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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 2016

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 2016 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	(3)	**1,592,971**	1,634,613
Cost of inventories		**(821,073)**	(791,344)
Other income		**11,561**	9,867
Other gains and losses		**71,349**	175,367
Salaries, allowances and related benefits		**(275,572)**	(334,390)
Commission expense		**(51,373)**	(85,163)
Other operating, administrative and selling expenses		**(521,853)**	(527,752)
Depreciation of property and equipment		**(35,644)**	(39,616)
Finance costs		**(11,545)**	(15,775)
Fair value change on investment properties		**(13,593)**	155
Share of results of an associate		**-**	95
(Loss) profit before taxation		**(54,772)**	26,057
Income tax expense	(5)	**(4,395)**	(7,852)
(Loss) profit for the year		**(59,167)**	18,205

	Note	2016 HK$'000	2015 HK$'000
Other comprehensive income (expense) for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**1,591**	(5,179)
Total comprehensive (expense) income for the year		**(57,576)**	13,026
(Loss) profit for the year attributable to:			
Owners of the Company		**(31,139)**	15,229
Non-controlling interests		**(28,028)**	2,976
		(59,167)	18,205
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(28,833)**	12,245
Non-controlling interests		**(28,743)**	781
		(57,576)	13,026
(Loss) earnings per share	(6)		
Basic (HK cents)		**(3.75)**	2.03
Diluted (HK cents)		**(3.75)**	2.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2016 HK$'000	2015 HK$'000
Non-current assets			
Property and equipment		**63,911**	83,751
Investment properties		**16,508**	188,583
Goodwill		**60,049**	60,049
Intangible assets		**53,212**	53,212
Available-for-sale financial assets		**8,415**	8,415
Rental and utilities deposits		**43,138**	32,963
Other assets		**5,039**	5,039
Deferred tax assets		**5,550**	6,200
		255,822	438,212
Current assets			
Inventories – finished goods held for sale		**56,605**	63,382
Accounts receivable	(7)	**598,612**	774,449
Loans receivable		**7,881**	4,509
Other assets		**3,528**	5,240
Prepayments, deposits and other receivables		**46,496**	57,130
Tax recoverable		**1,948**	29
Investments held for trading		**33,317**	68,871
Financial asset designated at fair value through profit or loss		**-**	13,161
Bank deposits subject to conditions		**66,601**	44,000
Bank balances – trust and segregated accounts		**819,803**	946,810
Bank balances (general accounts) and cash		**629,553**	636,632
		2,264,344	2,614,213
Current liabilities			
Accounts payable	(8)	**1,168,913**	1,638,408
Accrued liabilities and other payables		**168,064**	156,975
Taxation payable		**14,968**	21,513
Obligations under finance leases – amount due within one year		**407**	396
Financial liabilities designated at fair value through profit or loss		**-**	13,161
Borrowings - amount due within one year		**395,055**	318,571
		1,747,407	2,149,024
Net current assets		**516,937**	465,189
Total assets less current liabilities		**772,759**	903,401

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Capital and reserves		
Share capital	**83,122**	83,122
Reserves	**378,798**	406,777
Equity attributable to owners of the Company	**461,920**	489,899
Non-controlling interests	**293,270**	322,013
Total equity	**755,190**	811,912
Non-current liabilities		
Deferred tax liabilities	**6,689**	12,435
Obligations under finance leases – amount due after one year	**235**	642
Borrowings - amount due after one year	**10,645**	78,412
	17,569	91,489
	772,759	903,401

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.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period. 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

<u>Amendments to HKFRSs that are mandatorily effective for the current year</u>

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

Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle

Except as described below 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.

<u>Amendments to HKAS 1 Disclosure initiative</u>

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The Group has applied these amendments retrospectively. Certain disclosure notes are reordered following the order of the line items in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position.

Other than the above disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in the consolidated financial statements.

New and amendments to HKFRSs in issue but not effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments [1]
HKFRS 15	Revenue from contracts with customers and the related amendments [1]
HKFRS 16	Leases [2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments, with HKFRS 4 Insurance contracts [1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture [3]
Amendments to HKAS 7	Disclosure initiative [4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses [4]

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for annual periods beginning on or after 1 January 2019*
[3] *Effective for annual periods beginning on or after a date to be determined*
[4] *Effective for annual periods beginning on or after 1 January 2017*

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be 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 generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting 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 "Financial instruments: Recognition and measurement", 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.

Based on the Group's financial instruments and risk management polices as at 31 December 2016, application of HKFRS 9 in the future may have material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments of carrying amount of HK$8,415,000, which are stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect of HKFRS 9 until the Group performs a detailed review.

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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may not have material impact on the amounts reported. However, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lease accounting, and is replaced a single model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitment of HK$367,980,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company performs a detailed review.

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as disclosed above, the directors of the Company anticipate that the application of the other amendments to HKFRSs will have no material impact on the consolidated financial statements.

(3) Revenue

	2016 **HK$'000**	2015 HK$'000
An analysis of the Group's revenue for the year is as follows:		
Fee and commission income	**131,691**	217,258
Interest income – financial services	**18,225**	26,639
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,440,493**	1,390,312
Online game subscription income and licensing income	**2,562**	404
	1,592,971	1,634,613

(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 2016

	Financial services HK$'000	**Retailing** HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
Revenue	**149,916**	**1,440,493**	**2,562**	**1,592,971**
Segment (loss) profit	**(67,262)**	**34,475**	**(1,996)**	**(34,783)**
Unallocated other income				**618**
Corporate expenses				**(9,615)**
Gain on disposal of a subsidiary				**2,623**
Fair value change on investment properties				**(13,593)**
Unallocated finance costs				**(22)**
Loss before taxation				**(54,772)**

For the year ended 31 December 2015

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Revenue	243,897	1,390,312	404	1,634,613
Segment profit (loss)	18,368	32,743	(2,269)	48,842
Unallocated other income				605
Corporate expenses				(46,813)
Gain on disposal of available-for-sale financial assets				14,381
Gain on disposal of an intangible asset				12,094
Fair value change on investment properties				155
Share of results of an associate				95
Unallocated finance costs				(3,302)
Profit before taxation				26,057

All the segment revenue is derived from external customers.

Segment result represents the loss incurred/profit earned by each segment without allocation of certain other income, corporate expenses, gain on disposal of a subsidiary, 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 2016

	Financial services HK$'000	**Retailing** HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
ASSETS				
Segment assets	**1,925,990**	**491,309**	**2,140**	**2,419,439**
Investment properties				**16,508**
Unallocated property and equipment				**206**
Available-for-sale financial assets				**8,415**
Tax recoverable				**1,948**
Deferred tax assets				**5,550**
Unallocated prepayments, deposits and other receivables				**9,921**
Unallocated bank balances and cash				**58,179**
Total assets				**2,520,166**
LIABILITIES				
Segment liabilities	**1,227,805**	**450,589**	**3,539**	**1,681,933**
Unallocated accrued liabilities and other payables				**60,744**
Taxation payable				**14,968**
Deferred tax liabilities				**6,689**
Obligations under finance leases				**642**
Total liabilities				**1,764,976**

As at 31 December 2015

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	2,350,984	475,794	2,527	2,829,305
Investment properties				188,583
Unallocated property and equipment				397
Available-for-sale financial assets				8,415
Tax recoverable				29
Deferred tax assets				6,200
Unallocated prepayments, deposits and other receivables				5,673
Unallocated bank balances and cash				13,823
Total assets				3,052,425
LIABILITIES				
Segment liabilities	1,728,899	462,106	4,021	2,195,026
Unallocated accrued liabilities and other payables				10,501
Taxation payable				21,513
Deferred tax liabilities				12,435
Obligations under finance leases				1,038
Total liabilities				2,240,513

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, 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, obligations under finance leases and deferred tax liabilities.

Other segment information

For the year ended 31 December 2016

	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	**4,770**	**13,640**	**-**	**100**	**18,510**
Interest income	**18,302**	**227**	**-**	**282**	**18,811**
Depreciation of property and equipment	**12,685**	**22,625**	**43**	**291**	**35,644**
Finance costs	**5,231**	**6,292**	**-**	**22**	**11,545**
Net gain on investments held for trading	**83,176**	**-**	**-**	**-**	**83,176**
Write-down on inventories	**-**	**4,540**	**-**	**-**	**4,540**
Loss on disposal/written-off of property and equipment	**662**	**1,930**	**-**	**-**	**2,592**
Allowance of impaired accounts receivable, net	**1,553**	**-**	**-**	**-**	**1,553**
Impairment of other receivables	**1,632**	**-**	**-**	**-**	**1,632**

For the year ended 31 December 2015

	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	6,543	42,297	18	172	49,030
Interest income	26,652	270	6	188	27,116
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 and equipment	-	97	-	-	97
Allowance of impaired accounts receivable, net	1,431	-	-	-	1,431
Write back of impaired loans receivable, net	4,519	-	-	-	4,519

Revenue from major products and services

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

	2016	2015
	HK$'000	HK$'000
Brokerage commission from dealing on securities, futures and wealth management products	**117,347**	189,804
Interest income from margin financing	**18,255**	26,639
Advisory fee on corporate finance	**14,314**	27,454
Sales of furniture and household goods	**1,276,098**	1,209,698
Sales of electrical appliances	**164,395**	180,614
Income from online game services	**2,562**	404
	1,592,971	1,634,613

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:

	Revenue		**Non-current assets**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,590,386**	1,634,131	**224,093**	389,558
PRC	**2,585**	482	**17,764**	34,039
	1,592,971	1,634,613	**241,857**	423,597

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

(5) Income tax expense

	2016 **HK$'000**	2015 HK$'000
Current tax:		
- Hong Kong Profits Tax	**6,700**	10,020
Overprovision in prior years	**(586)**	(94)
Deferred tax credit, net	**(1,719)**	(2,074)
	4,395	7,852

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

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC income tax has been made as they incurred tax losses in both years.

(6) (Loss) earnings per share

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

	2016 **HK$'000**	2015 HK$'000
(Loss) earnings for the purposes of basic (loss) earnings per share	**(31,139)**	15,229
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)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(31,139)**	15,227

	2016 **'000**	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**831,222**	751,090
Effect of dilutive potential ordinary shares:		
Share options	**-**	11,542
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**831,222**	762,632

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share for the year ended 31 December 2015 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 loss per share during the year ended 31 December 2016 because they are antidilutive in calculating the diluted loss per share.

(7) Accounts receivable

	2016 **HK$'000**	2015 HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**59,469**	275,930
Cash clients	**42,336**	55,373
Margin clients	**233,271**	170,624
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**150**	159
Clearing houses, brokers and dealers	**258,330**	266,452
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**1,521**	2,247
Accounts receivable arising from the business of provision of corporate finance services	**540**	1,046
Accounts receivable arising from the business of provision of online game services	**-**	50
Accounts receivable arising from the business of retailing	**2,995**	2,568
	598,612	774,449

The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

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 was held with MF Global Hong Kong Limited ("MFG HK") (which was in liquidation) on behalf of a client. The amount was fully settled by the liquidator of MFG HK in 2016.

(8) Accounts payable

	2016 HK$'000	2015 HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	**7,370**	9,432
Cash clients	**582,997**	947,082
Margin clients	**117,043**	160,949
Accounts payable to clients arising from the business of dealing in futures and options	**251,147**	312,364
Trade creditors arising from retailing business	**210,064**	208,190
Accounts payable arising from online game services	**292**	391
	1,168,913	1,638,408

The settlement terms of accounts payable, except for margin clients, arising from the business of dealing in securities are two days after trade date and accounts payable arising from the business of dealing in futures contracts are one day after trade date. Accounts payable to cash clients are repayable on demand subsequent to settlement date. Accounts payable to margin 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 this business.

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. 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.

Accounts payable amounting to HK$819,803,000 (2015: HK$946,810,000) were payable to external 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 ranges from 30 to 90 days.

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

	2016 HK$'000	2015 HK$'000
0 – 30 days	**74,679**	137,193
31 – 60 days	**57,146**	17,531
61 – 90 days	**50,588**	18,015
Over 90 days	**27,651**	35,451
	210,064	208,190

The accounts payable arising from online game services are aged (from the invoice date) over 90 days (2015: within 30 days).

(9) 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 accumulated losses. The management of the Group 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 issue of new share 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 of the Group 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.

(10) Reclassification

Certain comparative figures have been reclassified to conform to the current year’s presentation.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

REVIEW AND OUTLOOK

Financial Review

FINANCIAL PERFORMANCE

Facing the challenging global environment, political and economic uncertainties throughout the year under review, the Group's Financial Service Business and Retail Management Business managed to weather through the difficulties in 2016 and recorded revenue of HK$1,593.0 million for the year ended 31 December 2016 as compared to HK$1,634.6 million the previous year. During the year under review, CFSG recorded a decrease in fair value on its investment property in Hong Kong amounting to HK$13.6 million. Pursuant to a memorandum of understanding dated 4 May 2016 and a formal sale and purchase agreement dated 10 June 2016 entered into with a third party, CFSG disposed of the entire share capital of a wholly-owned subsidiary which owns the aforesaid investment property for HK$140.5 million. The disposal of the property was subsequently completed in July 2016 and a gain of HK$2.6 million was realised.

For the year ended 31 December 2016, the Group reported a net loss of HK$59.2 million (after taking into account the abovementioned decrease in fair value on investment properties and the gain on the disposal of the wholly-owned subsidiary) during the year as compared to a net profit of HK$18.2 million in 2015 (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).

FINANCIAL SERVICES BUSINESS - FSG

For the year ended 31 December 2016, FSG recorded revenue of HK$149.9 million, a decrease of 38.5% as compared with HK$243.9 million in 2015.

Trading in the Hong Kong securities market continued to languish in the first half of 2016 in the aftermath of June 2015's great corrections in both the mainland and local stock markets. The Hang Seng Index posted the worst loss to start the Year of Monkey in February. On the first and second trading days after returning from the long Lunar New Year holiday, the Hang Seng Index plunged sharply to the lowest close since June 2012 at 18,319. Investor sentiment had been fragile since then as there were concerns over subdued global growth and uncertainties associated with the timing of US interest rate hikes. Additionally, the worries over industrial overcapacity in the Mainland, heightened RMB depreciation risks, high bad debts and rising credit default risks also hindered the recovery of domestic stock market. As a result, both local and Mainland investors became more cautious in their stock investments as RMB continued to depreciate against the US dollar which in turn had caused more capital outflows from China. These all exerted downward pressure on the performance of the Hong Kong stock market. In June, the already weakened investment sentiment had been further hit hard by the political and economic uncertainties brought about by the outcome of the United Kingdom's referendum which voted to leave the European Union. Fortunately, these Brexit-related worries and concerns was quickly relieved due to the stimulus measures by various governments envisaged by the investors. In the second half of 2016, the investor sentiment gradually improved as the market expected the pace of US interest rate hikes would slow down but the optimism began to fade later in the year as the Federal Reserve raised the first and last interest rate in 2016 and hinted that more interest hikes would be on the way for 2017. With the adverse factors weighted on the local stock market throughout the year, the average daily turnover in 2016 dropped 37% from the previous year. Our clients who are mostly retail investors had chosen to flee the highly volatile stock markets to avoid suffering huge trading and investment losses during this deteriorating financial environment. Even though, for years, FSG has dedicated its resources to developing its in-house direct market access platform through which its corporate clients place and execute their complex investment strategies and high frequency trading activities, but the growth in this business could not help much to recoup the loss in reduced commission income earned from dealing in securities by its individual clients during the year under review. FSG's broking business recorded a drop of 34.2% in revenue for 2016 as compared with the performance of last year, which was more or less in line with the drop in the average daily turnover in the local stock market for the same year.

Taking into account the various factors mentioned herein before, FSG recorded a net segment loss of HK$67.3 million for 2016 as compared to a net segment profit of HK$18.4 million for the previous year.

RETAIL MANAGEMENT BUSINESS – CRMG

During the year under review, Hong Kong had experienced a long period of stagnant economy with its GDP growth moderated to 1.9% year-on-year, a drop from 2.4% for 2015. At a time when the local currency still remained strong against major currencies and the various factors such as the doubts over both local and China's economic resilience further dampened the consumer's spending, Hong Kong's overall retail sales had dropped by 8.1% year-on-year after the decline of 3.7% in 2015. The protracted decline in consumer's spending in the city had put pressure on its retailing market. Meanwhile, our Retailing Management Business was still facing rising operating costs such as staff salaries and shop rentals. The labour market conditions remained tight with unemployment rate at around 3% for the whole year of 2016, which resulted in pushing up the overall salaries and wages. Even though most of local retailers felt the full brunt of the slowdown with sales, the rental costs of the outlets, especially those in shopping malls and streets selling goods for daily consumption to the local population, showed no visible sign of declining. To confront with the difficulties in the business landscape, we continued to be cost conscious by continuously optimising our outlet-network, intensifying our cost rationalisation measures and improving our operational efficiency. By riding on the fast growing demand for small and medium sized apartments by the young home-seekers, we had reformulated our sales mix strategy in a three-pronged approach to boost both our sales and profit margins. Firstly, we had introduced a series of "Tailor Sized Furniture" (TSF) that fully utilised the smaller space of these apartments to further emphasise our space-saving philosophy. Secondly, we reduced the number of stock-keeping units of some electrical appliances and other bulky products of low-profit margins in our shops to give way to the products of high-profit margins such as "Tailor Made Furniture (TMF)". Lastly, we had introduced more exotic and trendy quality household products, mainly from Japan and Korea, to further fulfill our customers' broader lifestyle needs. We also devoted more resources to further developing and expanding our e-commerce business to cater for our younger customers' needs for improving their living spaces. During the year, we had redesigned our website and implemented the state-of-the-art technologies to build a one-stop online store selling a full range of products in a completely fresh, smart and inspiring e-shopping environment. As such, we had recruited a team of high-calibre professionals to pursue our new sales strategies and to embark on our new product development, which might inevitably lead to an increase in staff costs for the current year. Furthermore, we had been launching comprehensive marketing campaigns to further strengthen Pricerite's position as a leading brand in providing smart and lively furnishing solutions to 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$1,440.5 million, representing an increase of 3.6% as compared with HK$1,390.3 million in 2015. Overall, our Retailing Management Business recorded a net profit before taxation of HK$34.5 million for 2016 as compared to net profit before taxation of HK$32.7 million the previous year.

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 Group's Mobile Internet Service Business recorded revenue of HK$2.6 million and a net segment loss of HK$2.0 million for 2016, as compared to revenue of HK$0.4 million and a net segment loss of HK$2.3 million in the previous year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$755.2 million as at 31 December 2016 as compared to HK$811.9 million at the end of the previous year. This decrease in the equity was mainly due to the loss reported for the year.

As at 31 December 2016, the Group had total outstanding borrowings of approximately HK$405.7 million a slight increase compared to HK$397.0 million as at 31 December 2015. The bank borrowings of approximately HK$386.0 million and HK$19.7 million were denominated in Hong Kong dollars and US dollars respectively. The above bank loans of approximately HK$405.7 million were secured by pledged deposits of HK$64.0 million, corporate guarantees and its margin clients' securities pledged to it.

As at 31 December 2016, our cash and bank balances totalled HK$1,516.0 million as compared to HK$1,627.4 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the reduction of balances of our clients' money which were kept in the trust and segregated accounts. As at 31 December 2016, bank balances in our house accounts amounted to HK$696.2 million, of which HK$554.2 million and HK$142.0 million were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances of approximately HK$819.8 million in the trust and segregated accounts were 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 2016 remained healthy at 1.30 times, signifying a mild improvement as compared with 1.22 times as at 31 December 2015.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 53.8% as at 31 December 2016 as compared to 49.0% as at 31 December 2015. The increase in gearing ratio was mainly due to (1) the slight increase in the borrowings; and (2) the decrease in equity 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

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 May 2016, the Group signed a formal sale and purchase agreement for disposal of a property in Shanghai to an independent third party at a consideration of RMB 7.3 million (equivalent to approximately HK$8.76 million). The transaction was completed in October 2016.

As set out in the above paragraph under financial review, in May 2016, the Company announced a major transaction relating to disposal of the entire issued share capital of Cheer Wise Investments Limited ("Cheer Wise", a subsidiary of the Company held through CFSG) and the loans due by Cheer Wise to the Group to an independent third party at an aggregate consideration of HK$140.5 million. The sole asset of Cheer Wise is an investment property, including carparks in Kwun Tong. The disposal was approved by shareholders of the Company at a special general meeting held on 6 July 2016 and was completed on 15 July 2016. Details of the transaction are disclosed in the joint announcement of the Company and CFSG dated 4 May 2016, and the circular issued by the Company dated 17 June 2016.

In July 2016, the Group signed a formal sale and purchase agreement relating to disposal of another property in Shanghai to an independent third party at a consideration of RMB 7.5 million (equivalent to approximately HK$8.8 million). The transaction was completed in September 2016.

In September 2016, the Group signed a sale and purchase agreement with Ever Billion Group Limited ("Ever Billion", an independent third party) relating to the proposed disposal of approximately 36.28% shareholding interest in CFSG (a non-wholly-owned subsidiary of the Company) at a consideration of HK$765 million (representing a purchase price of HK$0.51 per share of CFSG). The transaction constituted a possible very substantial disposal of the Company under the Listing Rules, which has been approved by shareholders of the Company at a special general meeting of the Company held on 28 October 2016, and triggered a possible mandatory general offer for shares in CFSG. The long stop date of the sale and purchase agreement has been extended to 31 March 2017 and the transaction has not yet been completed pending the condition relating to approval of the SFC for substantial shareholder of CFSG and its licensed corporation and the conditions which are to be satisfied on the completion date to be fulfilled. Details of the transaction were disclosed in the various announcements of the Company and CFSG relating to the transaction from September 2016 to March 2017.

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

Save as disclosed in this announcement, there is no important event affecting the Group which has occured 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

The market value of a portfolio of investments held for trading decreased from HK$68.9 million as at 31 December 2015 to approximately HK$33.3 million as at 31 December 2016. A net gain derived from investments held for trading of HK$83.2 million was recorded for the year. Such securities investments were not material which represented around 1.3% of the total assets of the Group as at 31 December 2016.

We do not have any future plans for material investments, or addition of capital assets.

Financial and Operational highlights

Revenue

(HK$'m)	**2016**	2015	% change
Financial services	**149.9**	243.9	(38.5%)
Retailing	**1,440.5**	1,390.3	3.6%
Online game	**2.6**	0.4	550%
Group total	**1,593.0**	1,634.6	(2.5%)

Key Financial Metrics

	2016	2015	% change
The Group			
Net (loss) profit attributable to shareholders (HK$'m)	**(31.1)**	15.2	(304.6%)
(Loss) earnings per share (HK cents)	**(3.75)**	2.03	(284.7%)
Total assets (HK$'m)	**2,520.2**	3,052.4	(17.4%)
Cash on hand (HK$'m)	**1,516.0**	1,627.4	(6.9%)
Bank borrowings (HK$'m)	**405.7**	397.0	2.2%
Financial services			
Annualised average fee income from broking per active client (HK$'000)	**10.2**	16.3	(37.4%)
Retailing			
Revenue per sq. ft. (HK$)	**4,380**	4,296	2.0%
Growth for same stores (vs last year)	**3.6%**	14.4%	N/A
Inventory turnover days	**27.7**	27.6	0.36%

Business Review and Outlook

FINANCIAL SERVICES BUSINESS – FSG

Industry Review

In 2016, the Hong Kong stock market experienced mixed fortunes. Stock prices faced pressure at the start of the year but enjoyed brighter days in the last two quarters of 2016 as US interest rate rises failed to materialise, less fallout occurred from the Brexit referendum than initially expected, and approval was given for the implementation of the Shenzhen-Hong Kong Stock Connect initiative. Following Donald Trump's win in the US presidential election in November, sentiment remained upbeat. The prospect that the Trump administration was likely to cut corporate tax and increase infrastructure investment to create more job opportunities buoyed optimism despite the possibility that higher inflation might also be in store due to greater government spending.

The Hang Seng Index ended 2016 at 22,000.56. This represented a year-on-year increase of 0.4%, as the prospect of hikes to the US interest rate re-emerged and president-elect Trump's unconventional approach to politics began to weigh on the market mood. The average daily turnover in 2016 was HK$66.9 billion, a decrease of 37% compared with HK$105.6 billion the previous year.

Business Review

Broking

While the Dow Jones Industrial Average index in the US reached record highs, the Hong Kong stock market hovered at much less exciting levels. The strict monitoring of the outflow of funds from Mainland China had a negative impact and even the debut of Shenzhen-Hong Kong Stock Connect in December failed to boost the mood of the Hong Kong market. CFSG recorded a decline of 43% in securities commission income and a relatively mild drop of 21% in commodities commission income. There was a 30% decrease in interest income due to diminished IPO activity.

Investment Banking

During the year, our investment banking group assisted potential IPO clients in planning and preparation for listings. Among these, we acted as Sole Sponsor for Gudou Holdings Limited's listing on the Hong Kong Stock Exchange's Growth Enterprise Market. Gudou is the first Mainland China hot spring resort operator and tourism property developer to list in Hong Kong and received a favourable market response.

On the financial advisory front, CFSG continued to serve as a long-term financial adviser or compliance adviser to listed companies. We also provided services on corporate finance transactions, including acquisitions and disposals and general offers, among others.

Asset Management

The level of our assets under management (AUM) was approximately in line with the benchmark index during the year. CFSG focuses on sectors with fast corporate earnings' growth, such as technology shares and Macau gaming.

Wealth Management

2016 saw fast-paced development and fierce competition in the wealth management market. Despite these testing conditions, CFSG achieved moderate growth. In addition to traditional products, we introduced a general insurance business, gaining positive feedback from clients. With demand growing for comprehensive wealth management services, we strengthened consultant and operation teams, and encouraged consultants to acquire asset management capabilities to provide all-round support to clients.

Technology and Innovation

CFSG successfully launched our Sector Trading Platform and Fintech Investment Platform during the year. The systems offer diverse and timely investment information to clients through big data analytics. In addition, we added Shenzhen A-share trading and A-share quotation services on both online trading platforms and as a mobile app.

Outlook and Corporate Strategy

Given the clouds shrouding the times ahead in the global, political and economic arenas, local investment sentiment is likely to face on-going mood swings and pressure. More positively, the Mainland China economy expanded by 6.7% in 2016. Together with internationalisation of the RMB, Mainland China's launch of the "One Belt One Road" initiative and closer ties between Mainland and Hong Kong financial markets, Hong Kong's financial system and experience should still foster opportunities for the city to serve as a fund-raising and international asset management platform.

With the Hong Kong stock market trading at around 12 times prospective 2017 P/E, around 1.18 times P/B and around a 3.4% dividend yield for the Hang Seng Index, valuation is undemanding for long-term investors. However, the regulator's tightening of rules is expected to further dampen IPO activity and the stock market faces another tough year in 2017.

In the year ahead, CFSG will leverage our proven strategy to focus on both IPOs and corporate transactions and services to take us and our clients forward. CFSG will seek to extend our wealth management business by deepening relationships with existing partners in both Mainland China and Japan while building our product offerings and geographical reach. Meanwhile, FinTech continues to offer exciting possibilities for an innovative company such as ours. In 2017, our FinTech Investment Platform will be further enhanced to provide a new user interface delivering advanced strategies and other enhanced function. More customisation (such as allotment of investment capital for each strategy and setting risk control criteria) will be made available and we will seek to expand market share in the China region.

In volatile times, a balance between expansion and external risks alongside effective and leading-edge cost management are crucial and will be rigorously pursued. It is also part of the Group's long-term strategy to bring in synergistic value investors to develop our business further in Mainland China and Hong Kong.

RETAIL MANAGEMENT BUSINESS – CRMG

Industry Review

In 2016, Hong Kong retailers were buffeted by the sluggish global economy and on-going slowdown in inbound tourism. Total retail sales value for the year dropped by 8.1%. The weak economic environment and Hong Kong government's property cooling measures affected registered sales in the private residential property market and customer sentiment for large-ticket spending, producing an overall decline in local consumption power. According to the data from the Hong Kong's Census and Statistics Department, the value of retail sales in the furniture and fixtures category fell by 1.6% while its volume dropped by 2.5%. However, demand for residential flats continued, along with an increasing supply of micro apartments.

Business Review

Despite the sluggish retail market in 2016, the Group remained committed to developing the home furnishing business in Hong Kong with a mission to become an innovative group for quality home furnishing, lifestyle products and services. Riding on the existing solid foundation of our retail management business, the Group has started investing for the transformation and expansion of our local furniture and household retailing business, so as to better cater the needs of different customer segments for quality home furnishing solutions. Given that creating a stylish comfortable home in a limited space poses a challenge for most local families, especially those who have just wedded, CRMG pursued its total smart home solutions strategic approach to build its multi-brand business, providing a wide range of products and services to help customers optimise their living area and improve their quality of life. This, combined with insightful local market knowhow and dedicated effort, led to CRMG's offerings being well received by the market, bringing single-digit sales growth in 2016 despite the difficult business environment.

PRICERITE - SMART, LOCAL, HOME FURNISHING SOLUTIONS

Branding and Marketing

Over the year, agile marketing strategies utilising different touch points enabled Pricerite to communicate its brand essences to a broader customer base. Pricerite sponsored popular Cable TV programme 「空間大改造」 to demonstrate space management ideas and inspire customers to try our products and solutions. In addition, Pricerite increased exposure and penetration among younger customers by sponsoring and cooperating with the popular social media "100Most" (100 毛) and TV Most (毛記電視). The sponsorship campaign delivered outstanding results. Pricerite's promotional video recorded 1.2 million views in one week while our Facebook fans soared by more than 10% in one month, helping to rejuvenate the brand and make it more appealing to younger families.

In Summer 2016, Pricerite became the first home furnishing retail chain in Hong Kong to collaborate with Japanese art designer Tatsuya Tanaka to organise the "Miniature Calendar" exhibition. The "Pricerite x Miniature Calendar -「Small World Big Fun」" at Pricerite's Megabox flagship store showcase a collection of miniature dioramas using home furnishing products of Pricerite. The successful show attracted wide media coverage from online platforms and in print.

To celebrate Pricerite's 30th anniversary in Autumn 2016, the innovative 「Couple Universe - Newly-wedded Elect (倆人宇宙新婚選) 2016」 campaign was launched. In this promotional drive, the winning couple had the opportunity to live in a duplex apartment fully furnished with smart tailor-made home furnishing items. Through this campaign, we proved to customers how our full-suite of solutions create a functional, efficient and aesthetically pleasing home, maximised the power of digital marketing to engage audiences and target customers, and created massive user-generated content via online media, resulting in more than 300,000 views, over 10,000 engagements, and reaching 900,000 customers.

Product Sourcing and Development

Following the successful introduction of overseas product ranges in past years, Pricerite continued to expand international sourcing. Along with home storage solutions from Japan and Korea, we worked together with a Japanese designer brand (±0) to debut a stylish, high-performance vacuum cleaner in Hong Kong for small apartments and brought in quality Korean cookware to cater for the contemporary "cook & serve" lifestyle. Meanwhile, furniture series from Vietnam, India, and Malaysia gave customers a wider range of materials and styles.

In line with our corporate outlook that new technologies enable better living, Pricerite launched a number of innovative products during the year, including a household device with medical-grade NCCO air purification technology developed by the Hong Kong University of Science and Technology, and award-winning brands with fun and functional features including cable and power cord organisers, kitchenware, and desktop gadgets. During the fourth quarter of 2016, Pricerite launched an AR Alphabet Learning Play Mat, the first of its kind foam mats for kids using augmented reality (AR) technology. The Play Mat embeds interactive English learning tools into a domestically used floor mat for children, illustrating the many exciting possibilities of the Internet of Things (IoT) for home dwellers in the future.

Retail Technology for Enhancing Customer Experience

In the year under review, Pricerite brought in new retail technologies to enhance customers' shopping experience. We have been one of the front-runners in launching contactless payment, such as Apple Pay, Tap & Go, and TnG, to expedite payment. Touch-screen kiosks were also installed in stores to showcase top-selling merchandise and inform customers about product features and user benefits more effectively.

Store Network Optimisation

During the year, we continued to rationalise our strategic store network plan to improve the operating efficiency by opening new stores, closure of several non-performing ones and renovating certain strategically important ones such as Causeway Bay and Tai Po shops. In-store room settings and home storage section expansion provided space for more smart home ideas and tips for micro-apartments. Frontline staff became known as "Home Specialists" to emphasise our commitment to helping customers find the best way to optimise their living space through smart solutions.

TMF – RELIABLE, PROFESSIONAL TAILOR-MADE FURNITURE SOLUTIONS

TMF business continued to grow rapidly in 2016, recording a decent growth in year-on-year sales turnover. Various media exposures saw TMF participate in the provision of functional and smart tailor-made home designs for real-case scenarios in residential estates. For better visualisation of TMF solutions and an enjoyable customer experience, we adopted augmented reality (AR) and virtual reality (VR) technologies to provide three-dimensional presentation of fully furnished apartments. Such advances also enabled customers to view and interact with the smart features of individual furniture products.

Many other endeavours strengthened brand value and customer experience over the year. Our first stand-alone TMF store opened in North Point to better serve customers in need of tailor-made furniture. We also sponsored a Professional Diploma in Interior Design and partnered with Hong Kong Design Institute to support the training and talent development of interior design in Hong Kong. In addition, a revamp of the TMF official website featuring various client reference designs was launched.

E-COMMERCE BUSINESS – ONE-STOP, CONVENIENT FURNISHING E-TAILER

Our online store enhanced the omni-channel experience by adding new functions, including expansion of products available for buying online and picking up at stores, a powerful search engine and one-page checkout, dramatically improving user experience. During the year, a revamp of the Macau and corporate sales websites took place to provide a one-stop online household and furniture shopping platform to better serve different customer segments. The corporate sales website was equipped with automatic quotation and invoicing functions to facilitate the procurement process. Data analytic modelling was effectively used to initiate remarketing schemes, personalised promotional messages and product recommendations to the relevant customer segments.

Outlook and Strategy

Amid the uncertainties in the economic environment and retail industry, CRMG will make every effort to build on our outstanding services, offer innovative product selections and sustain our efficient store network in the year ahead. With our distinctive focus on smart home solutions for local households, CRMG is well positioned to lead the home furnishing retail market and provide enhanced value to customers. We are confident that, with our in-depth knowledge about the competitive landscape across various market segments and understanding clearly customers' needs, CRMG will become the local leader offering a suite of brands in home furnishing retailing market in Hong Kong.

MOBILE INTERNET SERVICES BUSINESS – NET2GATHER

Industry Review

According to the research report 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 the China market in 2016 reached RMB 165.57 billion, a year-on-year increase of 17.7%. Overseas sales of Chinese online games surged 36.2% to USD 7.23 billion in 2016. Due to the increasingly intensified competition of the game publishing business, game publishers have been adjusting the operating model to solicit new avenues of growth. The value chain of the game publishing sector is further segmented in several divisions, including operation outsourcing, game localisation, technical implementation and maintenance, advertising and promotional support services, etc.

Business Review and Outlook

During the year under review, we have formed strategic partnerships and built a mobile game portfolio with over 60 mobile game development teams. We have provided full-fledged services to facilitate the game publishing processes in iOS AppStore, Google Play and other third-party distribution platforms in respective regions. Apart from the launch of "EDEN Online", we have formed a regional distribution partnership with a PRC gaming publisher. We will continue to explore collaboration and investment opportunities with game development teams and distribution partners, to enhance our product offerings and distribution capabilities in the mobile gaming market.

EMPLOYEE INFORMATION

At 31 December 2016, the Group had 1,155 employees, of which 186 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$276.9 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, listing rules and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, 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 2016, 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. Mr Law Ka Kin Eugene (deputy chief executive officer of the Company) assisted Mr Kwan in performing the CEO’s responsibilities. 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 2016 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 2016 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 2016, 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 2017

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
Ms Kwok Lai Ling Elaine
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*