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**CELESTIAL ASIA SECURITIES HOLDINGS LIMITED**

時富投資集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

**ANNOUNCEMENT**

**OF**

**FINAL RESULTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

The audited consolidated results of Celestial Asia Securities Holdings Limited (“Company” or “CASH”) and its subsidiaries (“Group”) for the year ended 31 December 2015 together with the comparative figures for the last corresponding year are as follows:

|  | Notes | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--|-------|------------------|------------------|
| Revenue  | (3)   | 1,634,613        | 1,371,608        |
| Cost of inventories and services                     |       | (791,344)        | (671,176)        |
| Other income   |       | 9,867            | 13,200           |
| Other gains and losses                               |       | 177,248          | 84,121           |
| Salaries, allowances and commission                  |       | (419,553)        | (328,699)        |
| Other operating, administrative and selling expenses |       | (527,752)        | (449,711)        |
| Depreciation of property and equipment               |       | (39,616)         | (31,682)         |
| Finance costs  |       | (15,775)         | (17,647)         |
| Fair value change on investment properties           |       | (1,726)          | 37,088           |
| Share of results of an associate                     |       | 95               | 60,463           |
| Impairment loss recognised in respect of goodwill    |       | -                | (2,661)          |
| <b>Profit before taxation</b>                        |       | <b>26,057</b>    | 64,904           |
| Income tax expense                                   | (5)   | (7,852)          | (21,302)         |
| <b>Profit for the year</b>                           |       | <b>18,205</b>    | 43,602           |

|  | Note | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>Other comprehensive expense for the year, net of income tax</b> |      |                  |                  |
| Items that may be reclassified subsequently to profit or loss:     |      |                  |                  |
| Exchange difference on translation of foreign operations           |      | (5,179)          | (3,044)          |
| <b>Total comprehensive income for the year</b>                     |      | <b>13,026</b>    | <b>40,558</b>    |
| <b>Profit for the year attributable to:</b>                        |      |                  |                  |
| Owners of the Company  |      | 15,229           | 2,422            |
| Non-controlling interests  |      | 2,976            | 41,180           |
|  |      | <b>18,205</b>    | <b>43,602</b>    |
| <b>Total comprehensive income for the year attributable to:</b>    |      |                  |                  |
| Owners of the Company  |      | 12,245           | 1,375            |
| Non-controlling interests  |      | 781              | 39,183           |
|  |      | <b>13,026</b>    | <b>40,558</b>    |
| (restated)   |      |                  |                  |
| <b>Earnings per share</b>  | (6)  |                  |                  |
| Basic (HK cents)   |      | <b>2.03</b>      | 0.34             |
| Diluted (HK cents)   |      | <b>2.00</b>      | 0.27             |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   |       | As at 31 December |                  |
|---|-------|-------------------|------------------|
|   | Notes | 2015<br>HK\$'000  | 2014<br>HK\$'000 |
| <b>Non-current assets</b>   |       |                   |                  |
| Property and equipment  |       | 83,751            | 74,486           |
| Investment properties   |       | 188,583           | 213,666          |
| Goodwill  |       | 60,049            | 60,049           |
| Intangible assets   |       | 53,212            | 53,212           |
| Interest in an associate  |       | -                 | 1,434            |
| Available-for-sale financial assets                                   |       | 8,415             | 21,031           |
| Rental and utilities deposits   |       | 32,963            | 44,160           |
| Other assets  |       | 5,039             | 4,792            |
| Deferred tax assets   |       | 6,200             | 6,200            |
|   |       | <b>438,212</b>    | <b>479,030</b>   |
| <b>Current assets</b>   |       |                   |                  |
| Inventories – finished goods held for sale                            |       | 63,382            | 56,396           |
| Accounts receivable   | (7)   | 774,449           | 707,859          |
| Loans receivable  |       | 4,509             | 44,442           |
| Other assets  |       | 5,240             | 7,317            |
| Prepayments, deposits and other receivables                           |       | 57,130            | 40,662           |
| Tax recoverable   |       | 29                | 1,111            |
| Investments held for trading  |       | 68,871            | 44,545           |
| Financial asset designated at fair value through profit or loss       |       | 13,161            | -                |
| Bank deposits subject to conditions                                   |       | 44,000            | 64,155           |
| Bank balances – trust and segregated accounts                         |       | 946,810           | 792,117          |
| Bank balances (general accounts) and cash                             |       | 636,632           | 300,299          |
|   |       | <b>2,614,213</b>  | <b>2,058,903</b> |
| <b>Current liabilities</b>  |       |                   |                  |
| Accounts payable  | (8)   | 1,638,408         | 1,287,188        |
| Accrued liabilities and other payables                                |       | 156,975           | 100,752          |
| Taxation payable  |       | 21,513            | 16,493           |
| Obligations under finance leases – amount due within one year         |       | 396               | -                |
| Financial liabilities held for trading                                |       | -                 | 1,055            |
| Financial liabilities designated at fair value through profit or loss |       | 13,161            | -                |
| Borrowings - amount due within one year                               |       | 318,571           | 334,868          |
|   |       | <b>2,149,024</b>  | <b>1,740,356</b> |
| <b>Net current assets</b>   |       | <b>465,189</b>    | <b>318,547</b>   |
| <b>Total assets less current liabilities</b>                          |       | <b>903,401</b>    | <b>797,577</b>   |

|  | <b>As at 31 December</b> |                |
|--|--------------------------|----------------|
|  | <b>2015</b>              | 2014           |
|  | <b>HK\$'000</b>          | HK\$'000       |
| <b>Capital and reserves</b>                                  |                          |                |
| Share capital  | 83,122                   | 55,415         |
| Reserves   | <u>406,777</u>           | <u>311,211</u> |
| Equity attributable to owners of the Company                 | <b>489,899</b>           | 366,626        |
| Non-controlling interests                                    | <u>322,013</u>           | <u>324,926</u> |
| <b>Total equity</b>  | <u><b>811,912</b></u>    | <u>691,552</u> |
| <b>Non-current liabilities</b>                               |                          |                |
| Deferred tax liabilities                                     | 12,435                   | 14,509         |
| Obligations under finance leases – amount due after one year | 642                      | -              |
| Borrowings - amount due after one year                       | <u>78,412</u>            | <u>91,516</u>  |
|  | <u>91,489</u>            | <u>106,025</u> |
|  | <u><b>903,401</b></u>    | <u>797,577</u> |

Notes:

**(1) Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”). The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provision of the new CO (Cap 622) regarding preparation of accounts and directors' reports and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

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

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year.

|                       |   |
|-----------------------|---|
| Amendments to HKAS 19 | Defined benefit plans: Employee contributions |
| Amendments to HKFRSs  | Annual improvements to HKFRSs 2010-2012 cycle |
| Amendments to HKFRSs  | Annual improvements to HKFRSs 2011-2013 cycle |

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

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

|  |  |
|--|--|
| HKFRS 9                                      | Financial instruments <sup>1</sup>   |
| HKFRS 15                                     | Revenue from contracts with customers <sup>1</sup>   |
| Amendments to HKFRS 10 and HKAS 28           | Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception <sup>2</sup>                             |
| Amendments to HKFRS 11                       | Accounting for acquisitions of interests in joint operations <sup>2</sup>                          |
| Amendments to HKAS 1                         | Disclosure initiative <sup>2</sup>   |
| Amendments to HKAS 16 and HKAS 38            | Clarification of acceptable methods of depreciation and amortisation <sup>2</sup>                  |
| Amendments to HKAS 16 and HKAS 41            | Agriculture: Bearer plants <sup>2</sup>  |
| Amendments to HKAS 27                        | Equity method in separate financial statements <sup>2</sup>  |
| Amendments to HKFRSs                         | Annual improvements to HKFRSs 2012 - 2014 cycle <sup>2</sup>                                       |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

## HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2012 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets; b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” measurement category for certain simple debt instruments.

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

With regard to the measurement of financial liabilities designated as fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

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

## HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

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

### (3) Revenue

|   | <b>2015</b>      | 2014      |
|---|------------------|-----------|
|   | <b>HK\$'000</b>  | HK\$'000  |
| An analysis of the Group's revenue for the year is as follows:                                    |                  |           |
| Fee and commission income   | <b>217,258</b>   | 169,891   |
| Interest income – financial services  | <b>26,639</b>    | 28,172    |
| Sales of furniture and household goods and electrical appliances,<br>net of discounts and returns | <b>1,390,312</b> | 1,172,040 |
| Online game subscription income and licensing income  | <b>404</b>       | 1,505     |
|   | <b>1,634,613</b> | 1,371,608 |

### (4) Segment information

#### Segment information

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

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

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

## Segment revenue and results

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

### **For the year ended 31 December 2015**

|  | <b>Financial<br/>services<br/>HK\$'000</b> | <b>Retailing<br/>HK\$'000</b> | <b>Online game<br/>services<br/>HK\$'000</b> | <b>Consolidated<br/>HK\$'000</b> |
|--|--|-------------------------------|--|----------------------------------|
| Revenue  | <b>243,897</b>                             | <b>1,390,312</b>              | <b>404</b>                                   | <b>1,634,613</b>                 |
| Segment profit (loss)                                      | <b>18,368</b>                              | <b>32,743</b>                 | <b>(2,269)</b>                               | <b>48,842</b>                    |
| Unallocated other income                                   |  |                               |  | <b>605</b>                       |
| Corporate expenses   |  |                               |  | <b>(46,813)</b>                  |
| Gain on disposal of an investment property                 |  |                               |  | <b>1,881</b>                     |
| Gain on disposal of available-for-sale<br>financial assets |  |                               |  | <b>14,381</b>                    |
| Gain on disposal of an intangible asset                    |  |                               |  | <b>12,094</b>                    |
| Fair value change on investment properties                 |  |                               |  | <b>(1,726)</b>                   |
| Share of results of an associate                           |  |                               |  | <b>95</b>                        |
| Unallocated finance costs                                  |  |                               |  | <b>(3,302)</b>                   |
| Profit before taxation                                     |  |                               |  | <b>26,057</b>                    |

### **For the year ended 31 December 2014**

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

All the segment revenue is derived from external customers.

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

## Segment assets and liabilities

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

**As at 31 December 2015**

|  | <b>Financial<br/>services<br/>HK\$'000</b> | <b>Retailing<br/>HK\$'000</b> | <b>Online game<br/>services<br/>HK\$'000</b> | <b>Consolidated<br/>HK\$'000</b> |
|--|--|-------------------------------|--|----------------------------------|
| <b>ASSETS</b>  |  |                               |  |                                  |
| Segment assets   | <b>2,350,984</b>                           | <b>475,823</b>                | <b>2,527</b>                                 | <b>2,829,334</b>                 |
| Investment properties                                      |  |                               |  | <b>188,583</b>                   |
| Unallocated property and equipment                         |  |                               |  | <b>397</b>                       |
| Available-for-sale financial assets                        |  |                               |  | <b>8,415</b>                     |
| Deferred tax assets  |  |                               |  | <b>6,200</b>                     |
| Unallocated prepayments, deposits and other<br>receivables |  |                               |  | <b>5,673</b>                     |
| Unallocated bank balances and cash                         |  |                               |  | <b>13,823</b>                    |
| Total assets   |  |                               |  | <b>3,052,425</b>                 |
| <b>LIABILITIES</b>   |  |                               |  |                                  |
| Segment liabilities  | <b>1,728,899</b>                           | <b>462,106</b>                | <b>4,021</b>                                 | <b>2,195,026</b>                 |
| Unallocated accrued liabilities and other<br>payables      |  |                               |  | <b>10,501</b>                    |
| Taxation payable   |  |                               |  | <b>21,513</b>                    |
| Deferred tax liabilities                                   |  |                               |  | <b>12,435</b>                    |
| Obligations under finance leases                           |  |                               |  | <b>1,038</b>                     |
| Total liabilities  |  |                               |  | <b>2,240,513</b>                 |

**As at 31 December 2014**

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

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

- all assets are allocated to the reportable and operating segment other than investment properties, certain property and equipment, interest in an associate, deferred tax assets, certain prepayments, deposits and other receivables, available-for-sale financial assets and certain bank balances and cash; and
- all liabilities are allocated to the reportable and operating segment other than certain accrued liabilities and other payables, taxation payable, certain borrowings, obligations under finance leases and deferred tax liabilities.

Other segment information

For the year ended 31 December 2015

|  | Financial<br>services<br>HK\$'000 | Retailing<br>HK\$'000 | Online<br>game<br>services<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|-----------------------------------|-----------------------|--|-------------------------|--------------------------|
| Amounts included in the measure of<br>segment profit or loss or segment<br>assets: |                                   |                       |  |                         |                          |
| Additions of property and equipment  | 6,543                             | 42,297                | 18                                     | 172                     | 49,030                   |
| Interest income  | 26,652                            | 270                   | 6                                      | 68                      | 26,996                   |
| Depreciation of property and equipment   | 13,457                            | 25,413                | 69                                     | 677                     | 39,616                   |
| Finance costs  | 6,765                             | 5,708                 | -                                      | 3,302                   | 15,775                   |
| Net gain on investments held for trading   | 158,926                           | -                     | -                                      | -                       | 158,926                  |
| Write-down on inventories  | -                                 | 6,500                 | -                                      | -                       | 6,500                    |
| Loss on disposal/written-off of property<br>and equipment                          | -                                 | 97                    | -                                      | -                       | 97                       |
| Allowance of bad and doubtful accounts<br>receivable, net                          | 1,432                             | -                     | -                                      | -                       | 1,432                    |
| Write back of bad and doubtful loans<br>receivable, net                            | 4,519                             | -                     | -                                      | -                       | 4,519                    |

For the year ended 31 December 2014

|  | Financial<br>services<br>HK\$'000 | Retailing<br>HK\$'000 | Online<br>game<br>services<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|-----------------------------------|-----------------------|--|-------------------------|--------------------------|
| Amounts included in the measure of<br>segment profit or loss or segment<br>assets: |                                   |                       |  |                         |                          |
| Additions of property and equipment  | 16,547                            | 29,605                | -                                      | 14                      | 46,166                   |
| Interest income  | 28,172                            | 317                   | -                                      | 32                      | 28,521                   |
| Depreciation of property and equipment   | 11,702                            | 18,370                | 240                                    | 1,370                   | 31,682                   |
| Finance costs  | 9,485                             | 5,412                 | -                                      | 2,750                   | 17,647                   |
| Net gain on investments held for trading   | 66,473                            | -                     | -                                      | -                       | 66,473                   |
| Write-down on inventories  | -                                 | 4,518                 | -                                      | -                       | 4,518                    |
| Loss on disposal/written-off of property<br>and equipment                          | -                                 | 5                     | 8                                      | 467                     | 480                      |
| Write back of bad and doubtful accounts<br>receivable, net                         | 2,631                             | -                     | -                                      | -                       | 2,631                    |
| Write back of bad and doubtful loans<br>receivable, net                            | 2,700                             | -                     | -                                      | -                       | 2,700                    |
| Impairment loss recognised in respect of<br>goodwill                               | 2,661                             | -                     | -                                      | -                       | 2,661                    |

## Revenue from major products and services

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

|  | <b>2015</b>      | 2014      |
|--|------------------|-----------|
|  | <b>HK\$'000</b>  | HK\$'000  |
| Income from financial services         | <b>243,897</b>   | 198,063   |
| Sales of furniture and household goods | <b>1,209,698</b> | 1,011,106 |
| Sales of electrical appliances         | <b>180,614</b>   | 160,934   |
| Income from online game services       | <b>404</b>       | 1,505     |
|  | <b>1,634,613</b> | 1,371,608 |

## Geographical information

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

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

|           | <b>Revenue</b>   |           | <b>Non-current assets</b> |          |
|-----------|------------------|-----------|---------------------------|----------|
|           | <b>2015</b>      | 2014      | <b>2015</b>               | 2014     |
|           | <b>HK\$'000</b>  | HK\$'000  | <b>HK\$'000</b>           | HK\$'000 |
| Hong Kong | <b>1,634,131</b> | 1,366,572 | <b>389,558</b>            | 390,757  |
| PRC       | <b>482</b>       | 5,036     | <b>34,039</b>             | 61,042   |
|           | <b>1,634,613</b> | 1,371,608 | <b>423,597</b>            | 451,799  |

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

(5) **Income tax expense**

|                                     | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|-------------------------------------|------------------|------------------|
| Current tax:                        |                  |                  |
| - Hong Kong Profits Tax             | 10,020           | 12,165           |
| (Over)underprovision in prior years | (94)             | 1,846            |
| Deferred tax (credit) charge        | (2,074)          | 7,291            |
|                                     | <b>7,852</b>     | <b>21,302</b>    |

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.

(6) **Earnings per share**

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

|  | 2015<br>HK\$'000     | 2014<br>HK\$'000                    |
|--|----------------------|-------------------------------------|
| Profit for the purposes of basic earnings per share  | 15,229               | 2,422                               |
| Effect of dilutive potential ordinary shares:  |                      |                                     |
| Decrease in share of profits in CASH Financial Services Group Limited ("CFSG"), a non-wholly owned subsidiary of the Company | (2)                  | (497)                               |
| Profit for the purpose of diluted earnings per share   | <b>15,227</b>        | <b>1,925</b>                        |
|  | <b>2015<br/>'000</b> | <b>2014<br/>'000<br/>(restated)</b> |

Number of shares

|  |                |                |
|--|----------------|----------------|
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | 751,090        | 718,730        |
| Effect of dilutive potential ordinary shares:  |                |                |
| Share options  | 11,542         | -              |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <b>762,632</b> | <b>718,730</b> |

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share for the years ended 31 December 2015 and 2014 has been adjusted to reflect the impact of the bonus element of rights issue on 17 September 2015.

The incremental shares from assumed exercise of share options granted by the Company are excluded in calculating the diluted earnings per share during the year ended 31 December 2014 because the exercise price is higher than the average market price of shares of the Company in 2014.

(7) **Accounts receivable**

|   | <b>2015</b>     | 2014     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Accounts receivable arising from the business of dealing in securities:                       |                 |          |
| Clearing houses, brokers and dealers  | <b>275,930</b>  | 84,844   |
| Cash clients  | <b>55,373</b>   | 57,949   |
| Margin clients  | <b>170,624</b>  | 283,423  |
| Accounts receivable arising from the business of dealing in futures and options:              |                 |          |
| Clients   | <b>159</b>      | 139      |
| Clearing houses, brokers and dealers  | <b>266,452</b>  | 274,998  |
| Commission receivable from brokerage of mutual funds and insurance-linked investment products | <b>2,247</b>    | 4,697    |
| Accounts receivable arising from the business of provision of corporate finance services      | <b>1,046</b>    | 390      |
| Accounts receivable arising from the business of provision of online game services            | <b>50</b>       | 205      |
| Accounts receivable arising from the business of retailing                                    | <b>2,568</b>    | 1,214    |
|   | <b>774,449</b>  | 707,859  |

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

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

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

As at 31 December 2015, in connection with the business of dealing in futures and options account, an amount of HK\$6,147,000 (2014: HK\$6,147,000) is held with MF Global Hong Kong Limited (“MFG HK”) on behalf of a client. The directors of the Company have been in contact with the liquidators of MFG HK, being appointed since 2 November 2011 following the filing for bankruptcy protection by MF Global UK Limited (its ultimate parent company) in the United States of America on 31 October 2011, for the return of the account balance to the Group with no subsequent partial settlement (2014: HK\$9,221,000) for the year ended 31 December 2015. The Group expected to recover the remaining amount within the next 12 months from the end of the reporting period. Therefore, the directors of the Company believe no allowance for bad and doubtful debts is necessary.

(8) Accounts payable

|   | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---|------------------|------------------|
| Accounts payable arising from the business of dealing in securities:                    |                  |                  |
| Clearing houses   | 9,432            | 34,418           |
| Cash clients  | 947,082          | 640,349          |
| Margin clients  | 160,949          | 140,309          |
| Accounts payable to clients arising from the business of dealing in futures and options | 312,364          | 293,230          |
| Trade creditors arising from retailing business   | 208,190          | 178,463          |
| Accounts payable arising from online game services                                      | 391              | 419              |
|   | <b>1,638,408</b> | <b>1,287,188</b> |

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 aging analysis is disclosed as in the opinion of directors of the Company, the aging 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 2015, an account payable to a client of HK\$38,578,000 (2014: HK\$63,532,000) includes an amount of HK\$6,147,000 (2014: HK\$6,147,000) maintained with MFG HK as disclosed in note (7). The required margin deposits are repayable upon the closure of the corresponding futures and options and leveraged foreign contracts position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aging analysis is disclosed as in the opinion of directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

Accounts payable amounting to HK\$946,810,000 (2014: HK\$792,117,000) 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 aging analysis (from trade date) of trade creditors arising from retailing business at reporting date:

|              | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|--------------|------------------|------------------|
| 0 – 30 days  | 137,193          | 68,983           |
| 31 – 60 days | 17,531           | 45,529           |
| 61 – 90 days | 18,015           | 38,604           |
| Over 90 days | 35,451           | 25,347           |
|              | <b>208,190</b>   | <b>178,463</b>   |

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

**(9) Dividends**

No dividend was paid or proposed during 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

**(10) Capital risk management**

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

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

## **DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: Nil).

## **REVIEW AND OUTLOOK**

### **Financial Review**

#### **FINANCIAL PERFORMANCE**

Facing weakening local and global economic conditions, tremendous uncertainties and turbulence in the markets throughout the year under review, the Group's Financial Service Business and Retail Management Business managed to weather through the difficulties in 2015 and recorded revenue of HK\$1,634.6 million for the year ended 31 December 2015 as compared to HK\$1,371.6 million the previous year. For the year ended 31 December 2015, the Group reported a net profit of HK\$18.2 million (after taking into account (1) a gain on disposal of an intangible asset of approximately HK\$12.1 million; and (2) a gain on disposal of available-for-sale financial assets of approximately HK\$14.4 million) during the year as compared to a net profit of HK\$43.6 million in 2014 (which had already included (1) a gain on disposal of a commercial property in Hong Kong of approximately HK\$18.0 million; (2) an increase in fair value on its investment properties amounting to HK\$37.1 million; and (3) a share of profit of an associate of HK\$60.5 million on the disposal of its entire registered shares of its subsidiary which owned and managed an investment property in the PRC).

#### **FINANCIAL SERVICES BUSINESS - FSG**

For the year ended 31 December 2015, the Group's Financial Services Business (FSG) recorded revenue of HK\$243.9 million, an increase of 23.1% as compared with HK\$198.1 million in 2014.

The local security market of 2015 was pretty much like riding on a roller-coaster. During the first half of the year, Hang Seng Index kept going upwards as the southbound flow of money from the mainland investors was put into Hong Kong stocks, putting up trading turnover to recent highs. Investors were optimistic with the market and expected the trend could maintain throughout the year. The local stock market saw a twofold increase in turnover for the first six months of 2015 to HK\$15,166.1 million from HK\$7,614.8 million during the same period in 2014.

However, China's economy seemed losing its momentum soon after the mainland stock market rose to its peak in mid-June as negative news and disappointing economic indicators then prevailing on the mainland triggered investors' concerns that recession of China economy had started off. One of the most prominent indicators showing the tough economic environments was the 6.9% GDP growth rate which had for the first time dropped below 7% since 1990. In addition, the collapse of China's security markets since June as well as the decision of the People's Bank of China to devalue RMB by 4.4% in August further weakened the confidence of investors in China's economy. The FSG's brokerage business was inevitably affected by this global market rout and posted less desirable results with revenue dropped by 29.7% in the second half of 2015 when compared to the performance in the first half of the same year.

Overall, due to the sharp increase in trading turnovers in both local and global markets over this extremely turbulent year under review, FSG's brokerage business recorded a yearly growth of 32.8%. This aligned with the local market turnover increment trend.

In order to lessen investors' liquidity concerns and to stabilise the existing tumbling equity market, the PRC Government temporarily suspended the listing of IPOs in China since July 2015. The measure drove a portion of the mainland enterprises to Hong Kong for their equity fund-raising activities. FSG was able to chase the opportunities under this circumstance to further grow its IPO sponsoring business and therefore obtained an adorable income growth for more than 1.5 times.

As a result of the above, FSG recorded a net segment profit of HK\$18.4 million for 2015 as compared to a net segment loss of HK\$14.7 million in 2014.

## **RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP**

During the year under review, Hong Kong had experienced a deteriorating economy, highlighting the weak consumer sentiment and putting pressure on the local retailing business especially in the last quarter. Statistical figures revealed that Hong Kong's overall retail sales last year dropped 3.7% year-on-year at a time when Hong Kong's consumer spending was dampened by its strong local currency against major currencies including Japanese Yen and Euro dollar and by China's economic growth at the slowest pace in a quarter of a century in the same year. Meanwhile, our Retailing Management Business was still facing high inflationary pressure as the Statutory Minimum Wage (SMW) had been raised from HK\$30 to HK\$32.5 during the first half of the year. The rise in SMW had taken a heavy toll on our staff costs. As most of our shops are located in the second-tier shopping districts, the full-year downward rent adjustments of the retail outlets in the prime shopping districts for 2015 could not bring our rental costs down very much. Rental costs under the terms of the lease agreements contracted in earlier years which were still in force during the current year continued to remain at relatively high levels in 2015. To tackle the above challenges, we had continued to intensify our cost rationalisation measures and to improve our operational efficiency. In the meantime, we had reformulated our sales mix strategy in response to the fast growing demand for small and medium sized apartments by the young home-seekers. Our furniture design team had developed a series of new space-saving solutions and products that are more easily fitted into the small sizes of these starter homes. At the same time, we had introduced more high quality and trendy Japanese and Korean household products which further reinforce our space-saving philosophy. To gain greater market recognition, we had been implementing comprehensive marketing plans to strengthen our branding to reflect our leading position in the market and our commitment to providing smart and lively home solutions tailored for young families living in small and medium sized apartments.

As a result of the above, the Group's Retailing Management Business reported revenue of HK\$1,390.3 million, representing an increase of 18.6% as compared with HK\$1,172.0 million in 2014. Overall, our Retailing Management Business recorded a net profit before taxation of HK\$32.7 million for 2015 as compared to net profit before taxation of HK\$19.2 million the previous year. Despite the encouraging results in 2015, we remain very cost-cautious about the operations against the backdrop of a deteriorating business environment.

## **MOBILE INTERNET SERVICES BUSINESS – NET2GATHER**

During the year under review, the Group had implemented new mobile gaming business strategy to explore the development of overseas game licensing business. The commercial operation of "EDEN Online" was scheduled in Q4 2015, so that it was expected the revenue would be recognized in later months after settlement with app stores and publishers. Overall, for the year ended 31 December 2015, the Group's Mobile Internet Services Business recorded revenue of HK\$0.4 million and a net segment loss of HK\$2.3 million as compared to the revenue of HK\$1.5 million and a net segment loss of HK\$0.4 million the previous year.

### ***Liquidity and Financial Resources***

The Group's total equity amounted to HK\$811.9 million as at 31 December 2015 as compared to HK\$691.6 million at the end of the previous year. This increase in the equity was mainly due to (1) the reported result for the year; and (2) the issue of 277 million new shares by way of rights issue at a subscription price of HK\$0.40 per share in September 2015.

As at 31 December 2015, the Group had total outstanding borrowings of approximately HK\$397.0 million compared to HK\$426.4 million as at 31 December 2014. The decrease in bank borrowings was mainly due to the decrease in margin loans granted to our margin clients as at 31 December 2015. The bank borrowings of approximately HK\$373.9 million and HK\$23.1 million were denominated in Hong Kong dollars and US dollars respectively. The above bank loans of approximately HK\$397.0 million were secured by the Group's investment properties with carrying amounts of approximately HK\$188.6 million, pledged deposits of HK\$44.0 million, corporate guarantees and its margin clients' securities pledged to it.

As at 31 December 2015, our cash and bank balances totalled HK\$1,627.4 million as compared to HK\$1,156.6 million at the end of the previous year. The increase in cash and bank balances was mainly due to (1) the gross proceeds of approximately HK\$110.8 million raised from the issue of 277 million new shares by way of rights issue at a subscription price of HK\$0.40 per share in September 2015; and (2) the decrease in margin loans granted to our clients for their investment needs amid the weak investor sentiment at the year-end date. For the same reason, the balances of our clients' money which were kept in the trust and segregated accounts had also increased on the same date. As at 31 December 2015, bank balances in our house accounts amounting to HK\$570.9 million and HK\$109.7 million were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances of approximately HK\$946.8 million in the trust and segregated accounts are denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable to the clients from the business of dealing in securities.

The liquidity ratio as at 31 December 2015 remained healthy at 1.22 times, signifying a mild improvement as compared with 1.18 times as at 31 December 2014.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 49.0% as at 31 December 2015 as compared to 61.7% as at 31 December 2014. The drop in gearing ratio was mainly due to (1) the decrease in the borrowings; and (2) the increase in the share capital as mentioned above. On the other hand, we have no material contingent liabilities at the end of the year.

The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been duly complied.

### ***Foreign Exchange Risks***

A foreign currency financial asset designated at fair value through profit or loss of approximately CNY11.2 million (equivalent to approximately HK\$13.2 million) was held as at 31 December 2015 which had been hedged by a return swap contract of the same amount issued by the Group to an independent third party during the year.

Save as aforesaid, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of the year.

### ***Material Acquisitions and Disposals***

In March 2015, the Company signed a sale and purchase agreement with an independent third party relating to the proposed disposal of around 40% shareholding interest in CFSG (a non-wholly-owned subsidiary of the Company) at a purchase price of HK\$0.37 per share, which triggered a possible mandatory conditional cash offers for shares in CFSG. The resolution for approving the agreement was not passed at the special general meeting of the Company held in May 2015, and the transaction was terminated on 15 May 2015.

In May 2015, the Group disposed of the licence of The Chinese Gold & Silver Exchange Society to an independent third party at a consideration of HK\$13 million.

In June 2015, the Company acquired algorithmic trading and alternative trading business from CFSG at a consideration of HK\$1.55 million as determined based on the unaudited net asset value of the business unit as at 30 April 2015.

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

There is no important event affecting the Group which has occurred since the end of the financial year.

### ***Capital Commitment***

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

### ***Material Investments***

As at 31 December 2015, the market value of a portfolio of investments held for trading amounted to approximately HK\$68.9 million. The net gain derived from investments held for trading of HK\$158.9 million was recorded for the year. In addition, a gain on disposal of an available-for-sale financial assets amounted to approximately HK\$14.4 million during the year.

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

## **Business Review and Outlook**

### **FINANCIAL SERVICES BUSINESS – FSG**

#### **Industry Review**

World economy continued to slow from 2.6% in 2014 to 2.4% in 2015. Chronic deflation, financial markets catching in a tail-spin, together with Mainland China's record cooling economy have all been worrying investors. Locally, Hong Kong's economy remained resilient at 2.4%, but downward pressure was intensifying as the investment atmosphere became warier, and inbound tourism and retail sales slackened.

The Hong Kong stock market experienced a remarkable increase in trading volume in the second quarter of 2015, followed by a plummet in the second half of the year as concerns over global and Mainland China's economic prospects were mounting. Market capitalisation was HK\$24.7 trillion at the end of 2015, a 2% decrease over the same period last year, with Hang Seng Index (HSI) closing 7% lower than the previous year. The robust market movement in the first half of the year resulted in an upsurge in average market daily turnover by 52%.

#### **Business Review**

With RMB's inclusion in IMF's Special Drawing Rights basket, the "One Belt One Road" initiative and the imminent QDII2 scheme launch, the China and world markets integration will further gather momentum, accelerating two-way capital flows and the RMB internationalization plan. CFSG, as a financial technology (FinTech) pioneer in Hong Kong, is building on the strong foundations in our trading platforms and capabilities to reap the opportunities ahead. 2015 has been a year when we gained further strength in pursuing our well-defined strategy in the technology-driven financial services market.

#### *Broking*

Thanks to the strong market turnover in the first half of 2015, our broking income increased by 27% to HK\$215.8 million as compared to the same period last year, while interest income from margin financing remained resilient.

As the financial market remains challenging, CFSG will continue to lead the technology-based innovations to bring new products and services to institutional, corporate and individual clients via our direct market access (DMA) and mobile trading platforms.

#### *Investment Banking*

Our Investment Banking Group offers premier corporate finance and capital markets services, and is dedicated to providing innovative and customised financial solutions to our clients. During the year, we continued our strategy to maintain a balanced focus on IPOs and corporate transactions.

In IPO markets, we have positioned ourselves as a specialist of small-to-medium sized offerings of growth companies with unique market positioning. Our clients mainly comprise Hong Kong, Mainland China and Asian enterprises across different industries. In particular, we acted as the Sole Sponsor, Sole Bookrunner and Sole Lead Manager of the new listings of Top Dynamic International Holdings Limited, a discrete semiconductor manufacturer focusing on smart products applications, and Feishang Non-metal Materials Technology Limited, a bentonite mining company in the PRC. We also acted as the Sole Bookrunner and Sole Lead Manager of the new listing of Guru Online (Holdings) Limited, an integrated digital marketing service provider. All these new listings on the Hong Kong Stock Exchange (HKEX) received favourable market responses and were successfully completed during the year. In addition, we participated in several capital raising transactions, including IPO syndication, follow-on placement and underwriting, rights issue.

For corporate advisory services, we are a transaction expert possessing profound knowledge and experience in handling a wide variety of corporate deals. During the year, we advised a number of sizeable listed companies on various corporate finance transactions, including issue of securities, whitewash applications and proposed connected transactions. We have also been acting as a long-term financial adviser or compliance adviser to several Hong Kong listed companies.

Leveraging on our fund raising capability as well as financial advisory expertise, we will continue to provide full-fledged investment banking services to assist our clients to capture different capital markets and corporate finance opportunities.

### *Asset Management*

Despite market setbacks, the amount of Asset Under Management (AUM) remained fairly unabated and our performance outran the HSI and the H-share index. Looking forward, Mainland China is gradually transforming from an export-led economy to a more self-sustaining growth driven by domestic consumption, with 2016 GDP to be around 6.5% growth. The continuous downward trend of RMB will make investors avoid investing in China's stocks. The Hong Kong stock market may have a chance to test a lower supporting level in the first half of 2016. However, the current valuation is undemanding for long-term investors. Shenzhen-Hong Kong Stock Connect is expected to commence in the second half of 2016 and the potential inclusion of A-share in MSCI index may improve market sentiment in the second half of the year. We anticipate a tough year ahead amidst such a challenging environment, but we are confident in our performance benchmarked against the general market especially when the stock market sentiment improves.

### *Wealth Management*

The traditional independent financial advisory market has been facing tough challenges in 2015. The Investment Linked Assurance Scheme (ILAS) market has seen drastic changes in its fundamental business model against the backdrop of the more stringent disclosure requirements. As such, suppliers delayed launching new products while frontline staff opted for working with insurance companies. In light of the changes, we had proactively taken business diversification strategies and to further expand our business exposure. We strengthened the co-operation with our business partners in Mainland China and Asia Pacific. All these have been driving our growth momentum.

In Mainland China, due to the increase in personal wealth and improvement in living quality, the consumer behaviour of high-net-worth individuals has been changing, which was best manifested in making investment decisions. Given the restricted range of traditional wealth management products, investors have limited means to compare and invest in different investment markets and diversify their asset classes. Professional financial advisory institutions which can provide customised services and products are strongly sought after. CFSG, taking advantage of our competitive edges in DMA and algo trading, will further enhance our wealth management business by developing a technology-based financial services platform to develop fund products that address the mounting wealth management needs for genuine products offering stable risk-adjusted returns, and achieving investors' goal of preserving capital with growth.

### *Direct Market Access (DMA)*

Leveraging on the Group's unmatched information and communications technology (ICT) capabilities and backed by a team of world-class professionals, CFSG brings extra values to professional traders, proprietary firms and hedge funds with customised DMA services and tailored solutions. With the real-time market and portfolio information, clients can monitor execution quality and improve trading decisions and performance from pre-trade through post-trade. To date, CFSG is the first and only Hong Kong FinTech house that offers direct connectivity to CME, Börse Frankfurt, SGX and HKEX. We aim to aggressively capture the business opportunities in this aspect. The opening of the new branch office in Seoul in the first quarter of 2016 with an experienced DMA team will further strengthen our development of DMA services.

### *Mobile Trading*

In 2015, we continued to enhance our mobile trading platform with more innovative features catering for the technology-focused needs of our clients. In addition to Hong Kong securities and futures trading, we are also adding Shanghai A-share trading and bond quotes in our mobile portfolio. On the other hand, we are expanding our mobile infrastructure to include wealth management products, offering our clients the ease in buying and selling fund product on mobile devices. We expect to launch this new feature in the second half of 2016.

## **Outlook and Corporate Strategy**

The 2016 world economy is precariously balanced between continued recovery and a third leg of the global financial crisis. Uncertainties amid fears of a slowdown in Mainland China's economy, plunging commodity prices and the pace of the US interest rate-hike cycle are all clouding the global economic outlook. Nevertheless, the world economy is likely to stay on rails, albeit with some difficulties. Asia will continue to lead the growth. Despite a slowing Mainland China economy, its fundamental remains strong and it is rebalancing towards consumer spending. This sustainable model will continue to power Mainland's growth at 6.5-7% in the coming years, making it a key contributor to the world economy.

Looking ahead, CFSG will take a cautious yet proactive approach in developing our technology-driven financial services business. Quantitative-easing measures adopted by major central banks have been flooding global markets with cash and driving asset bubbles. The asset allocation function of the market has also been crippled by the long-term low interest rate environment. While central banks in major economies are further driving rates below zero, the risk pricing is even blurred. Coupled with the fact that currencies are under increasing devaluation pressure, investors are becoming more wary about preserving their capital while looking for disciplinary opportunities to grow their assets on a risk-adjusted basis. On the other hand, disruptive technological changes are gradually altering the financial landscape. CFSG as a pioneer in financial technology (FinTech) has been among the first in Asia to develop the FinTech investment platform. Taking advantage of the global boom in FinTech, we offer our clients direct market access (DMA) in world major exchanges with speedy execution, big data analysis, and real time and rigorous risk management tools. Our aim is to provide our clients with a suite of FinTech investment and wealth management solutions amidst the ever-changing global economy.

Taking the first mover advantage and building on our heritage to develop a multi-product and multi-channel trading platform, we aim to expand our business model across equities, commodities, and wealth management products - becoming a truly multi-asset and multi-channel platform that connects Mainland China and the world major markets via Hong Kong as a hub.

## **RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP**

### **Industry Review**

The sales registration in the private residential property market saw a decline in the second half of 2015, which composed of a significant decline in second hand property registration compared to a modest decline for first hand registration. The decline is brought by property cooling policies, the uncertain economy and adjustment of the US interest rate. However, the demand for mid to small and more affordable flats remains strong and the government is still catching up to enhance supply of land. Pricerite has a strategic focus on offering smart home solutions, especially to optimise living space. Pricerite uniquely addresses the compressed living space and space management challenges encountered by most families in Hong Kong. We have added smart and multifunctional design features to help customers optimise living space.

### **Business Review**

#### *Well-Received Branding Campaign*

In January 2015, we have devised the "Small Space : Big Universe" campaign to communicate Pricerite's branding and positioning to all customers, which emphasises that no matter how small a home is, we are there to help customers create their own universe. The campaign starred young and talented artists Ivana Wong and Kandy Wong, together with golden oldie 'Childhood' with new lyrics, to bring to mind a home that is both cosy and creative when supported by Pricerite's innovative, multifunctional and stylish products for young couples and individuals.

### *Store Network Expansion*

Pricerite continued to expand its store network to serve customers in more locations. We opened five new stores, in Wong Tai Sin, Tsuen Wan Plaza, Tsuen Wan Discovery Park, Tuen Mun and Cheung Sha Wan. Two stores, in Wan Chai and Shatin, were revitalised and expanded respectively to deliver our revamped brand image and extra product selection to customers. In the year, Pricerite also introduced the showroom concept of ‘My Little Apartment’ to stores. ‘My Little Apartment’ featured a relatively small door as entrance to a 150 square feet studio flat, with smart furniture and home solutions to cater the nowadays modern lifestyle of living, dining, studying and sleeping in a compact arrangement. ‘My Little Apartment’ highlighted the infinite imagination of Pricerite home solutions and decorations in a micro-living.

### *Tailor-Made Furniture Business Expansion*

Due to the growing demand and promising responses from our tailor-made furniture and home design (“TMF”) services, we expanded our ‘家匠 TMF’ centres to 24 stores to provide reliable premium customised home furnishing service to more customers. Apart from the TMF centres in stores, a stand-a-lone ‘家匠 TMF’ store was opened in North Point. New smart functional hardwares sourced globally were introduced to provide extra customisable options for customers. With the comprehensive development, our TMF business achieved approximately 50% growth in sales in the past year.

### *Customer Experience Enhancement*

Pricerite emphasises a smart and innovative customer experience through continuous improvement in interactive channels in store to maximise efficiency and convenience. Tablets and interactive displays were utilised not only to provide product information, but also for customers to design a shelf system for easy shopping of components, and to participate in instant lucky draw game. Shopping experience becomes more fun and innovative, and checkout process is smoothed and accelerated.

### *Product Development and Right Merchandise Mix*

Pricerite translated our brand promise into real product offerings to cater to the crowded living space and limited storage spaces in local homes. In 2015, we have designed and launched a number of creative, transformable, extensible, multi-functional and modular furniture and home products. New series of WinSill® and Transformer Furniture were introduced as our successive effort of providing multifunctional home furnishing solutions. Our dedication in product design was recognised by the industry as WinSill® received the HK Awards for Industries – Consumer Product Design Award by Federation of Hong Kong Industries.

On the other hand, our buying and merchandising team sourced and looked for more quality home products and solutions from international vendors in Japan, Korea, Malaysia, Singapore and other countries. Our imported merchandise mix rose to 25% in the past year.

### *E-commerce Development*

Pricerite’s online store continued its effort to improve on aspects such as order fulfillment and browsing experience. A distribution centre is set up to streamline the stock management and delivery process in one place. The delivery lead time significantly reduced and customers could now enjoy next day delivery or self-pickup services when shopping online. The website also carried out a major interface revamp in July to offer customers better navigation, especially by series and by themes. Our effort paid off by industry recognition and awards, including the Best .hk Website Award 2014 presented by HK Internet Registration Corporation Limited and Top 10 eCommerce Website Award 2015 presented by GS1 Hong Kong Limited.

### *Awards and Recognitions*

Pricerite persistently pursue quality in aspects across products and services. Its dedication was recognised and honoured with a variety of awards accrediting our outstanding effort in service excellence, marketing leadership, and effort corporate social responsibility.

Pricerite received the HKMA/TVB Awards for Marketing Excellence in various categories such as the Excellence Award, Citation for Outstanding TV Campaign, Distinguished Marketing Leadership Award and Outstanding Marketing Professional Award, in recognition of our successful branding campaign. We also received the Hong Kong Top Brand 10 Year Achievement Award by the Brand Development Council.

Our staff received the Individual Award in Supervisory Level and Outstanding Performance Awards in Junior Level in the Service & Courtesy Award presented by the Hong Kong Retail Management Association. For twelve consecutive years, our staff received the Distinguished Salesperson Awards presented by Hong Kong Management Association.

With regard to our corporate social responsibility, Pricerite was awarded the 10 Years Plus Caring Company Logo by the Hong Kong Council of Social Service and Good MPF Employer Award by the Mandatory Provident Fund Schemes Authority. In terms of efforts to protect the environment, the company was awarded the CLP Green Award 2014 – Silver by CLP Power Hong Kong Limited and the HSBC Living Business Award by HSBC.

All achievements best evidenced our total caring culture and continuous commitment to our various stakeholders.

## **Outlook**

Pricerite’s mission and philosophy resemble our successful “Small Space: Big Universe” branding campaign. In the coming year, Pricerite is dedicated to making Micro-living enjoyable and to facilitate Hong Kong people to build their universe in tiny flats. With increasing residential property supply in coming year yet uncertainties in global economy, we will closely monitor the market and be agile in our strategies for a sustainable development.

## **MOBILE INTERNET SERVICES BUSINESS – NET2GATHER**

### **Industry Review**

According to the research jointly released by the China Audio-video and Digital Publishing Association (CADPA), Gamma Data and International Data Corporation (IDC), total revenue for gaming services in Mainland market in 2015 reached RMB 140.7 billion, a year-on-year increase of 22.9%. There were 534 million gamers in Mainland China in 2015, up only 3.3% from last year. Inevitably, the mobile gaming market is becoming increasingly saturated and competition further intensified.

Hence, gaming companies are discovering new avenues of growth in overseas markets. Overseas sales of Chinese online games surged 72.4% to USD 5.31 billion in 2015. Overseas game publishers start to look for Chinese games in recent years due to improvements in quality with creative game designs and rich contents. It leads to increasing demand for specialised publishing services, such as deal liaison, game localisation, expertise in overseas market, and technical implementation and porting to various app stores in global markets.

### **Business Review and Outlook**

During the year, we formed strategic partnerships and built a mobile game portfolio with over 40 development teams to secure global game licensing rights, whereas we solicit overseas distribution partners to launch selected game titles in respective regions. We have provided full-fledged services to facilitate game distributions in iOS AppStore, Google Play and other third-party distribution platforms outside of Mainland China. We have successfully formed licensing agreements and launched commercial operations of “EDEN Online” with two leading mobile gaming operators in Southeast Asia and North America respectively. The game has topped the list of most popular role playing games in iOS AppStore and Google Play charts. We have also reached a licensing agreement with another leading mobile gaming operator in Southeast Asia to publish a casual game, “Candy Craze”. Commercial operation is expected to be launched in the first half of 2016.

We will continue to explore collaboration and investment opportunities with game development teams and distribution partners, to enhance our product offerings and distribution capabilities, with an aim to raise our market share in overseas licensing business.

## **EMPLOYEE INFORMATION**

At 31 December 2015, the Group had 1,167 employees, of which 197 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\$340.6 million.

### *Benefits*

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staffs. 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, listing rules and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the Securities and Futures Ordinance (“SFO”), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

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

## **CORPORATE GOVERNANCE**

The Board has adopted a set of corporate governance principles (“Principles”) which aligns with the requirements set out in the Code of Corporate Governance Practices (“CG Code”) and the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2015, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations with explanation described below:

- i. The Company does not have a nomination committee as provided for in code provision A.5.1 as its function has been performed by the Board as a whole. The Board under the leadership of the Chairman is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the directors.
- ii. Mr Kwan (Chairman of the Board) also acted as chief executive officer (“CEO”) of the Company during the underlying year. According to code provision A.2.1, the roles of Chairman and CEO of the Company should be separate. 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. Upon the appointment of Mr Law Ka Kin Eugene as deputy chief executive officer of the Company in November 2015, Mr Kwan’s CEO role has been relieved. The balance of power and authorities is also ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals.

## REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2015 have been reviewed by the Audit Committee of the Company.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

On behalf of the Board  
**Bankee P. Kwan**  
*Chairman & CEO*

Hong Kong, 24 March 2016

As at the date hereof, the Board comprises:-

*Executive Directors:*

Mr Kwan Pak Hoo Bankee, JP  
Mr Law Ping Wah Bernard  
Mr Law Ka Kin Eugene  
Mr Ng Hin Sing Derek

*Independent non-executive Directors:*

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

\* For identification purpose only