss on disposal of its entire 51% equity interest in Yole Wireless amounting to HK$31.6 million (including impairment loss recognised in respect of goodwill amounting to HK$28.2 million and disposal loss of HK$3.3 million). Overall, the Group reported a net loss for the year attributable to the owners of the Company of HK$127.3 million as compared to a net profit of HK$50.8 million last year.

Mobile Internet Services Business

To capture the ample business opportunities emerging from the tremendous growth in mobile data transmission and associated mobile data services in China soon after the Central Government's policy to converge the three networks, namely internet, telecom and television broadcasting, the Group has strategically adopted a multi-faceted approach to expand its business into Online Game and Mobile Internet services targeting to develop ourselves into an end-to-end mobile internet services powerhouse.

For the year ended 31 December 2011, the Mobile Internet Services business recorded revenue of HK$9.4 million as compared to HK$13.8 million last year. During the year, the Group had pursued a sustainable growth strategy to enrich its portfolio of self-developed online games in a variety of styles in order to expand its player base in both PRC and overseas markets. Amid the prolonged unstable global economic situation, the Group adopted a cost leadership and continued to implement stringent cost controls over its operations while in the meantime dedicated most of its research and development resources to developing two proprietary online games, known as "Tales of Ocean Fantasy" and "Superhero". These two online games have been scheduled to be launched in 2012. With its current short-term income being foregone in exchange for much greater long-term earnings in the coming years, the Mobile Internet Services business recorded a loss of HK$35.2 million as compared to the loss of HK$7.8 million last year. The Board is confident that these new online games will make significant contribution to the Group very soon in the days ahead. Meanwhile, the Group will continue to develop its extensive publishing network to generate scalable licensing income contribution to its Mobile Internet Services Business for the years to come.

CASH Financial Services Group Limited – CFSG

Subsequent to the decrease in the Group's voting power in CFSG from 52.88% to 49.94% in October 2010, the Group ceased to consolidate the revenue and operating results of CFSG. Accordingly, the operating results of CFSG for the year ended 31 December 2011 were disclosed as share of results of an associate. The operating results of CFSG for the period from 1 January 2010 to 10 October 2010 and for the period subsequent to 10 October 2010 were, respectively, disclosed as profit (loss) for the year from discontinued operations and share of results of an associate. During the year under review, the financial services business (FSG) and retail management business (CRMG), being the activities carried out by CFSG, had been ineluctably affected by the global challenging environment and uncertainties amid the inflationary pressure in all aspects. Overall, CFSG recorded a net loss of HK$32.0 million for the year ended 31 December 2011 as compared to a net profit of HK$64.9 million last year.

Financial Services Business - FSG

The year 2011 represented a period of extreme volatility and instability in the global financial market. In China, the end of 2011 marked the 10th anniversary of China's entrance into the WTO and resembled a decade of rapid economic growth in China. However, the Central Government has imposed a series of harsh austerity measures such as tightening credit, increasing interest rate and raising deposit-reserve ratio aiming at cooling down the overheated property market and suppressing inflation. As a result, the pace of economic recovery was battered. Meanwhile, the lingering European sovereign debt crisis continued to beset the global stock markets and somewhat suspended the US and Europe's economic growth. The European countries have seen fiscal deficits ballooning to record high percentage of GDP which have casted considerable uncertainty to the recovery of the global economic recovery and seriously dampened the investment sentiment to the financial markets.

The Hong Kong financial market was inevitably beleaguered by these global crises and the local economic growth has trended downward since the second half of 2011. In view of the highly volatile financial market and gloomy economic outlook, investors became growingly skeptical. The average daily turnover for the year under review was still on the low side at about HK$69.7 billion as compared with HK$69.1 billion last year. The slight increase in average daily turnover was mainly due to the increase in turnover of derivative warrants and CBBCs in the extreme market volatility despite the poor market sentiment. However, market competition during the year under review remained intense and its commission earnings were inevitably affected. As a result, FSG recorded revenue of HK$261.7 million for the year ended 31 December 2011, representing a 7.5% decrease as compared to HK$283.0 million last year. Moreover, during the year under review, its operating overheads had been sharply increased which was due to the increase in rental cost upon the renewal of tenancy agreement in late 2010 and the increase in salary costs for its strategy to accelerate growth in the personal wealth management business in China. The personal wealth management business of FSG in China had already started to make a significant contribution to FSG in late 2011. Overall, FSG recorded a net loss of HK$5.8 million for the year ended 31 December 2011 as compared to a net profit of HK$32.6 million last year.

Retail Management Business – CRMG

The Consumer Price Index (CPI) of Hong Kong rose by 5.7% in December 2011 over the same month a year earlier. The sharp increase in rental cost, newly enacted statutory minimum wage and inflationary pressure of all other aspects have increased CRMG's operating overheads and further eroded its profit margin. Furthermore, in order to cool down the overheated property market, the Hong Kong Government has proactively introduced measures aiming at reducing speculative activities, including high stamp duty on short-term sales and tightening rules on mortgage lendings on luxury properties. The Hong Kong property market has been slowing down from November 2010 onwards with a remarkable drop in the number of property transactions. As a result, CRMG was hard hit. Nevertheless, CRMG managed to achieve steady growth and recorded revenue of HK$1,072.8 million for the year ended 31 December 2011, representing a 6.1% increase as compared to HK$1,011.2 million last year. The increase in revenue was mainly attributable to CRMG's proactive approach in developing attractive joint-promotions and cross-selling programmes with various business partners, which successfully boosted its store traffic, transactions number and ticket size.

In the mainland market, China's 12th Five-Year Plan drove the growth of GDP in China and contributed to an upward momentum in consumer spending. To capture the release of urban and rural consumption potential, CRMG has opened three stores in Guangzhou during the year. The retailing business in the mainland market is still in its early investment phase. CRMG will continue to expand its retail network on the mainland, optimise its product mix and enhance its operational efficiency. It is expected that the mainland operations will gradually make profit contribution in the coming years.

During the year under review, CRMG recorded a gain on disposal of a property amounting to HK$32.4 million. Overall, CRMG recorded a net profit of HK$16.9 million for the year ended 31 December 2011 as compared to a net profit of HK$47.7 million last year.

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$613.2 million as at 31 December 2011 as compared to HK$512.2 million at the end of the previous year. The increase in equity was the combined result of the loss reported for the year, completion of top-up placing during the year, exercise of share options and issue of new shares due to conversion of convertible notes.

As at 31 December 2011, the Group had total interest bearing borrowings of approximately HK$141.8 million, as compared to HK$190.7 million at the end of the previous year. The decrease in the borrowings was mainly due to the partial conversion and redemption of convertible notes and the repayment of borrowings during the year. Among the above borrowings, HK$132.2 million were secured by the shares of a wholly-owned subsidiary, certain property and equipment and investment properties. The remaining borrowings were unsecured.

As at 31 December 2011, our cash and bank balances totalled HK$81.1 million as compared to HK$82.0 million at the end of the previous year. The liquidity ratio as at 31 December 2011 was healthy at 1.2 times as compared with 0.5 time on 31 December 2010.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 0.23 as at 31 December 2011 as compared to 0.37 as at 31 December 2010, which was kept at a conservatively low level. On the other hand, we have no material contingent liabilities at the year-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

On 11 January 2011, the Group announced a discloseable transaction relating to acquisition of a 51% equity interest in Yole Wireless (the holding company for mobile digital entertainment business in the PRC) at a consideration of RMB81,600,000 (equivalent to approximately HK$95,602,560). The consideration was settled as to 50% in cash and as to 50% by the issue of the Company's new shares. The acquisition was completed on 26 April 2011. The 51% equity interest in Yole Wireless has subsequently been disposed by the Group at a consideration of HK$50 million on 28 December 2011 (major transaction as announced by the Group on 9 November 2011).

On 7 June 2011, the Group announced a share transaction involving acquisition of Oberon Media Asia Pacific Pte. Ltd. and deemed disposal of Moli Mobile Digital Entertainment Holdings Limited ("Moli Mobile"), a subsidiary of the Group. The consideration of USD10,000,000 (equivalent to approximately HK$77,800,000) was settled as to 70% by issue of Moli Mobile's consideration shares and as to 30% by issue of the Company's new shares. The transaction was completed on 17 June 2011.

Save as the above, the Group did not have any material acquisition and disposal during the year.

Capital Commitment

As at 31 December 2011, the Group did not have any material outstanding capital commitment.

Material Investments

As at 31 December 2011, the Group did not have a portfolio of listed investments and unlisted investment funds and net loss on listed investments and unlisted investment funds totally of HK$5.3 million was recorded for the year.

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

Business Review and Outlook

MOBILE INTERNET BUSINESS

Industry Review

Substantiated by strong economic growth and the accelerating adoption of technology, China had grown as one of the world's largest markets for Internet, telecom, and mobile businesses. At the end of 2011, Internet users in China had already exceeded 500 million for the first time.

According to the Ministry of Industry and Information Technology (MIIT), the telecom sector had shown a 15.5% growth in 2011. Mobile phone users in China had exceeded the 1 billion milestone in March 2012, with smartphone users showed the fastest growth. Total smartphone shipment in China in Q3 2011 had surpassed that in the U.S. Q3, making China the largest smartphone market globally. According to iiMedia Research, total smartphone shipment in China in Q4 2011 reached 22.8 million, representing 23.2% of all mobile phones.

The popularity of smartphones and mobile devices and the increasing abundance of mobile and wireless bandwidth had led to an explosive growth in mobile Internet usage. The 2011 China Internet Network Information Center (CNNIC) report put mobile Internet growth as a highlight of Internet market development. Since its infancy a few years back, mobile Internet user population had reached 356 million and continued to show a strong growth rate.

Internet usage had become a part of the daily lives of a large and growing population of Internet users. Among the various types of Internet usage, mobile games remained as one of the top revenue generating activity types. According to a research report released by the Game Publication Committee of the Publishers Association of China and International Data Corporation (IDC), China's online gaming market amounted to RMB42.85 billion in 2011, showing a 32.4% year-on-year increase.

A noteworthy feature of the online game market was the growing influence of domestically developed games that accounted for 63.4% of the total online gaming revenue in 2011, up 40.7% year-on-year. In addition to the games played over the Internet, the mobile gaming market had also demonstrated exciting growth momentum, increasing 86.8% year-on-year to bring in RMB1.7 billion in revenue. The trend in mobile game players was the shift from entry-level players using feature phones towards more sophisticated and affluent players with higher consumption power using smartphones.

With the consistence improvement in product quality of domestically produced games, the game publishing business for overseas markets is accelerating its importance. A total of 131 Chinese produced game titles had been launched outside of the PRC market in 2011, generating revenue of USD360 million, a 56.5% year-on-year increase. In recent years, "emerging markets" for online games, such as Latin America and Middle East regions, had become the focus of overseas business development. These markets had shown massive growth potential due to the large population size, increasing Internet penetration rate and improvements of Internet connection speed.

While the Internet and mobile Internet markets were both showing strong growth respectively, the trend for network convergence with content delivered over separate platforms had become apparent. The Ministry of Culture had formally issued a policy in 2010 ("Tentative Measures for Online Game Administration") to promote the sharing of content across the broadcasting, telecom and Internet networks. As these networks had become a major source for communication, information search, entertainment, and e-commerce activities, Network convergence had opened new business opportunities for a number of online entertainment and e-commerce services, areas that Net2Gather had built competitive edges in the past years.

Business Review

In June 2011, the Group has formally taken its current name, Net2Gather (China) Holdings Limited, which signifies our vision of bringing the three networks, namely Mobile, Internet and Television, and related cross value chain services and the people of China "2Gather". The new name reflects our strategic growth direction in the coming years as the Group is immersed with exciting opportunities in the Mobile Internet market in China.

Online Game

Headquartered in Shanghai with more than 220 dedicated employees, including nearly 120 gaming research and development (R&D) professionals, Net2Gather operates its PC online gaming business through subsidiary "Moliyo", which has a subscriber base of more than 40 million for its existing award-winning online games.

During the year, Moliyo continued its strategy to focus on research and development of online games. The veteran game developer has recently developed two much-anticipated Massively Multiplayer Online Role-playing Games (MMORPGs), namely "Tales of Ocean Fantasy" and "Superhero". During the past months, Moliyo has completed several rounds of user acceptance tests, clearly identified user targets and collected detailed feedback to regulate and optimise the products. In view of the intense competition and high market expectation towards quality online games, Moliyo has been fine-tuning the games to cater for a broader base of user demand on the gameplay, storyline and the graphical presentation of these two game titles during the year.

"Tales of Ocean Fantasy", a 2.5D MMORPG revolving around the battle to rebuild an island wonderland, will be commercially launched in the first half of 2012. "Superhero" is a 3D console-like MMORPG using innovative next-generation game engine techniques in a stunning fantasy world. The strategy to focus on R&D of games is proven to be successful as both titles are highly anticipated, as Tales of Ocean Fantasy was named the Top 10 Most Anticipated Online Games while Superhero was awarded with the Best Self-Developed Online Games in China's prestigious Golden Plume Awards. Superhero is scheduled to launch in the second half of this year.

During the year, the Group has launched a new Chinese expansion pack "Revival of Dark Dragon" of our first self-developed MMORPG, known as "King of Pirates". Our operation team has implemented multiple tactics and offered a variety of online activities to expand the user base.

Over the years, domestic game developers have noticed the importance of the overseas publishing market. The Group had pioneered to export our self-developed games to the overseas market since early 2000s. During the year, the Group continued to leverage its publishing network and partnership to secure license deals in several countries and regions. We have also started to publish "Tales of Ocean Fantasy" in Asia by closing the license deals in Thailand, Indonesia, Hong Kong and Macau. We have completed the license deals of "King of Pirates" to explore the new emerging markets like Brazil, Portugal and Indonesia. The commercial operations of the above game titles in these countries and regions are expected to be launched in 2012.

In addition, we have provided continuous patch updates with additional items and gameplay features for our overseas license partners for "King of Pirates". To recognize our outstanding performance in the overseas publishing market, Moliyo was bestowed with the Overseas Development Award for Domestic Game Developers in the Golden Phoenix Awards at the China Game Industry Annual Conference during the year.

Mobile Social Game

Leveraged on the knowhow of Oberon (one of the largest cross-platform game distributors in USA) and their rich library of game titles, the Group has ported mobile games onto Samsung smartphone platform, localized a car racing game and distributed through China Mobile. Initial market response is encouraging. The Group will scale up its plan to port and localize more smartphone games in the coming years.

In November 2011, the Group started to develop original in-house mobile social game that is becoming very popular among smartphone users worldwide. In view of the increasing popularity of smartphones in China, the Group has strengthened its development in the respective area. According to Analysys, the trade volume of smartphones accounted for about 27% of the market share in 2011. It will grow to about 45% in 2012 and will further dominate the mobile market in China in the coming two years. The Group will continue to dedicate resources to develop products for smartphone market.

The Group will further scale up its capacity to port and localize Oberon's smartphone games on Apple App Store, Android Market and Samsung Bada platforms. The popularity of smartphone has prompted users to play casual social games among friends. Our strategy is to create a mobile social game based on our MMORPG "Tales of Ocean Fantasy"; sharing the story background but caters to players on the move with less time to spare. The concept is to develop a smartphone version of our online game, use the mobile social network "weibo" (Chinese version of twitter) to gain allies, players can share the fun among peer groups to build their own fleet of battleships to defend from pirates and settled on self designed tropical island. This mobile social game is modified to incorporate unique entertainment experience based on smartphone hardware as opposed to PC. It will be released in second half of 2012.

Outlook

Looking forward, the Group expects the growth momentum of PRC online gaming industry to continue. We believe the future success relies primarily on the core competitiveness in proprietary development capabilities. We will continue to dedicate resources in research and development and, at the same time, increase content patches of our self-developed game titles. We will also look for licensing opportunities of well-received games to our online entertainment platform. On the other hand, we strive to improve our operating efficiency and effectiveness of our gaming platform. We will continue to explore partnership opportunities to expand our player base, game portfolio and licensing business. We will also work closely with regulatory units to implement compliance measures of our online gaming operations, and fully co-operate with law enforcement units to combat the operation of pirate servers and hacking behaviour.

For overseas business development, we will leverage on our extensive publishing network to expand our footprint abroad. We will license our self-developed game titles to first-class overseas publishers and keep providing new content patches so as to generate scalable income for our award-winning games, such as "Tales of Ocean Fantasy", "Superhero" and "King of Pirates", and to raise our market share in overseas business, with particular focus on the emerging markets.

For our mobile social game business, as at the end of 2011, Apple started to charge RMB on app store. It will encourage more downloads in 2012 and beyond, as many Chinese customers do not have international credit cards. We believe the mobile social game market is wide open especially when it is connected to social network. The Group will scale up its capacity to port and localize smartphone games. At the same time, we will launch our self-developed mobile social game in 2012. We will also develop Android version of the game that serves another half of smartphone market.

From PC to mobile to tablet games, we are embarking on a move to further embrace our customers by providing social casual games through IPTV and cable TV network. We have signed up with an international supplier who specializes in providing interactive game content through digital set top boxes. We are making the preparatory work to introduce the iTV game solution through network operators in 2012.

CASH FINANCIAL SERVICES GROUP LIMITED (CFSG) – THE GROUP'S ASSOCIATE

Since October 2010, CFSG has become an associate of the Group. Its business results and operating outlook during the year were discussed separately as follows.

FINANCIAL SERVICES BUSINESS

Industry Review

The 2011 global economy started with a good recovery momentum. However, the pace of recovery was interrupted by a stream of unexpected political upheavals and natural disasters, including the European sovereign debt crisis, volatile and high commodity prices, tight monetary policy in China and the traumatic earthquake in Japan.

In China, despite the RMB4 trillion stimulus projects, slowdown of economic recovery did occur under the impact of globalisation. The interest rate upcycle balked in face of the decelerating economic growth. The Shanghai Composite Index ended the year at 2,199.42, a decline of 21.6% since the beginning of the year.

Hang Seng Index dropped 20% to conclude the year at 18,434.39. In terms of market capitalisation, the index dropped 16.7% to 17,537 billion. Average daily turnover for the year was up a slight 1% at HK$69,732 million.

Business Review

Platform Development

Designed for multiple products with multi-currency functions, FSG's state-of-the-art trading platform has consistently been upgraded to ensure its safety, stability and speed. During the year, FSG pioneered to have passed the HKEx's test for AMS/3.8 and MDS/3.8 system upgrade. FSG will continue to join the tests and market rehearsals organised by the HKEx in order to stay in the forefront of the market development, which is characterised by stringent requirements in platform capability.

Securities Broking

Impacted by the significant drop in index level and trading volume, together with the severe competition in the commission rate, FSG's commission earning in securities broking was ineluctably affected. Despite the pessimistic outlook toward the listing of new shares in the second half of the year, there noted steam in the margin financing business amid the volatile market. Till the end of the year, the gross interest income from margin financing reached HK$35.5 million, an increase of 5.6% over the previous year. In addition, in anticipation of a loose monetary policy in the US and European economies, the commodities market fluctuated, providing a lot of trading opportunities to investors. This directly drove the double digit growth in FSG's international commodities business during the year.

Wealth Management

While global investment environment remained volatile during the year under review, FSG's wealth management business managed to achieve a 58% growth in turnover as compared to the previous year. By leveraging its solid research capability, FSG received positive feedback on the model portfolios that suit its clients with different risk appetites. In 2012, FSG will continue to devote resources to developing the PRC business with a view to significantly increase client base, new business volume and asset under management.

Asset Management

In 2011, the total amount of Asset Under Management (AUM) fell around 20%, which was in line with the performance of benchmark index in 2011. With the help of improved liquidity and attractive valuation of the market, the performance of the Hong Kong stock market is expected to improve. FSG will continue to focus on the increase in its base income and earning incentive fees.

Investment Banking

FSG maintained its strategy to have a balanced focus on IPOs and other financial advisory and corporate transactions. During the year, FSG participated in a number of transactions. FSG also acted as the sponsor in the initial public offering of Grand Concord International Holdings Limited which was successfully listed on the Main Board of HKEx in the fourth quarter of 2011. 2012 is expected to be a year full of challenges for the capital market participants. FSG has secured a number of mandates for IPO sponsorship and financial advisory services in 2012.

China Development

During 2011, FSG set up new offices in Nanjing, Chengdu, and Qingdao. Together with the existing offices in Beijing, Chongqing, Shenzhen, Xian, Xiamen and the head office in Shanghai, FSG now has nine offices across the mainland. FSG will continue to expand its network by opening offices in strategic locations. Its goal is to continue to build its brand, database and network in preparation for the eventual opening up of the Mainland financial markets.

Outlook

Despite the gloomy economic forecast, FSG remains cautiously optimistic about the economic outlook in medium term. FSG endeavours to provide comprehensive financial solutions from a global prospective to its clients. FSG will continue to establish strategic alliances with business partners in the PRC and adopt an active approach in order to explore more opportunities in the Mainland market. As a leading financial services provider in Hong Kong, FSG is known for its initiative and prominence in information technology development. Looking ahead, FSG is committed to enhancing its IT infrastructure and trading platform in order to capture the valuable opportunities in the market and to meet with the versatile needs of its clients in Hong Kong and Mainland China.

With the growing sophistication of the capital market, FSG is constantly looking for educated and internationally oriented workforce. FSG is able to attract professionals from around the globe. With the dedication of its professional workflow, FSG will continue to develop its advanced and high technology trading strategies and to capture each and every opportunity present in the market.

RETAIL MANAGEMENT BUSINESS

Business Review

In-store Communication Enhancement

During the year, CRMG focused more on product communications and put extra effort in enhancing different in-store communication tools and display layout. In order to enhance the space productivity and instigate the mix-and-match concepts for its customers, CRMG has further improved its cross-selling display by placing more household products in the furniture room-setting. These provided additional product knowledge and smart living tips to customers, as well as stimulated home improvement and decorative demand.

E-commence and Multi-Media

In early 2011, CRMG launched the Pricerite official Facebook page. This online platform established another interactive channel for it to communicate with its customers more efficiently and in a timely manner. To further develop the e-business, the Pricerite e-shop was also revamped with newly added Macau delivery service. Subsequent to the introduction of iPad version electronic catalogue in revamped stores, Pricerite also applied QR code technology to provide further product information to customers during the year. CRMG will continue this strategy to deploy advanced technology to improve customer service and shopping experience.

Product Development

In 2011, Pricerite fine-tuned its product range to better serve the changing needs of its customers. Pricerite expanded its sourcing network overseas to include Taiwan, Singapore, Japan and Thailand, etc. Pricerite has also expanded the Tailor Made Furniture (TMF) service by establishing TMF service counters in selected stores. The service has proved to be a solution to help customers in home space maximisation.

Commitment to quality

Among dozens of merchants in the category of Department Stores, Home Decorations Products & Personal Care Products, Pricerite received the Silver Award at the "2011 Outstanding Quality Tourism Services Merchant" from the Hong Kong Tourism Board (HKTB). Pricerite's continuous quality service and excellent management were being recognised once again in 2011 by a number of organisations and government segment.

New Business in China

One of the CRMG's key strategies in 2011 was to establish another retail brand 生活經艶 and to secure its market presence in China. During the year, CRMG opened three stores in Tianhe District and Yuexiu District of Guangzhou, strategically initiating its footing for business development in China. 生活經艶 is a modern home furnishing chain in China that offers a coordinated range of in-house design home furnishing products to serve the up-and-coming young, middle income families in urban cities. Its product design theme focuses on SQAP, which stands for "Style, Quality, Affordability and Practicality" and aims to enable its customers to better enjoy their home-life, by enhancing their living quality through the use of its SQAP products.

Outlook

Looking ahead, CRMG will put extra effort in innovating its value chain to customers, including optimising its product mix, bringing new product enhancement as well as enhancing its shopping environment and services. In China, CRMG will continue to expand its retail network in and beyond Guangzhou into other cities in the Guangdong province. With CRMG's strategic plan and professional management, it is prudently optimistic about the prospects in 2012.

EMPLOYEE INFORMATION

At 31 December 2011, the Group had 350 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$77.5 million.

Benefits

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

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the Securities and Futures Ordinance (“SFO”), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group’s history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles (“Principles”) which aligns with the requirements set out in the Code on Corporate Governance Practices (“CG Code”) and the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Listing Rules. The Board had also in writing made specific enquiry to each Director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2011, the Principles had been duly complied with except for the deviations summarised as follows:

CG Code		Deviation and reason
A.2.1	The roles of Chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual	Mr Kwan Pak Hoo Bankee, Chairman of the Board, also assumes the role of CEO of the Company. The dual role of Mr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

Save for the above, the Company has been in compliance with the CG Code and the Model Code throughout the year under review.

REVIEW OF RESULTS

The Group’s audited consolidated results for the year ended 31 December 2011 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2011, the Company purchased a total of 16,968,000 shares of HK$0.01 each in its own issued share capital on the Stock Exchange and such shares were then subsequently cancelled. The directors believe that such purchases would help enhancing the assets and earnings per share of the Company and would benefit the Company and the shareholders as a whole. Details of the repurchase of shares are summarised as follows:

Month/Year	Number of shares repurchased	Repurchase price per share		Approximate aggregate consideration paid (excluding expenses)
		Highest	Lowest	
		HK$	HK$	HK$'000
July 2011	10,338,000	0.210	0.196	2,092
September 2011	6,630,000	0.119	0.084	728
Total	16,968,000			2,820

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 26 March 2012

As at the date hereof, the Board comprises:-

Executive Directors:

Mr Kwan Pak Hoo Bankee
Mr Law Ping Wah Bernard
Mr Ng Kung Chit Raymond

Independent non-executive Directors:

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