CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The audited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the year ended 31 December 2012 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2012 HK$'000**	2011 HK$'000 (restated)
Continuing operations			
Revenue	(4)	**1,290,314**	1,343,858
Cost of inventories and services		**(653,531)**	(642,970)
Other income		**11,510**	6,638
Other gains and losses		**84,514**	172,404
Salaries, allowances and commission		**(306,283)**	(403,307)
Other operating, administrative and selling expenses		**(452,609)**	(494,188)
Depreciation of property and equipment		**(64,407)**	(62,680)
Amortisation of intangible assets		**(26,428)**	(4,457)
Finance costs		**(16,383)**	(22,246)
Fair value change on investment properties		**(17,068)**	(3,673)
Share of results of an associate		**14,045**	8,884
Loss on early redemption of convertible notes		**-**	(7,108)
Impairment loss recognised in respect of goodwill		**(83,361)**	-
Impairment loss recognised in respect of intangible assets		**(24,000)**	-
Loss before taxation		**(243,687)**	(108,845)
Income tax expense	(6)	**(8,769)**	(6,959)
Loss for the year from continuing operations		**(252,456)**	(115,804)
Discontinued operation	(7)		
Loss for the year from discontinued operation		**-**	(30,147)
Loss for the year		**(252,456)**	(145,951)

	Note	**2012** **HK$'000**	2011 HK$'000 (restated)
Other comprehensive income for the year, net of income tax			
Exchange difference on translation of foreign operations		**492**	9,099
Change in revaluation of leasehold land and buildings		**-**	22,582
Deferred taxation arising on revaluation of leasehold land and buildings		**-**	(3,631)
Total other comprehensive income for the year		**492**	28,050
Total comprehensive expense for the year		**(251,964)**	(117,901)
Loss for the year attributable to owners of the Company:			
- from continuing operations		**(228,552)**	(95,689)
- from discontinued operation		**-**	(30,810)
Loss for the year attributable to owners of the Company		**(228,552)**	(126,499)
(Loss) profit for the year attributable to non-controlling interests:			
- from continuing operations		**(23,904)**	(20,115)
- from discontinued operation		**-**	663
Loss for the year attributable to non-controlling interests		**(23,904)**	(19,452)
		(252,456)	(145,951)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(228,060)**	(114,711)
Non-controlling interests		**(23,904)**	(3,190)
		(251,964)	(117,901)
Loss per share	(8)		
From continuing and discontinued operations:			
- Basic and diluted (HK cents)		**(61.87)**	(36.34)
From continuing operations:			
- Basic and diluted (HK cents)		**(61.87)**	(27.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2012 HK$'000**	As at 31 December 2011 HK$'000 (restated)	As at 1 January 2011 HK$'000 (restated)
Non-current assets				
Property and equipment		**84,297**	124,589	202,044
Investment properties		**68,832**	185,484	185,777
Goodwill		**62,710**	146,071	146,071
Intangible assets		**96,600**	141,028	73,512
Interest in an associate		**152,939**	138,894	124,512
Rental and utilities deposits		**34,091**	37,197	24,959
Other assets		**37,020**	7,477	14,851
Loan to an associate		**10,296**	10,296	10,296
Deferred tax assets		**6,700**	4,700	4,100
		553,485	795,736	786,122
Current assets				
Inventories – finished goods held for sale		**56,847**	59,609	48,948
Accounts receivable	(9)	**920,627**	815,030	707,708
Loans receivable		**61,496**	44,492	13,017
Prepayments, deposits and other receivables		**43,351**	55,815	54,229
Amounts due from related companies		**-**	-	334
Tax recoverable		**3,536**	2,894	-
Investments held for trading		**123,206**	26,961	44,310
Bank deposits subject to conditions		**90,555**	80,040	68,252
Bank balances – trust and segregated accounts		**782,293**	694,525	697,060
Bank balances (general accounts) and cash		**331,891**	495,188	418,795
		2,413,802	2,274,554	2,052,653
Assets classified as held for sale		**66,000**	-	-
		2,479,802	2,274,554	2,052,653
Current liabilities				
Accounts payable	(10)	**1,591,375**	1,386,663	1,172,626
Deferred revenue		**37**	1,628	2,482
Accrued liabilities and other payables		**110,339**	166,642	101,372
Taxation payable		**14,046**	5,867	9,407
Obligations under finance leases – amounts due within one year		**906**	906	382
Borrowings - amount due within one year		**491,121**	336,365	556,172
Convertible notes		**-**	-	18,733
Loan from a non-controlling shareholder of a subsidiary		**27,437**	27,437	27,437
		2,235,261	1,925,508	1,888,611
Net current assets		**244,541**	349,046	164,042
Total assets less current liabilities		**798,026**	1,144,782	950,164

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (restated)	As at 1 January 2011 HK$'000 (restated)
Capital and reserves			
Share capital	**36,943**	36,943	30,902
Reserves	**332,530**	548,418	414,007
Equity attributable to owners of the Company	**369,473**	585,361	444,909
Non-controlling interests	**386,035**	428,348	431,892
Total equity	**755,508**	1,013,709	876,801
Non-current liabilities			
Deferred tax liabilities	**16,137**	18,385	20,291
Obligations under finance leases - amount due after one year	**50**	956	552
Borrowings - amount due after one year	**26,331**	111,732	52,520
	42,518	131,073	73,363
	798,026	1,144,782	950,164

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 5 October 2012, the name of the Company was changed from Net2Gather (China) Holdings Limited 網融(中國)控股有限公司 to Celestial Asia Securities Holdings Limited (時富投資集團有限公司). The change of the name became effective on 8 October 2012.

(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 investment properties and financial instruments, which are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange 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 amendments to HKFRSs, issued by the HKICPA.

<u>HKFRSs that become effective for the year</u>

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instrument: Disclosures – Transfer of financial assets

<u>HKFRSs that have been early adopted for the year</u>

Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009-2011 cycle issued in June 2012
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures

Except as described below, the adoption of the above HKFRSs in the current year has had no material effect on the consolidated financial statements.

Amendments to HKAS 1 Presentation of financial statements (as a part of the Annual Improvement to HKFRSs 2009 – 2011 cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 – 2011 Cycle). In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual period beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In current year, the Group has applied HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised 2011), HKAS 28 (Revised 2011) and amendments to HKAS 12, which has resulted in a material effect on the information in consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without related notes.

HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) - INT 12 "Consolidation - Special purpose entities". HKFRS 10 changes the definition of control such that an investor controls an investee when it 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. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances including the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, rights arising from other contractual arrangements, and any additional facts and circumstances including voting patterns at previous shareholders' meetings.

The adoption of HKFRS 10 has affected the Group's accounting for the interest in CASH Financial Services Group Limited ("CFSG").

Prior to deconsolidation of CFSG on 11 October 2010, the Group used to control CFSG under HKAS 27 (Revised 2008) because the Group collectively owned more than 50% of voting rights of CFSG by virtue of the voting rights directly owned by the Group and the voting rights of directors of the Company who agreed to cast all votes in all shareholders' meetings of CFSG in accordance with the voting decision of the Company at all time under contractual arrangements. Accordingly, the Group had accounted for CFSG as a subsidiary.

On 11 October 2010, directors of the Company disposed of their interests in CFSG and caused the voting power of the Group on CFSG dropped below 50%, since then CFSG ceased as a subsidiary and became associate of the Company under HKAS 28. From 11 October 2010 to 31 December 2012, the Group's shareholding of CFSG varied between 41.55% to 42.75%.

In current year, the directors examined the effect of application of HKFRS 10 taking into account all the relevant facts and circumstances, including the Group's dominant voting interest in CFSG, dispersion of holding of other vote holders, participation rate of shareholders and voting patterns in previous shareholders' meeting and concluded that the Group did not lose control over CFSG since 11 October 2010 despite its shareholding therein has been less than 50% and that CFSG is qualified as a subsidiary of the Group under HKFRS 10 throughout the relevant reporting periods. Accordingly, the financial information of CFSG is consolidated retrospectively for all relevant periods as if the Group has not lost control over CFSG since 11 October 2010.

In addition, the Group has applied the transitional guidance under amendments to HKFRS 10 which only requires an entity to present the quantitative information for the annual period immediately preceding the date of initial application of HKFRS 10 notwithstanding the requirements of paragraph 28 of HKAS 8 "Accounting policies, changes in accounting estimates and errors". An entity is not required to present such information for the current period or for earlier comparative periods. As such, the Group has not presented the impacts on consolidated financial statements for the year ended 31 December 2012.

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements in respect of the non-wholly owned subsidiaries that have material non-controlling interests. As at 31 December 2012 and 2011, the Group did not have interests in any unconsolidated structure entities.

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

Under the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets", 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 Group measures their investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment properties held directly in Hong Kong and the People's Republic of China ("PRC") and concluded that the Group's investment properties in Hong Kong and the PRC are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. In addition, the associate's investment properties in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Accordingly, the presumption set out in the amendments to HKAS 12 is rebutted only for investment properties in the PRC held by the associate.

The amendments to HKAS 12 have been applied retrospectively. The application of such has no impact on the deferred tax on changes in fair value of investment properties held by the associate as previously the associate recognised deferred tax based on the tax consequences that would follow from the manner in which the Group expected to recover the investment properties.

For the investment properties in Hong Kong directly held by the Group, the applications of these amendments has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income tax on disposal of these investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties in Hong Kong based on the tax consequences that would follow from the manner in which the Group expected to recover the investment properties. The amendments to HKAS 12 have resulted in the Group's deferred tax liabilities being decreased by HK$5,623,000 as at 1 January 2011, with corresponding credit being recognised in retained earnings. Similarly, the deferred tax liabilities have been decreased by HK$6,448,000 as at 31 December 2011. During the year ended 31 December 2012, no deferred taxes have been provided for change in fair value of the Group's investment properties in Hong Kong. The change in accounting policy has resulted in the Group's income tax expenses for the years ended 31 December 2012 and 31 December 2011 being increased by HK$6,448,000 and reduced by HK$825,000 respectively and hence resulted in loss for the years ended 31 December 2012 and 2011 being increased by HK$6,448,000 and reduced by HK$825,000, respectively.

For the investment properties in the PRC directly held by the Group, in view of the insignificant change in fair value changes in these investment properties, the application has no material impact on the Group's financial performance and position for current and prior years.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 - 2011 cycle except for amendments to HKAS 1 [1]
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities [1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures [3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities [2]
HKFRS 9	Financial instruments [3]
HKFRS 13	Fair value measurement [1]
Amendments to HKAS 1	Presentation of items of other comprehensive income [4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities [2]
HKAS 19 (Revised 2011)	Employee benefits [1]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine [1]

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

<u>HKFRS 13 Fair value measurement</u>

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.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the accounting period beginning 1 January 2013 and that the application of the new Standard is not expected to have a significant impact on the amounts reported but will result in more extensive disclosures in the consolidated financial statements.

<u>Amendments to HKAS 1 Presentation of items of other comprehensive income</u>

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 also 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 accounting period 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 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures - Offsetting financial assets and financial liabilities

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for accounting period beginning on 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective for the Group until accounting period beginning on 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to certain accounts receivable and accounts payable.

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:

	2012 **HK$'000**	2011 HK$'000 (restated)
An analysis of the Group's revenue for the year from continuing operations is as follows:		
Fee and commission income	**163,599**	226,235
Interest income – financial services	**21,850**	35,453
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,095,680**	1,072,752
Online game subscription income	**5,703**	8,386
Licensing income	**3,482**	1,032
	1,290,314	1,343,858

(5) Segment information

<u>Segment information</u>

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.

Upon the adoption of HKFRS 10 resulting in CFSG becoming the subsidiary of the Company from 11 October 2010, two additional segments of financial services and retailing were presented to reflect the operations of CFSG based on the goods or services delivered or provided. Therefore, the segment information in respect of the year ended 31 December 2011 were restated.

In addition, the Group was newly engaged in mobile digital services through acquisition of Yole Wireless Technology (Hongkong) Co., Limited ("Yole Wireless") in April 2011 which then became a new operating and reportable segment during the year ended 31 December 2011.

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

Financial services	Broking, financing, corporate finance services and securities trading
Retailing	Sales of furniture and household goods and electrical appliances
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services
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 in December 2011, the segment information reported below does not include any amounts for this discontinued operation, 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:

For the year ended 31 December 2012

	Financial services HK$'000	**Retailing** HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
Continuing operations				
Revenue	**185,449**	**1,095,680**	**9,185**	**1,290,314**
Segment (loss) profit	**(36,899)**	**12,587**	**(173,100)**	**(197,412)**
Other income				**354**
Net gains on investments held for trading				**98,518**
Corporate expenses				**(134,784)**
Fair value change on investment properties				**(17,068)**
Share of results of an associate				**14,045**
Unallocated finance costs				**(7,340)**
Loss before taxation (continuing operations)				**(243,687)**

For the year ended 31 December 2011 (restated)

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Continuing operations				
Revenue	261,688	1,072,752	9,418	1,343,858
Segment (loss) profit	(5,757)	16,948	(35,195)	(24,004)
Other income				536
Net gains on investments held for trading				165,955
Corporate expenses				(238,208)
Fair value change on investment properties				(3,673)
Share of results of an associate				8,884
Loss on early redemption of convertible notes				(7,108)
Unallocated finance costs				(11,227)
Loss before taxation (continuing operations)				(108,845)

All the segment revenue is derived from external customers.

Segment result represents the loss incurred/profit earned by each segment without allocation of certain other income, net gains on investments held for trading, corporate expenses, fair value change on investment properties, share of results of an associate, loss on early redemption of convertible notes and certain finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2012

	Financial services HK$'000	**Retailing** HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
ASSETS				
Segment assets	**2,190,685**	**396,875**	**54,834**	**2,642,394**
Investment properties				**68,832**
Unallocated property and equipment				**18,454**
Interest in an associate				**152,939**
Loan to an associate				**10,296**
Unallocated other assets				**23,059**
Deferred tax assets				**6,700**
Unallocated prepayments, deposits and other receivables				**3,972**
Assets classified as held for sale				**66,000**
Unallocated bank balances and cash				**40,641**
Total assets				**3,033,287**
LIABILITIES				
Segment liabilities	**1,685,699**	**333,724**	**9,562**	**2,028,985**
Unallocated accrued liabilities and other payables				**36,403**
Unallocated taxation payable				**3,615**
Unallocated borrowings				**164,509**
Loan from a non-controlling shareholder of a subsidiary				**27,437**
Deferred tax liabilities				**16,137**
Unallocated obligations under finance leases				**693**
Total liabilities				**2,277,779**

As at 31 December 2011 (restated)

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	1,923,621	473,268	204,161	2,601,050
Investment properties				185,484
Unallocated property and equipment				42,493
Interest in an associate				138,894
Loan to an associate				10,296
Unallocated prepayments, deposits and other receivables				6,264
Deferred tax assets				4,700
Unallocated bank balances and cash				81,109
Total assets				3,070,290
LIABILITIES				
Segment liabilities	1,443,494	312,916	10,770	1,767,180
Unallocated accrued liabilities and other payables				64,734
Unallocated taxation payable				2,815
Unallocated borrowings				174,720
Loan from a non-controlling shareholder of a subsidiary				27,437
Deferred tax liabilities				18,385
Unallocated obligations under finance leases				1,310
Total liabilities				2,056,581

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

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

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

Other segment information

Continuing operations

For the year ended 31 December 2012

	Financial services HK$'000	**Retailing** HK$'000	**Online game services** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property and equipment	**12,485**	**16,314**	**165**	**512**	**29,476**
Additions of intangible assets	**-**	**-**	**6,000**	**-**	**6,000**
Depreciation of property and equipment	**12,885**	**24,425**	**3,713**	**23,384**	**64,407**
Amortisation of intangible assets	**-**	**-**	**26,428**	**-**	**26,428**
Finance costs	**5,003**	**4,040**	**-**	**7,340**	**16,383**
Write-down on inventories	**-**	**5,348**	**-**	**-**	**5,348**
Loss on disposal of property and equipment	**5**	**62**	**79**	**469**	**615**
Allowance on bad and doubtful loans receivable	**9,700**	**-**	**-**	**-**	**9,700**
Bad debt on accounts receivable recovered	**(3)**	**-**	**-**	**-**	**(3)**
Impairment loss recognised in respect of goodwill	**-**	**-**	**83,361**	**-**	**83,361**
Impairment loss recognised in respect of intangible assets	**-**	**-**	**24,000**	**-**	**24,000**
Impairment loss recognised in respect of property and equipment	**-**	**4,664**	**-**	**-**	**4,664**

For the year ended 31 December 2011 (restated)

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property and equipment	20,052	24,562	1,755	6,079	52,448
Additions of intangible assets	-	-	168,952	-	168,952
Depreciation of property and equipment	12,544	21,432	5,818	22,886	62,680
Amortisation of intangible assets	-	-	4,457	-	4,457
Finance costs	7,106	3,913	-	11,227	22,246
Write-down on inventories	-	2,840	-	-	2,840
Loss (gain) on disposal of property and equipment	14	-	-	(410)	(396)
Gain on disposal of assets classified held for sale	-	(32,400)	-	-	(32,400)
Bad debt on accounts receivable and other receivables written off directly	77	9	-	-	86
Allowance on bad and doubtful loans receivable	28,700	-	-	-	28,700
Bad debt on accounts receivable and loans receivable recovered	(12)	-	-	-	(12)

Geographical information

The Group's continuing operations is located in Hong Kong and the PRC.

The Group's segment revenue from external customers from continuing operations and information about its non-current assets (excluding loan to an associate and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue		**Non-current assets**	
	2012	2011	**31 December 2012**	31 December 2011
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Hong Kong	**1,271,845**	1,330,629	**394,388**	441,611
PRC	**18,469**	13,229	**142,101**	339,129
	1,290,314	1,343,858	**536,489**	780,740

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

(6) Income tax expense

	2012	2011
	HK$'000	HK$'000 (restated)
Continuing operations		
Current tax:		
- Hong Kong Profits Tax	**12,119**	11,224
Underprovision in prior years	**898**	190
Deferred taxation	**(4,248)**	(4,455)
	8,769	6,959

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

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction. No provision for the PRC income tax has been made as they incurred tax losses in both years.

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

(7) Discontinued operation

On 9 November 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of a subsidiary, Yole Wireless, which carried out all of the Group's mobile digital entertainment business in the PRC. The disposal was effected in order to strengthen the cash position of the Group, as the management considered that the expected synergy between mobile digital business and online game business is not as significant as expected. The disposal was completed on 28 December 2011, on which date control of Yole Wireless was passed to the acquirer.

Yole Wireless was acquired by the Group on 26 April 2011, therefore, the loss for the year from the discontinued operation 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 operation	**(30,147)**
Loss for the period attributable to:	
Owners of the Company	**(30,810)**
Non-controlling interests	**663**
	(30,147)

(8) Loss per share

From continuing and discontinued operations

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

	2012 **HK$'000**	2011 HK$'000 (restated)
Loss for the purpose of basic and diluted loss per share	**(228,552)**	(126,499)

The denominators used are the same as those detailed below for the 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:

	2012 **HK$'000**	2011 HK$'000 (restated)
Loss for the year attributable to owners of the Company	**(228,552)**	(126,499)
Less: Loss for the year from discontinued operation attributable to the owners of the Company	**-**	30,810
Loss for the purpose of basic and diluted loss per share from continuing operations	**(228,552)**	(95,689)

	2012 **'000**	2011 '000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share from continuing operations	**369,432**	348,065

The weighted average number of ordinary shares for the calculation of the basic and diluted loss per share for years of 2012 and 2011 have been adjusted retrospectively to reflect the impact of share consolidation during the year ended 31 December 2012.

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

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HK8.85 cent per share during the year ended 31 December 2011.

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

(9) Accounts receivable

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**40,050**	59,905
Cash clients	**313,212**	40,185
Margin clients	**270,160**	223,204
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**157**	148
Clearing houses, brokers and dealers	**294,796**	488,885
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**1,357**	859
Accounts receivable arising from the business of provision of corporate finance services	**300**	1,100
Accounts receivable arising from the business of provision of online game services	**595**	744
	920,627	815,030

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

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends either to settle on a net basis, or to realise the balances simultaneously.

Accounts receivable from margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of broking business.

As at 31 December 2012, in connection with the business of dealing in futures and options, the Group has maintained its own account of HK$373,000 (31 December 2011: HK$452,000) and account on behalf of its client of HK$30,363,000 (31 December 2011: HK$102,173,000) with MF Global Hong Kong Limited ("MFG HK"). The directors of the Company have been in contact with the liquidators, being appointed by MFG HK since 2 November 2011 following the filing for bankruptcy protection by MF Global UK Limited (its ultimate parent company) in the United States on 31 October 2011, for the return of the account balances to the Group and there was subsequent settlement of partial amount of HK$71,889,000 during the year 31 December 2012. The Group expects to recover the remaining amount of HK$30,736,000 within the next 12 months from the end of the reporting period. Therefore, the directors of the Company believe no allowance for bad and doubtful debts is necessary.

(10) Accounts payable

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
Accounts payable arising from the business of dealing in securities:		
Clearing houses	**257,383**	824
Cash clients	**577,656**	485,497
Margin clients	**102,065**	112,617
Accounts payable to clients arising from the business of dealing in futures and options	**487,256**	621,968
Trade creditors arising from retailing business	**166,400**	165,234
Accounts payable arising from online game services	**615**	523
	1,591,375	1,386,663

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses. Accounts payable to margin clients and cash clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. At 31 December 2012, the accounts payable to clients of HK$69,534,000 (31 December 2011: HK$110,820,000) was related to the amount of HK$30,363,000 (31 December 2011: HK$102,173,000) maintained in MFG HK as disclosed in note (9). The required margin deposits are repayable upon the closure of the corresponding futures and options position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$782,293,000 (31 December 2011: HK$694,525,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Trade creditors arising from retailing business principally comprise amount outstanding for trade purpose and ongoing cost. The credit period taken for trade purchase is ranged from 30 to 90 days.

The following is an ageing analysis (from trade date) of trade creditors arising from retailing business at reporting date:

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)
0 – 30 days	**73,623**	46,909
31 – 60 days	**54,195**	51,802
61-90 days	**22,035**	27,156
Over 90 days	**16,547**	39,367
	166,400	165,234

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

(11) Dividends

	2012 HK$'000	2011 HK$'000
Dividends recognised as distribution during the year:		
2010 Final – HK0.2 cent per share	**-**	6,846

No dividend was paid or proposed during 2012 and 2011, nor has any dividend been proposed since the end of the reporting period.

(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 includes the borrowings 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.

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

(13) Capital commitments

	31 December 2012 HK$'000	31 December 2011 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property and equipment (Note (a))	**207,128**	-
Acquisition of interests in associates (Note (b))	**20,639**	-
	227,767	-

Notes:

(a) The Group has entered into formal sale and purchase agreements with a property developer on 13 November 2012 for the acquisition of two Hong Kong properties for self-occupation at a consideration of approximately HK$230,142,000 of which deposits of approximately HK$23,014,000 were paid to property developers during 2012.

(b) The Group, together with an independent third party, has entered into agreement with Infinity Equity Management Company Limited ("Infinity") to conditionally subscribe for 20% of the enlarged issued share capital of Infinity for a consideration of US$2,670,000 (equivalent to approximately HK$20,639,000) on 3 December 2012. Infinity is engaged in the business of venture capital and private equity management in the PRC. The transaction was completed on 3 January 2013 upon fulfillment of precedent conditions set out in the agreement.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2012 (2011: Nil).

REVIEW AND OUTLOOK

Financial Review

FINANCIAL PERFORMANCE

The Group has early adopted a number of new and revised HKFRSs this year. One of which, HKFRS 10 establishes a single control model and includes a new definition of control which is used to determine which entities are consolidated. The directors of the Company assessed whether or not the Group has control over CFSG in accordance with the new definition of control and the related guidance set out in HKFRS 10. After assessment, we concluded that the Group did not lose control over CFSG since 11 October 2010 despite its shareholding therein has been less than 50%. As a result, CFSG has been accounted for as a subsidiary of the Group under HKFRS 10 throughout the relevant reporting periods. The revenue and operating result of CFSG for the whole year of 2012 had been included in the Group's consolidated statement of comprehensive income. The Group has restated the financial information of 2011 for comparison purpose.

During the year under review, the Group's financial service business had inevitably been affected by the challenging global environment and economic uncertainty while its retail management business managed to weather through the difficulties and maintained the same revenue level of the previous year due to a relatively stable domestic economy. However, the Group's mobile internet business remained under very keen competition. Overall, the Group recorded revenue of HK$1,290.3 million for the year ended 31 December 2012 as compared to HK$1,343.9 million (as restated) the year before. During the year under review, the Group has recognised impairment loss in respect of goodwill and intangible assets amounting to HK$83.4 million and HK$24.0 million respectively, after taking into consideration the unsatisfactory performance and the future revenue of the two new proprietary online games which had been developed over the past years. Overall, the Group recorded a net loss for the year attributable to the owners of the Company of HK$228.6 million for the year ended 31 December 2012 as compared to a net loss of HK$126.5 million (as restated) the year before.

Financial Services Business - FSG

The global economic conditions in 2012 continued to deteriorate. The consequences unlashed by the unresolved Eurozone debt crisis, coupled with the worry about the market impact of US "Fiscal Cliff" posted a downside risk on the global economy, weighing on the already lackluster investment sentiment. At the same time, China's economy had been showing signs of slowdown for the past two years. Amid the external jitters and domestic woes, the GDP growth on the Mainland slowed to 7.8% year-on-year in 2012, representing a second consecutive drop from 10.4% in 2010 and 9.3% in 2011. To combat with the faltered growth, the People's Bank of China responded to the economic concerns by cutting interest rates for the first time since 2008.

The Hong Kong financial market was inexorably beleaguered by these global crises and the local economic growth had trended downward. Under such a challenging macro-economic environment, investors had been reducing their exposures in securities investments. The average daily turnover of the Hong Kong stock market in 2012 was approximately HK$53.9 billion, representing a plunge of 23% as compared with HK$69.7 billion in 2011 while the average daily turnover for derivatives market dropped remarkably by 15% when compared with the previous year. Total funds raised from IPOs were only HK$89.8 billion in 2012, representing a significant decrease of 65.4% as compared to HK$259.8 billion in 2011. The Group's financial services business was also affected, recording revenue of HK$185.4 million for the year ended 31 December 2012, representing a 29.1% decrease as compared to HK$261.7 million for the previous year. During the year under review, FSG continued to maintain stringent cost controls over its operations while actively promoted business innovation and transformation. Overall, FSG recorded a net loss of HK$36.9 million for the year ended 31 December 2012 as compared to a net loss of HK$5.8 million in 2011.

Retail Management Business - CRMG

For the year ended 31 December 2012, CRMG recorded revenue of HK$1,095.7 million and a net profit of HK$12.6 million as compared to revenue of HK$1,072.8 million and a net profit of HK$16.9 million in 2011.

Hong Kong Retailing Business

Rising operating costs posed the biggest challenge to the Group's retail management business. The skyrocketing rental cost coupled with the inflationary pressure in all aspects, added to CRMG's operating costs and further eroded into our profit margin. Worse still, measures imposed by the government to curb the overheated property market had hit the property market hard, which directly dragged our furniture sales. The Hong Kong property market had been slowing down and reported a remarkable drop in residential property's transactions. Notwithstanding the challenging business environment, our Hong Kong operations of CRMG managed to maintain the same revenue level as the previous year and recorded revenue of HK$1,086.4 million for the year ended 31 December 2012, representing a slight increase of 1.6% as compared to HK$1,068.9 million in 2011. During the year under review, we enhanced our competitiveness and continued to launch various business initiatives. New products and services had been introduced into the market. In particular, the Tailor Made Furniture (TMF) and Tailor Size Furniture (TSF) services, both launched in 2011, had achieved encouraging results since late last year. In addition, we have stepped up the cost rationalisation measures to maintain our cost leadership approach. Despite the gloomy economic outlook, our Hong Kong operations remained profitable and reported a net profit of HK$36.6 million as compared to a net profit of HK$33.1 million in 2011. Despite the encouraging results in 2012, CRMG remains very cautious about the operations against the backdrop of a deteriorating operating environment.

PRC Retailing Business

Our retailing business in mainland China is still in its early investment phase. CRMG has opened three stores in Guangzhou in 2011 and has yet to make any profit contribution to the Group. For the year under review, our PRC operations recorded revenue of HK$9.3 million and net loss of HK$24.1 million as compared to revenue of HK$3.8 million and a net loss of HK$16.1 million in 2011. We will continue to optimize our product mix, enhance its operational efficiency and make timely strategic adjustments as the market changes.

Mobile Internet Business

In view of the prolonged unstable global economic situation and the slowdown of China's economic growth, coupled with the intensive competition amongst the industry players, the online game market in China has now been undergoing an adjustment period. As a result, we treaded carefully in adjusting the pace of our business expansion and carried out thorough organisational and operational reengineering. We have decisively implemented stringent cost control measures over its operations and adhered to a prudent strategy for its online game business. During the year under review, the Group's mobile internet business had already conducted several rounds of closed beta and user acceptance tests for its two new proprietary online games, known as "Tales of Ocean Fantasy" and "Superhero". Despite facing a tough operating environment, the Group launched its "Tales of Ocean Fantasy" in rather low profile in March 2012. However, the performance of "Tales of Ocean Fantasy" was not satisfactory and the Group had decided to postpone the commercial operation of "Superhero" which was originally scheduled to be launched in 2013. The Group continued to leverage its extensive publishing network and partnership to secure license deals in several countries and regions. The Group will put its best effort to explore ways to align its mobile internet business and new initiatives of business development will be in place to enhance its competitiveness. Overall, for the year ended 31 December 2012, the Group's mobile internet business recorded revenue of HK$9.2 million and a net loss of HK$173.1 million (including impairment loss recognised in respect of goodwill and intangible assets amounting to HK$83.4 million and HK$24.0 million respectively) as compared to revenue of HK$9.4 million and a net loss of HK$35.2 million in 2011.

Liquidity and Financial Resources

The Group's total equity amounted to HK$755.5 million as at 31 December 2012 as compared to HK$1,013.7 million (as restated) at the end of the previous year. The decrease in equity was the result of the loss reported for the year.

As at 31 December 2012, the Group had total outstanding borrowings of approximately HK$518.4 million, comprising of unsecured loans of approximately of HK$27.4 million payable to certain independent third parties and secured loans of approximately of HK$491.0 million (including bank loans of approximately HK$427.9 million, a secured loan of approximately HK$62.1 million payable to an independent third party and obligations under finance leases of approximately HK$1.0 million). The above bank loans of approximately HK$427.9 million were secured by the Group's listed securities, investment properties of carrying amounts of approximately HK$134.8 million, pledged deposits of HK$73.4 million, corporate guarantees and its margin clients' securities pledged to it. The above secured loan of approximately HK$62.1 million payable to an independent third party was secured by the shares of CIGL (a wholly-owned subsidiary of the Company). The total borrowings at the end of the previous year were approximately HK$450.0 million (as restated). The increase was due to the extra funding requirements for deposits made for acquisition of properties and for financing the enlarged investment portfolio.

As at 31 December 2012, our cash and bank balances totalled HK$1,204.7 million as compared to HK$1,269.8 million (as restated) at the end of the previous year. The liquidity ratio as at 31 December 2012 remained healthy at 1.1 times as compared with 1.2 times (as restated) on 31 December 2011.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 68.6% as at 31 December 2012 as compared to 44.4% (as restated) as at 31 December 2011. The increase was due to the extra funding requirements for deposits made for acquisition of properties and for financing the enlarged investment portfolio. 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 10 November 2012, CFSG announced a major transaction in relation to the acquisitions of the whole floors of 21/F and 22/F of Rykadan Capital Tower, No. 135-137 Hoi Bun Road, Kwun Tong, Kowloon (with a total gross area of approximately 24,067 square feet), together with eight car parking spaces in the same building ("Properties"), by the CFSG Group at the total consideration of approximately HK$230,142,000 in cash. The construction of the properties is expected to be completed on or before 31 December 2013. Details of the transaction are disclosed in the announcements of CFSG dated 10 and 13 November 2012, and the circular of CFSG dated 17 December 2012.

On 3 December 2012, CFSG announced a discloseable transaction in relation to the subscription of 20% equity interest in Infinity (which is engaged in business of venture capital and private equity management in the PRC) ("Subscription") by the CFSG Group at the consideration of US$2,670,000 (equivalent to approximately HK$20,639,000) in cash. Completion of the subscription took place on 3 January 2013. Details of the transaction are disclosed in the announcement of CFSG dated 3 December 2012.

On 7 December 2012, the Group announced a major transaction relating to disposal of property in Hong Kong at a consideration of HK$66,000,000 in cash. The disposal was completed on 6 February 2013. Details of the transaction are disclosed in the Company's announcement dated 7 December 2012 and the circular dated 2 January 2013.

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

Capital Commitment

As at 31 December 2012, the Group has total capital commitments of HK$227.7 million, comprising (i) HK$207.1 million in relation to the balance of consideration of acquisition of the Properties, and (ii) HK$20.6 million in relation to the Subscription. Details of the capital commitments are also disclosed in note (13) above.

Save as aforesaid, the Group did not have any material outstanding capital commitment at the end of the year.

Material Investments

As at 31 December 2012, the Group was holding a portfolio of investments held for trading with market values of approximately HK$123.2 million. The net gain derived from investments held for trading of HK$98.5 million was recorded for the year.

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

Business Review and Outlook

FINANCIAL SERVICES BUSINESS

Industry Review

The global economic activities remained subdued throughout 2012, with the fiscal deadlock in the US stalling its recovering speed, an unresolved Eurozone debt crisis, a slowdown in China and staggering corporate earnings growth.

Against an austere external economic environment, new listings and IPO fundraising activities in Hong Kong also dropped. A total of 62 IPO deals were recorded in 2012, raising an aggregate of HK$89.8 billion, down 31% and 65% respectively in terms of number of deals and funds raised, as compared with 2011. More than half of the IPO proceeds raised in the year came from the last quarter. Overall, Hong Kong secured the position as the world's fourth largest IPO listing venue in 2012, after the New York Stock Exchange, NASDAQ and Tokyo Stock Exchange.

In Mainland China, the real GDP growth for 2012 dipped to 7.8%, the weakest expansion in 13 years. The Shanghai Composite Index was also one of the world's worst-performing indices for much of 2012. Despite these setbacks, the release of monetary easing measures in the latter half of the year drove the index up significantly in December and closed the year at 2,269 points, up 3% since the beginning of the year.

Hang Seng Index was up 23% to conclude the year at 22,656.92. In terms of market capitalisation, the index increased 25% to 21,950 billion. Average daily turnover for the year, however, recorded a 23% decrease at HK$53,851 million.

Business Review

Platform Development

Since last year, CFSG is dedicated to developing the mobile trading services by introducing various stock trading apps on iPhone, iPad and Android mobile and tablet devices. Clients are able to get instant market information and trade anytime and anywhere, borderless. In addition to the Hong Kong stocks, we also developed a futures trading app on iPhone to broaden our product offerings. We have also launched an online trading application "CASH HK Stocks Express" to facilitate mainland clients by providing them with a user-friendly quotation and trading platform layout. Given the new apps, our client can leverage on our state-of-art trading platform to invest in both exchange traded equities and commodities products any time and anywhere without limit. To cope with the advancement of the technology, we have made significant investment in the IT infrastructure and upgrading the trading platform. We are one of the first movers to subscribe for the hosting services offered by the HKEx and move into the low-latency co-location data centre at Tseung Kwan O Industrial Estate in December 2012. In addition, there have been increasing demands for international commodities from Hong Kong and the mainland China. To improve our services and competitiveness in international commodities trading, preparation works for the direct participation to the Hong Kong hub of CME (Chicago Mercantile Exchange) and as market maker for

CNH futures (U.S. Dollar/Offshore Chinese Renminbi (CNH) futures) were made during the year. Our efforts got pay-off. In February 2013, we were admitted one of the three market makers for CNH futures of CME.

Apart from our strong foothold in the Hong Kong market, we have also gained wide recognition in the mainland market. We received the "Most Popular HK Brokerage Institution" accolades in consecutive from three major mainland media, namely QQ.com, China Finance Online and Money Weekly magazine. This proves that we are widely recognized in the mainland as China's premier financial services provider.

Fund Management

To tap into the lucrative fund management business in China, CFSG invested in Infinity, a prominent cross-border, Chinese focused fund management group with a RMB2 billion asset under management through a growing portfolio of funds investing in China. The Group considers it a golden opportunity to diversify into the fund management business and reap from the booming PRC market, given the steady and consistent revenue stream of the Infinity RMB Funds. With CFSG's established strengths in brokerage, investment banking, wealth management and asset management, we strongly believe that further synergies can be derived through closer ties with Infinity.

Investment Banking

Notwithstanding the prevailing lacklustre market sentiment, there are still a lot of quality companies in China that look for IPO opportunities in Hong Kong and we have successfully obtained mandates to act as the sponsor to certain IPO applicants during the year. In addition to the IPO projects, we also acted as the financial advisor/independent financial advisor in respect of M&As, fund raising activities and other corporate finance exercises. In particular, we were appointed as the financial advisor/independent financial advisor of H-Share listed companies/A-Share listed companies in China, including Guangzhou Pharmaceutical Company Limited and Beiren Printing Machinery Holdings Limited, in respect of their respective major assets reorganisation.

Securities Broking

During the year, most investors were cautious toward both investment and speculations, especially in domestic equities market. Trading volume and our brokerage income are inevitably adversely affected. Nevertheless, there was steady demand for international commodities trading against the backdrop of hedging needs and speculation of commodities prices as a result of further quantitative easing measures around the world. The Group's broking business recorded an operating revenue of HK$185.4 million in the reporting period, decreasing 29.1% compared with that of last year.

Asset Management

As China's economy bottomed out in the fourth quarter of 2012, investor regained confidence in the economic outlook of mainland China and the capital began to inflow into Hong Kong. The Hong Kong stock market is trading at around 11 times prospective 2013 P/E and around 3.2% dividend yield. The current valuation is attractive and undemanding. As the concerns of some negative factors, such as the slowdown of the economic growth in China, have been somewhat eased, we are conservatively optimistic about the stock market outlook of Hong Kong in 2013.

Wealth Management

During the past year, we continued to devote more resources to strengthen our discretionary portfolio management business. All three landmark portfolios achieved respectable performance and outperformed their respective benchmarks. This value-added service not only benefited the existing clients but also helped attract new assets from prospective clients.

To better serve the investment needs of clients and to accommodate different risk appetite, we introduced a number of new investment tools. Amongst the many, private equity investment products in China and pre-development land investment opportunities overseas have successfully gained recognition from the market and they have outperformed our initial projection. The new services have not only strengthened the firm-client relationship but also increased our income sources. Our goal remains to increase income and diversify revenue sources through strengthening our portfolio management capability and recurring income mix.

Outlook

We are cautiously optimistic about the economic outlook in the medium term. We see potential opportunities available to financial institutions in Hong Kong. The year-end robust rally in stock market indices signaled an improving economic condition. Coupled with rising risk appetite, positive fund flows and structural reforms, we expect to see a higher return in 2013. With the expected money inflows into Asia, we envisage to see a further growth in the stock performance. We will continue to expand our client base and provide comprehensive financial solutions from a global perspective to our clients. On top of our established services in the PRC, we will continue to look for strategic opportunities with business partners and adopt a proactive approach in order to capitalise the opportunities ahead.

To cope with the growing complexity of the capital market, Hong Kong is looking to adapt to the low latency network and to retain its role as one of the world's most established financial centres. To remain competitive and relevant in an increasingly interconnected global equities market driven by technology-based trading strategies, we will continue to develop and enhance our IT infrastructure in order to stay compatible with market changes.

Alongside the clear approach of the Hong Kong Stock Exchange in developing advanced trading platform to commensurate with the increasing demand for more efficient and speedy executions, we dedicated our resources in IT infrastructure and trading platform development in order to capture the valuable opportunities in the market and to meet with the versatile needs of our clients in Hong Kong and mainland China. We believe that high-speed, reliable and technologically advanced platforms are still highly sought by investors. We are committed to investing in our IT infrastructure and enhance the comprehensiveness of products to our clients.

2012 saw a slowdown in the IPO activities in Hong Kong at the back of intense competition from other bourses. The last quarter of 2012 however showed signs of recovery and is expected to continue in the coming year. The recent relaxation of the H-share listing requirements for mainland companies would be expected to spur some of the A-share IPO applicants to switch to list in Hong Kong. Hong Kong would continue to be a major fundraising hub for Chinese mainland companies and we expect to see a wave of small and medium-sized mainland enterprises and international companies seeking access to additional funding by securing a listing status in Hong Kong. Going forward, we continue to position our investment banking group as specialist in small and medium enterprises. We will continue to build up our brand name and gain wider prominence and recognition in our investment banking services.

With the growing sophistication of the capital market, we are constantly looking for educated and internationally oriented workforce. We are able to attract professionals from around the globe. They include scholars and professors with different backgrounds and qualifications. The mix of academic specialists has brought an inspiring enhancement to our trading models and infrastructure development. With the dedication of our professional workflow, we will continue to develop our advanced and high technology trading strategies and to capture each and every opportunities present in the market.

RETAIL MANAGEMENT BUSINESS

Industry Review

Domestic consumer spending, on the other hand, was stable thanks to a buoyant labour market, increasing the value of total retail sales by 9.8% in 2012. However, the government's cooling measures to curb the residential property market speculation had dealt a severe blow to the number of residential building units sold and its total consideration, directly resulting in a 9.7% drop in market volume of furniture and fixtures sales.

Business Review

Impacted by the global economic crisis, Hong Kong continued to undergo economic downturn in 2012. However, Pricerite managed to achieve steady growth in both revenue and gross profit amid unfavorable economic environment, mainly thanks to the strategic initiatives embarked throughout the year.

Store Network & Operations

In the reporting year, Pricerite strengthened its store network by adding a flagship store in Mongkok and a district store in Tseung Kwan O, bringing together 34 outlets in total. The first Super Mega flagship store was opened in Mongkok in May with a comprehensive range of furniture, home products and electrical appliances. The district store in Tseung Kwan O was opened in the second half of the year, tapping potential market in this densely populated area. These two stores have been successful in attracting new and young customers with encouraging sales performance. The accomplishments were mainly attributable to the brand-new store image, cozy and friendly shopping environment and enhanced merchandise offered in the new stores.

Furthermore, Pricerite dedicatedly renewed a number of existing stores through the long-term rejuvenation program, targeting to highlight its market position as the home-furnishing specialty store providing a true "one-stop shopping" experience for the busy customers in urban city nowadays.

At the store level, Pricerite also deployed advanced technology to facilitate product presentation by applying QR code, tablet PCs and videos to feature merchandises.

LIVING SMART by Pricerite

During 2012, Pricerite adopted a new branding and launched a marketing campaign named Living Smart 生活智慧 with a clear objective to providing smart and flexible living solutions to urban household living in cramped apartments.

To deliver our Living Smart 生活智慧 concept, home-furnishing and household tips and smart product recommendations are highlighted in our marketing communications and in-store materials. Customers can now obtain smart living ideas easily at Pricerite and better understand how Pricerite products are designed to provide extra benefits in space optimization, home-furnishing and decoration so as to improve their living quality.

New Products

In response to the increasing demand in space optimization, a new product range of "transformable furniture", namely Hiddenbed, was introduced. Hiddenbed has demonstrated proven success in most major cities around the globe. It enables customers to transform a single bed to a desk, and vice versa in just a few seconds, with a simple touch, bringing the benefits of multifunction together with space maximisation to customers.

In addition, Tailor Made Furniture (TMF) and Tailor Size Furniture (TSF), both launched in 2011, continued to grow satisfactorily during the year, further evidencing that our professional and personalized services as well as higher quality tailored solutions have been well-recognised by customers. Pricerite will continue to develop all aspects of smart and flexible home furnishing solutions to better serve our customer needs.

With a clear aim to enhancing both the aesthetics and functionality of our products and to stimulate customer demand on stylish and functional items, Pricerite has during the year revamped a number of the core product ranges by bringing in new products, new designs as well as an expanded product range with different colors, sizes and forms.

E-Channels

Riding on the popularity of electronic platforms, Pricerite invested in various online channels during the year to better serve customers online. The official Pricerite E-shop for Hong Kong has caught immediate attention since its launch in the first half of the year and has contributed to our growing sales revenue. During the year, the website was further upgraded by including a number of interactive and sorting features to enhance browsing and shopping experience.

Facebook page also supported our product promotion and customer interactions in an effective way. Different theme-based online and offline campaigns during the year attracted a number of participants to visit regularly and helped to build our brand awareness.

Rewards & Recognitions

Pricerite was committed to providing customers with excellent services. During the year, several honorable accolades were received. Our well-trained salespersons have stood out amongst the keen retail practitioners, winning not only the Outstanding Young Salesperson Award 2012 organized by HKMA but also the HKRMA's Service & Courtesy Award, the "Oscars Award" in the retail industry in Hong Kong.

Besides, Pricerite won the Manpower Developer Award Scheme 2012, Family-Friendly Employers Award 2012 and Customers' Most Favorable Hong Kong Brands Award 2012, organized by the Employees Retraining Board, the Family Council and the China Enterprise Reputation and Credibility Association.

China Operations

In China, our retail brand 生活經艷 has gradually built up the brand awareness amongst our target customers, mainly young and mid-income professionals in Guangzhou. In addition to existing retail outlets, we have organised a number of road shows during the year to promote and increase public awareness of our brand. 生活經艷 is also regularly covered in various media including newspapers, magazines and on-line channels to promote our positioning of modern home furnishing chain. 生活經艷 has also planned to develop e-commerce in 2013, to tap the fast expanding market opportunity in China.

Outlook

In 2013, the economy of Hong Kong will continue to encounter different challenges and opportunities. We will continue to reinforce the Living Smart 生活智慧 brand attribute and to secure the leading position in home-furnishing retailer in town. On the other hand, gradual increase in housing supply by the government to meet overwhelming demand is expected to create continuous and vast demand in better home furnishing solutions. Pricerite is ready to capture the business ahead.

MOBILE INTERNET BUSINESS

Industry Review

The mobile internet market saw a slowdown in growth, from 86.2% in 2011 to 74% in 2012. According to Enfodesk, a business information database, the reasons were two-fold. Firstly, the market had experienced exponential growth in the past few years and was growing from a relatively high base in 2011. Secondly, the problem of inconvenient payment between mobile commerce and mobile marketing platforms remained unresolved. Overall, the China mobile internet market reached RMB150 billion by the end of 2012, according to Enfodesk research.

According to iResearch, China's mobile game industry is heading into a transitional period. The market is expected to reach RMB5.21 billion in 2012, with the structure of the mobile game industry changing as traditional service providers are displaced and payment and distribution channels continue to develop.

The online gaming market has experienced unprecedented growth in both market size and number of users during the past decade. However, growth in the client-based online gaming market has declined since 2009. According to reports and data released by Analysys International, a technology media telecom market research company, the year-on-year growth rate in market size fell to a single-digit in 2012. Furthermore, several leading online gaming operators recorded year-on-year decreases in revenue for the client-based online gaming sector.

Business Review

PC Online Game

During the year, Net2Gather has completed the development of two new client-end Massively Multiplayer Online Role-playing Games (MMORPGs), known as "Tales of Ocean Fantasy" and "Superhero". We have launched the commercial operation of "Tales of Ocean Fantasy" in Mainland China. For "Superhero", which has been named the Best Self-Developed Online Games (Superhero) in China's prestigious Golden Plume Awards, several rounds of user acceptance tests and a public closed-beta test were completed. We have collected valuable feedback and user data from our players and released updated patches in timely manners to fix the issues and publish new contents. In view of the increasingly intense competition in client-end gaming market, the Group will continue to optimise gameplay and contents of "Superhero" and evaluate the appropriate schedule for commercial operation.

The Group has launched several new updates and enhancements of contents of "King of Pirates", our well-received self-developed MMORPG. Our operation team has implemented multiple tactics and arranged a variety of online activities to attract users.

During the year, we have launched commercial operations of "King of Pirates" in Brazil, Portugal and Indonesia, and released continuous game updates in several countries and regions. Net2Gather continued to leverage its publishing network to secure game license deals of our newly-developed MMORPGs. We have reached game licensing agreement with several leading online gaming operators in Taiwan, Singapore, Malaysia, Australia and New Zealand to publish "Tales of Ocean Fantasy". Localisation and adaptation of game contents are in progress. Commercial operations are expected to be launched from second half of 2013.

Mobile Game

During the year, our first self-developed mobile social game "MoMo Island" was launched on China Apple app store at end of 2012. We have also identified several overseas markets for publishing and expected to reach licensing partnerships with overseas mobile gaming publishers and platforms.

MoMo Island is a casual island simulation social network game. The game can be played online or offline on mobile devices. Gameplay involves various aspects of island management such as construction of houses, caviar factories, lumber factories, shipyards and boats, trades with other island owners by boats and to fend off the pirates. MoMo Island incorporates the social networking aspect through the popular "Weibo" platform. Players can invite friends to trade or to visit friend's island and collect coins. This game is a "freemium" game, meaning there is no cost to play but players have the option of purchasing premium content in the game.

During 2012 we had successfully signed up content provider agreements for the provision of IPTV games to China Telecom operating companies at Shanghai, Jiangsu and Guangdong. They have combined over 8 million subscribers.

Outlook

China has become the world's largest Internet and mobile market, overtaking the USA in terms of broadband and mobile Internet installations. We anticipate slower growth rate of broadband while mobile Internet will continue to experience strong growth.

We have observed that PC client MMORPG market has less new players. Web game (Browser based Game) has becoming more and more popular among online game players whose lifestyle has changed to have less time to play online games. We will look into the feasibility of developing web game to satisfy the market needs.

The strongest growth area is undoubtedly mobile games. Smartphone users have increased to 380 million. Over 68% of smartphones sold in China were Android based, and most of them are locally made and affordable to the younger generation, our target game player market.

Smartphones selling between RMB1,000-RMB2,000 had 42.2% market share, and price under RMB1,000 has 34.9% market share of all new phones sold in China. We will focus on developing and publishing Android version game titles.

While Chinese population spent more money on online games than movies, mobile game players do not have the same spending habit. Those who are willing to pay for in-game items are people who do not have access to PC. Game design must cater for both offline and online mode. Some mobile gamers totally rely on mobile data network for internet connection. The data size of each game must not be too big otherwise gamers would hesitate to download it. Similar to PC online game, role-play game is more popular than other game genre in terms of in-game purchase. We have not seen too many role-play games debuted in 2012, we believe there is great potential in this market segment. We will spend more R&D effort on role-play games. Chinese mobile gamers will gradually follow spending pattern in other countries.

Publishing mobile games in China can be simple if it is Apple iOS version. When it comes to Android based games we will have to distribute through third party platforms because the market is fragmented. We have already established the network for our new products to be launched in 2013.

EMPLOYEE INFORMATION

At 31 December 2012, the Group had 1,373 employees, of which 1,184 were at the CFSG Group. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$311.7 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", including the revised code provisions which became effective from 1 April 2012) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2012, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations with explanation described below:

i. The roles of Chairman and chief executive officer ("CEO") did not separate and were performed by the same individual, Mr Kwan Pak Hoo Bankee, as provided for in code provision A.2.1. 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. Moreover, Dr Chan Yau Ching Bob has been appointed as deputy CEO of the Company on 3 October 2012 to assist Mr Kwan for corporate affairs. 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.

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

iii. The Chairman of the Board, Mr Kwan Pak Hoo Bankee, was unable to attend the annual general meeting of the Company held on 21 May 2012 as provided for in code provision E.1.2 as he was on an overseas engagement.

iv. The independent non-executive directors of the Company, Mr Wong Chuk Yan and Dr Chan Hak Sin, were unable to attend the annual general meeting of the Company held on 21 May 2012 as provided for in code provision A.6.7 as they were on overseas engagement and other business engagement respectively.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2012 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 2012, CFSG (a subsidiary of the Company) repurchased a total of 41,202,000 shares of HK$0.02 par value each in its own issued share capital on the Stock Exchange and such shares were then subsequently cancelled. The Board believes that such repurchases would help enhancing the assets per share of CFSG and would benefit the Company and the shareholders of the Company 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$*	*HK$*
August 2012	24,492,000	0.062	0.059	1,470,000
September 2012	16,710,000	0.069	0.059	1,036,000
Total	41,202,000			2,506,000

Save as aforesaid, 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, 25 March 2013

As at the date hereof, the Board comprises:-

Executive Directors:

Mr Kwan Pak Hoo Bankee
Dr Chan Yau Ching Bob
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