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 2017

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 2017 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2017** **HK$'000**	2016 HK$'000 (Restated)
Continuing operations			
Revenue	(3)	**1,333,041**	1,443,055
Cost of inventories		**(748,200)**	(821,073)
Other income		**10,503**	8,294
Other gains and losses		**14,459**	74,427
Salaries, allowances and related benefits		**(243,648)**	(213,468)
Other operating, administrative and selling expenses		**(403,573)**	(443,092)
Depreciation of property and equipment		**(22,841)**	(26,100)
Finance costs		**(7,085)**	(6,501)
(Loss) profit before loss arising from an associate and taxation		**(67,344)**	15,542
Share of loss of an associate		**(2,938)**	-
Impairment loss recognised on interests in an associate		**(125,760)**	-
(Loss) profit before taxation		**(196,042)**	15,542
Income tax expense	(5)	**(3,715)**	(6,597)
(Loss) profit for the year from continuing operations		**(199,757)**	8,945
Discontinued operation			
Profit (loss) for the year from discontinued operation	(6)	**223,645**	(68,112)
Profit (loss) for the year		**23,888**	(59,167)

	Note	2017 HK$'000	2016 HK$'000 (Restated)
Other comprehensive (expense) income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**(941)**	1,591
Reclassification of translation reserve upon loss of control of a subsidiary		**552**	-
Share of other comprehensive income of an associate		**276**	-
		(113)	1,591
Total comprehensive income (expense) for the year		**23,775**	(57,576)
(Loss) profit for the year attributable to:			
Owners of the Company			
- from continuing operations		**(201,220)**	6,428
- from discontinued operation		**246,702**	(37,567)
		45,482	(31,139)
Non-controlling interests			
- from continuing operations		**1,463**	2,517
- from discontinued operation		**(23,057)**	(30,545)
		(21,594)	(28,028)
		23,888	(59,167)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**45,369**	(28,833)
Non-controlling interests		**(21,594)**	(28,743)
		23,775	(57,576)
Earnings (loss) per share	(7)		
From continuing and discontinued operations			
Basic (HK cents)		**5.47**	(3.75)
Diluted (HK cents)		**5.47**	(3.74)
From continuing operations			
Basic (HK cents)		**(24.21)**	0.77
Diluted (HK cents)		**(24.21)**	0.77

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2017** **HK$'000**	2016 HK$'000
Non-current assets			
Property and equipment		**42,352**	63,911
Investment properties		**-**	16,508
Goodwill		**39,443**	60,049
Intangible assets		**43,460**	53,212
Interests in an associate		**363,585**	-
Available-for-sale financial assets		**-**	8,415
Rental and utilities deposits		**31,660**	43,138
Other assets		**-**	8,567
Deferred tax assets		**6,550**	5,550
		527,050	259,350
Current assets			
Inventories – finished goods held for sale		**40,791**	56,605
Accounts and other receivables	(8)	**160,352**	645,108
Loans receivable		**9,618**	7,881
Amount due from an associate		**1,764**	-
Tax recoverable		**3,163**	1,948
Investments held for trading		**11,025**	33,317
Bank deposits subject to conditions		**41,974**	66,601
Bank balances – trust and segregated accounts		**-**	819,803
Bank balances (general accounts) and cash		**209,031**	629,553
		477,718	2,260,816
Current liabilities			
Accounts payable	(9)	**187,180**	1,168,913
Accrued liabilities and other payables		**118,712**	168,064
Taxation payable		**13,452**	14,968
Obligations under finance leases – amount due within one year		**39**	407
Borrowings - amount due within one year		**195,175**	395,055
		514,558	1,747,407
Net current (liabilities) assets		**(36,840)**	513,409
Total assets less current liabilities		**490,210**	772,759

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Capital and reserves		
Share capital	**83,122**	83,122
Reserves	**425,001**	378,798
Equity attributable to owners of the Company	**508,123**	461,920
Non-controlling interests	**(24,562)**	293,270
Total equity	**483,561**	755,190
Non-current liabilities		
Deferred tax liabilities	**6,649**	6,689
Obligations under finance leases – amount due after one year	**-**	235
Borrowings - amount due after one year	**-**	10,645
	6,649	17,569
	490,210	772,759

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 amendments to Hong Kong Financial Reporting Standards

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of annual improvements to HKFRSs 2014 - 2016 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.

Amendments to HKAS 7 Disclosure initiative

The Group has applied these amendments for the first time in the current year. 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 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.

New and amendments to HKFRSs in issue but not effective

The Group has not early applied the following new and revised 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]
HKFRS 17	Insurance contracts [4]
HK(IFRIC) - Int 22	Foreign currency transactions and advance consideration [1]
HK(IFRIC) - Int 23	Uncertainty over income tax treatments [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 9	Prepayment features with negative compensation [2]
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 28	Long-term interests in associates and joint ventures [2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 - 2016 cycle [1]
Amendments to HKAS 40	Transfers of investment property [1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 - 2017 cycle [2]

[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 2021*

(3) Revenue

	2017 **HK$'000**	2016 HK$'000 (Restated)
An analysis of the Group's revenue for the year is as follows:		
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**1,332,015**	1,440,493
Online game subscription income and licensing income	**1,026**	2,562
	1,333,041	1,443,055

(4) Segment information

<u>Segment information</u>

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 for continuing operations are as follows:

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

The financial services segment was discontinued in the current year. The segment information reported does not include any amounts for the discontinued operation, which are described in more detail in note 6. Accordingly, the segment information for the year ended 31 December 2016 has been re-presented.

Segment revenue and results

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

For the year ended 31 December 2017

	Retailing HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
Continuing operations			
Revenue	**1,332,015**	**1,026**	**1,333,041**
Segment profit (loss)	**19,367**	**(1,936)**	**17,431**
Unallocated other income, gain and losses			**18,513**
Corporate expenses			**(102,965)**
Share of loss of an associate			**(2,938)**
Impairment loss recognised on interests in an associate			**(125,760)**
Unallocated finance costs			**(323)**
Loss before taxation			**(196,042)**

For the year ended 31 December 2016 (Re-presented)

	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Continuing operations			
Revenue	1,440,493	2,562	1,443,055
Segment profit (loss)	34,475	(1,996)	32,479
Unallocated other income, gain and losses			78,860
Corporate expenses			(95,588)
Unallocated finance costs			(209)
Profit before taxation			15,542

All the segment revenue is derived from external customers.

Segment result represents the profit earned/loss incurred by each segment without allocation of certain other income, gain and losses, corporate expenses, share of loss 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 2017

	Retailing HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
ASSETS			
Segment assets	**474,491**	**1,939**	**476,430**
Unallocated property and equipment			**5,770**
Interests in an associate			**363,585**
Tax recoverable			**3,163**
Deferred tax assets			**6,550**
Loans receivable			**9,618**
Amount due from an associate			**1,764**
Investments held for trading			**11,025**
Unallocated prepayments, deposits and other receivables			**104,570**
Unallocated bank balances and cash			**22,293**
Total assets			**1,004,768**
LIABILITIES			
Segment liabilities	**452,422**	**3,266**	**455,688**
Unallocated accrued liabilities and other payables			**45,379**
Taxation payable			**13,452**
Deferred tax liabilities			**6,649**
Obligations under finance leases			**39**
Total liabilities			**521,207**

As at 31 December 2016 (Re-presented)

	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
ASSETS			
Segment assets – continuing operations	491,309	2,140	493,449
– discontinued operation			1,704,522
Total segment assets			2,197,971
Investment properties			16,508
Unallocated property and equipment			9,224
Available-for-sale financial assets			8,415
Tax recoverable			1,948
Deferred tax assets			5,550
Unallocated accounts and loans receivable			169,334
Investments held for trading			11,591
Unallocated prepayments, deposits and other receivables			7,261
Unallocated bank balances and cash			92,364
Total assets			2,520,166
LIABILITIES			
Segment liabilities – continuing operations	450,589	3,539	454,128
– discontinued operation			1,155,229
Total segment liabilities			1,609,357
Unallocated accrued liabilities and other payables			86,360
Taxation payable			11,968
Deferred tax liabilities			6,649
Obligations under finance leases			642
Unallocated borrowings			50,000
Total liabilities			1,764,976

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

- all assets are allocated to the reportable and operating segment other than certain property and equipment, interests in an associate, tax recoverable, deferred tax assets, certain accounts and loans receivable, investments held for trading, amount due from an associate, certain prepayments, deposits and other receivables and certain bank balances and cash; and

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

Other segment information

For the year ended 31 December 2017

	Retailing HK$'000	**Online game services** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Continuing operations				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property and equipment	**15,490**	**-**	**64**	**15,554**
Interest income	**271**	**2**	**28**	**301**
Depreciation of property and equipment	**19,693**	**9**	**3,139**	**22,841**
Finance costs	**6,762**	**-**	**323**	**7,085**
Net gain on investments held for trading	**-**	**-**	**13,223**	**13,223**
Write-down on inventories	**4,873**	**-**	**-**	**4,873**
Loss on disposal/write-off of property and equipment	**351**	**-**	**-**	**351**

For the year ended 31 December 2016 (Re-presented)

	Retailing HK$'000	Online game services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Continuing operations				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property and equipment	13,640	-	490	14,130
Interest income	227	-	359	586
Depreciation of property and equipment	22,625	43	3,432	26,100
Finance costs	6,292	-	209	6,501
Net gain on investments held for trading	-	-	83,869	83,869
Write-down on inventories	4,540	-	-	4,540
Loss (gain) on disposal/write-off of property and equipment	1,930	-	(37)	1,893

Revenue from major products and services

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

	2017	2016
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Sales of furniture and household goods	**1,196,572**	1,276,098
Sales of electrical appliances	**135,443**	164,395
Income from online game services	**1,026**	2,562
	1,333,041	1,443,055

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 the group entities’ operations and information about its non-current assets (excluding those relating to discontinued operation and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Continuing operations				
Hong Kong	**1,332,007**	1,440,470	**519,934**	191,022
PRC	**1,034**	2,585	**566**	528
	1,333,041	1,443,055	**520,500**	191,550

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

(5) Income tax expense

	2017	2016
	HK$'000	HK$'000 (Restated)
Continuing operations		
Current tax:		
- Hong Kong Profits Tax	**4,150**	6,700
Under(over) provision in prior years	**565**	(753)
Deferred tax (credit) charge	**(1,000)**	650
	3,715	6,597

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) Discontinued operation

On 20 June 2017, CASH Financial Services Group Limited ("CFSG") issued 826,000,000 new shares to an independent third party and the shareholding interest of the Company in CFSG was diluted from approximately 40.34% to 33.62%. Upon completion of the issuance of new shares by CFSG, the directors of the Company considered that the Group was no longer in a position to dominate the voting interest and exercise control but maintains significant influence over CFSG. Accordingly, CFSG ceased to be a subsidiary of the Company and became an associate of the Company with effect from 20 June 2017. The Group's financial services operation which is carried out by CFSG was considered as discontinued during the year ended 31 December 2017.

The loss for the period/year from the financial services operation is set out below.

	1.1.2017 to 20.6.2017	1.1.2016 to 31.12.2016
	HK$'000	HK$'000
Loss of financial services operation for the period/year	(38,970)	(68,112)
Gain on disposal of financial services operation	262,615	-
Profit (loss) for the year from discontinued operation	223,645	(68,112)
Profit (loss) for the year attributable to:		
Owners of the Company	246,702	(37,567)
Non-controlling interests	(23,057)	(30,545)
Profit (loss) for the year from discontinued operation	223,645	(68,112)

(7) Earnings (loss) per share

From continuing and discontinued operations

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

	2017 **HK$'000**	2016 HK$'000
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	**45,482**	(31,139)

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

From continuing operations

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

	2017 **HK$'000**	2016 HK$'000
(Loss) profit figures are calculated as follow:		
Profit (loss) for the year attributable to the owners of the Company	**45,482**	(31,139)
Less: (Profit) loss for the year from discontinued operation	**(246,702)**	37,567
(Loss) profit for the purposes of basic and diluted (loss) earnings per share from continuing operations	**(201,220)**	6,428

	2017 **'000**	2016 '000
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share from continuing operations	**831,222**	831,222
Effect of dilutive potential ordinary shares: Share options	**-**	1,973
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share from continuing operations	**831,222**	833,195

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 2017 because they are antidilutive in calculating the diluted loss per share.

From discontinued operation

Basic and diluted earnings per share from the discontinued operation is HK29.68 cents per share (2016: Basic and diluted loss per share from the discontinued operation is HK4.52 cents and HK4.51 cents, respectively), based on the profit for the year from discontinued operation of HK$246,702,000 (2016: loss of HK$37,567,000). The denominators used are the same as these detailed above for the (loss) earnings per share from continuing operations.

(8) Accounts and other receivables

	2017 HK$'000	2016 HK$'000
Accounts receivable arising from the business of retailing	**1,666**	2,995
Accounts receivable arising from financial services business	**-**	432,300
Receivables from securities brokers	**95,765**	163,317
Prepayments	**13,539**	11,403
Rental and other deposits	**47,891**	28,625
Other receivables	**1,491**	6,468
	160,352	645,108

The accounts receivable arising from the financial services business as at 31 December 2016 are related to the Group's financial services operation, which is carried out by CFSG and became discontinued operation during the year ended 31 December 2017.

(9) Accounts payable

	2017 HK$'000	2016 HK$'000
Accounts payable arising from financial services business	**-**	958,557
Trade creditors arising from retailing business	**187,180**	210,064
Accounts payable arising from online game services	**-**	292
	187,180	1,168,913

The accounts payable arising from financial services business as at 31 December 2016 are related to the Group's financial services operation, which is carried out by CFSG and became discontinued operation during the year ended 31 December 2017.

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

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

	2017 HK$'000	2016 HK$'000
0 – 30 days	**73,655**	74,679
31 – 60 days	**51,873**	57,146
61 – 90 days	**45,266**	50,588
Over 90 days	**16,386**	27,651
	187,180	210,064

(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 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 shares 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.

(11) 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 2017 (2016: 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 businesses encountered a slight drop in revenue yet still managed to weather through the difficulties. For the year ended 31 December 2017, the Group recorded revenue of HK$1,333.0 million as compared to HK$1,443.1 million in the previous year.

During the year under review, CASH Financial Services Group Limited (CFSG) which was then a subsidiary of the Group issued 826 million new shares to a subscriber with a subscription price of HK$0.28 per share. After the completion of transaction on 20 June 2017, the Group's shareholding interest in CFSG was diluted from approximately 40.34% to 33.62% and accordingly CFSG ceased as a subsidiary of the Group and became an associate of the Group. Due to this deemed disposal of CFSG, the Group recorded a gain of approximately HK$262.6 million.

After taking into account the above mentioned gain on deemed disposal and the operating results of the continuing operations, which already included an impairment loss recognised on interest in an associate of approximately HK$125.8 million and a share of loss in associate of HK$2.9 million, the Group reported a net profit of HK$23.9 million for the year ended 31 December 2017.

RETAIL MANAGEMENT BUSINESS – CRMG

The economic conditions of Hong Kong had shown gradual improvement during current year under review. The prevailing favourable employment and income conditions rendered a solid support to both domestic demand and local consumption sentiment. The strong demand in the residential property market, especially those from investors and young couples looking for small flats, showed no sign of shrinking. These factors had both positive and negative impacts on our retailing business. Thanks to the unabated strong demand in the property market and the overall improving employment outlook and household incomes, we had achieved a 7.2% same-store-growth for our furniture and household sales in our flagship stores.

The low unemployment rate which remained steady at about 3.1% for most of the time and fell to 2.9% in the fourth quarter of 2017- the lowest in 20 years, had continuously been pushing up the staff costs to a new high, whilst the positive consumption sentiment and promising retailing business outlook helped further inflate the rental costs of our outlets, most of which are located in shopping malls and streets selling goods for daily consumption to the local population. Facing the ever rising staff and rental costs, we had embarked on network optimization of our retail stores by closing down 4 underperforming stores, the landlords of which had denied any rental concession at all to our demands. As a result of shutting down these stores, the total sales-space had decreased by approximately 10% for the year under review, which in turn had caused the overall fall in revenue by 7.5% as compared with the preceding year. On the other hand, the rental costs, being one of the major components of the total operating costs, had been down by 12.4% as compared with the preceding year. After the recent network optimization of our retail stores, we still could have our hero products prominently displayed in a chic and spacious shopping environment in our flagship stores by pulling some bulky electrical appliances and household products with low margins off the shelves and shifting them to our online store. Together with our full range furniture and household products, we were still able to offer the most comprehensive product range to our customers for their shopping and buying online and have persistently enhanced e-shopping experience for our customers by deploying the most advanced information technology and the latest e-marketing solutions to our online store.

To keep our leading position in the retailing business amid the rapidly changing business environments, we have stepped forward to introduce new retail concepts by serving our current customers with more variety of products while at the same time, explored new clusters of customers. Hence, we had adopted a multi-brand business strategy to cater for the ever-increasing demands of our existing and potential customers in different segments. In pursuance of our new business strategy, several new specialty stores which will be operated under new brand names and carry a variety of products not currently being sold in the existing Pricerite stores have been scheduled to open in early 2018. As such, we had recruited a team of specialists with experiences in various aspects of retailing business to pursue our multi-brand business strategy, which had inevitably led to an increase in staff costs for the year under review. For the year ended 31 December 2017, CRMG recorded revenue of HK$1,332.0 million, representing a drop of 7.5% as compared with HK$1,440.5 million in 2016 and a pre-tax profit of HK$19.4 million as compared to a pre-tax profit of HK$34.5 million for 2016.

MOBILE INTERNET SERVICES BUSINESS – NET2GATHER

The Group's Mobile Internet Service Business recorded revenue of HK$1.0 million and a net segment loss of HK$1.9 million for 2017, as compared to revenue of HK$2.6 million and a net segment loss of HK$2.0 million in the previous year.

CFSG – The Group's Associate

FINANCIAL SERVICES BUSINESS - FSG

For the year ended 31 December 2017, CFSG recorded revenue of HK$133.6 million, representing a decrease of 19.9% as compared with HK$166.8 million in 2016.

At the beginning of the year, the CFSG board remained cautious towards the economic outlook of Hong Kong as the local market was still facing various concerns and uncertainties including the accelerated pace of the US interest-rate increases, Renminbi depreciation and the economic growth on the Mainland. As such, CFSG had adopted a prudent margin lending policy. The local securities firms have recently been facing ever inflating compliance and legal costs as a result of the introduction of more stringent compliance requirements by the relevant regulatory authorities in recent years. The stringent compliance requirements such as Financial Resources Rules had made CFSG, being a Hong Kong based securities house with limited capital, more difficult to achieve impressive growth for its margin financing-driven broking business. Having exercised restraint in making excessive margin loans to our clients for their trading and investment activities due to our limited working capital had caused a drop of approximately 37.8% in securities brokerage incomes for the first half of the year. To strengthen its financial services business by providing more funding for its margin financing and underwriting businesses, CFSG had completed two fund raising activities during the year. In June, 826 million new shares at a subscription price of HK$0.28 per share were issued and allotted to an investor, raising approximately HK$231.3 million. In July, convertible bonds at the initial conversion price of HK$0.31 per share were issued and placed to several investors, raising HK$620 million. The completion of these two fund raising activities had resulted in CFSG having a stronger financial position and could provide more margin loans to our client investors, thus encouraging them to make more trading activities amid the improving investment sentiment, both locally and overseas. In December 2017, the aforesaid convertible bonds were fully redeemed by CFSG. Thus, there were no convertible bonds outstanding in issue at the year-end date. Almost immediately after the completion of the issue of the shares, the unexpected panic selling of several small-cap stocks forced CFSG to put its ready-to-launch flexible and lenient lending policy on hold. In late June, more than a dozen small-cap stocks in Hong Kong suffered a price crash almost simultaneously. CFSG made a provision for bad debts of HK$15.0 million in respect of the over losses incurred by a few margin clients in this penny-stock meltdown. In order to avoid incurring the similar losses, a thorough review on the existing credit risk management had been undertaken immediately after the crisis and much more stringent control measures had been put in place since then. This rather conservative credit policy had to some extent hindered CFSG from aggressively granting margin financing to our client investors who actively traded in small-cap stocks and possessed stock holdings heavily concentrated in second- and third-liner shares and the non-acceptable small-cap stocks. This tightening of credit facilities to these clients had explained why CFSG's brokerage business had failed to achieve growth in revenue amid the improving investor sentiment across the global market. It also explained why its performance had been lagging behind that of the local stock market the trading of which had been very active for most of the year, with the average daily turnover 32% higher than the average in 2016. In order to boost the turnover of CFSG's brokerage business, the CFSG board had adopted a more flexible approach in granting margin loans and trading limits to the clients who had records of high credibility and rating, as well as those had mostly traded and invested in blue- and red-clip stocks. This had helped CFSG's brokerage income gradually pick up in the last quarter of the year and recorded net profit for the 3-month period. It is not only the shift in margin financing policy that led to the decrease in securities brokerage revenue, the ever-changing landscape in the derivatives markets had also badly hit CFSG's commodity brokerage business. Most of our clients who are mainly retail investors had incurred huge losses these days when making their investment strategies and trading activities in complex securities, especially commodity futures and options which had exhibited extremely high volatility over the past years. As more and more leading financial institutions, corporate investors and hedge-fund managers have been using the most advanced technologies to formulate their sophisticated strategies and models to execute their trading activities, our client investors find it more difficult to take profit from trading in commodity futures and options and therefore had adopted more risk-averse attitude in these securities dealings and reduced the trading volume drastically for the year under review. CFSG's commodity broking business recorded a drop of 53.1% in revenue for 2017 as compared with the preceding year. Despite the mild drop in our brokerage revenue, our asset management business recorded 353% growth in revenue and an increase of 56.2% in its assets under management during the year. By providing our clients with high-quality and comprehensive advisory services and tailor-made investment strategies in the fast changing stock market, they had received outperforming annualised returns on their investments and achieved considerable assets appreciation for the current year.

CFSG recorded a net loss of HK$46.1 million for the year ended 31 December 2017 as compared to a net loss of HK$51.2 million in the preceding year. As mentioned hereinbefore, CFSG ceased to be a subsidiary of the Group on 20 June 2017 and accordingly, the Group's financial services operation which is carried out by CFSG was considered as discontinued during the year ended 31 December 2017. CFSG record a net loss of HK$39.0 million for the period from 1 January 2017 to 20 June 2017.

Liquidity and Financial Resources

Upon CFSG becoming an associated company of the Group, its assets and liabilities would no longer be consolidated in the Group's financial statements. The Group's interest in CFSG had been disclosed as interests in an associate in its statement of financial position as at 31 December 2017 accordingly.

The Group's equity attributable to owners of the Company amounted to HK$508.1 million as at 31 December 2017 as compared to HK$461.9 million at the end of the previous year. The increase in equity was mainly due to the net profit reported for the year.

As at 31 December 2017, the Group had total outstanding borrowings of approximately HK$195.2 million as compared to HK$405.7 million as at 31 December 2016. The decrease in bank borrowings was mainly due to the fact that CFSG's bank borrowings which had been included in the Group's total borrowings at the end of the last year were no longer consolidated in its total borrowings as at 31 December 2017. The bank borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately HK$118.6 million and secured loans of approximately HK$76.6 million. The above bank loans of approximately HK$76.6 million were secured by the Group's pledged deposits of HK$42.0 million and corporate guarantees.

As at 31 December 2017, our cash and bank balances totalled HK$251.0 million as compared to HK$1,516.0 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the fact that CFSG's cash and bank balances which had been included in the Group's total bank balances at the end of the last year were no longer consolidated in its total bank balances as at 31 December 2017. The Group derives its revenue mainly in Hong Kong dollars and maintains its cash and bank balances mainly in Hong Kong dollars.

The liquidity ratio as at 31 December 2017 fell to 0.93 time from 1.29 times as at 31 December 2016. The decrease in the liquidity ratio was mainly due to the fact that CFSG's current assets and liabilities which had been included in the Group's statements of financial position at the end of the last year were no longer consolidated in its statements of financial position as at 31 December 2017.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 40.4% as at 31 December 2017 as compared to 53.8% as at 31 December 2016. The decrease in gearing ratio was mainly due to the fact that CFSG's bank borrowings which had been included in the Group's total borrowings at the end of the last year were no longer consolidated in its total borrowings as at 31 December 2017. 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

The proposed disposal of 36.28% shareholding interest in CFSG (a non-wholly-owned subsidiary of the Company as at the date of the sale and purchase agreement on 8 September 2016) by the Group to Ever Billion Group Limited ("Ever Billion") at a consideration of HK$765 million (representing a purchase price of HK$0.51 per share of CFSG), which constituted a possible very substantial disposal of the Company under the Listing Rules and triggered a possible mandatory general offer for shares in CFSG, was terminated on 29 March 2017. The transaction was approved by shareholders of the Company at a special general meeting of the Company held on 28 October 2016. 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.

In March 2017, the Company announced a major transaction in relation to proposed issue of 826 million new subscription shares in CFSG at a subscription price of HK$0.28 per share to Ever Billion resulting in deemed disposal of shareholding interest of the Company in CFSG under the Listing Rules. The transaction was approved by shareholders of the Company at a special general meeting of the Company held on 16 June 2017. Upon completion on 20 June 2017, 826 million new subscription shares of CFSG were duly issued and allotted, and CFSG raised gross proceeds of approximately HK$231.3 million. Since then, the shareholding interest of the Company in CFSG was diluted from 40.34% to 33.62% and CFSG ceased as a subsidiary of the Company and became an associate of the Company. Details of the transaction were disclosed in the joint announcement of the Company and CFSG dated 6 April 2017, circular and supplemental circular of the Company dated 16 and 29 May 2017 respectively.

In May 2017, the Company announced a possible very substantial disposal in relation to proposed issue of convertible bonds in the amount of up to HK$620 million by CFSG to independent placees at initial conversion price of HK$0.31 per share of CFSG resulting in deemed disposal of shareholding interest of the Company in CFSG under the Listing Rules. The transaction was approved by shareholders of the Company at a special general meeting of the Company held on 10 July 2017. Upon the completion on 27 July 2017, convertible bonds with an aggregate principal amount of HK$620 million were issued by CFSG and CFSG raised gross proceeds of HK$620 million. The convertible bonds were early redeemed in full by CFSG on 19 December 2017 in accordance with the terms of the convertible bonds. There was no convertible bond outstanding in issue as at end of the year. Details of the transaction were disclosed in the joint announcements of the Company and CFSG dated 26 May 2017, 27 July 2017 and 13 December 2017 and the circular issued by the Company dated 21 June 2017.

In November 2017, the Company announced a possible very substantial disposal in relation to possible disposal of all the 33.62% shareholding interest of the Company in CFSG at a minimum disposal price of HK$0.31 per share subject to the terms of the disposal mandate. The disposal mandate was approved by shareholders of the Company at a special general meeting of the Company held on 18 December 2017. No share in CFSG has been disposed by the Company under the disposal mandate for the year under review. Details of the transaction were disclosed in the joint announcement of the Company and CFSG dated 7 November 2017 and the circular issued by the Company dated 29 November 2017.

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

Save as disclosed in this annual report, 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

The market value of a portfolio of investments held for trading decreased from HK$33.3 million as at 31 December 2016 to approximately HK$11.0 million as at 31 December 2017. A net gain derived from investments held for trading of HK$13.2 million was recorded for the year. Such securities investments were not material to the total assets of the Group as at 31 December 2017.

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

Financial and Operational highlights

Revenue

(HK$'m)	**2017**	2016	% change
Continuing operations			
Retailing	**1,332.0**	1,440.5	(7.5%)
Online game	**1.0**	2.6	(61.5%)
Group total	**1,333.0**	1,443.1	(7.6%)

Key Financial Metrics

	2017	2016 (Restated)	% change
The Group			
Net profit (loss) attributable to shareholders (HK$'m)	**45.4**	(28.8)	257.6%
Earnings (loss) per share (HK cents)	**5.47**	(3.75)	245.9%
Total assets (HK$'m)	**1,004.8**	2,520.2	(60.1%)
Cash on hand (HK$'m)	**251.0**	1,516.0	(83.4%)
Bank borrowings (HK$'m)	**195.2**	405.7	(51.9%)
Retailing			
Revenue per sq. ft. (HK$)	**4,488**	4,380	2.5%
Growth for same stores (vs last year)	**7.2%**	3.6%	N/A
Inventory turnover days	**23.8**	27.7	(14.1%)
Financial services			
Annualised average fee income from broking per active client (HK$'000)	**7.3**	10.2	(28.4%)

Business Review and Outlook

RETAIL MANAGEMENT BUSINESS – CRMG

Industry Review

The Hong Kong economy grew at 3.8% in 2017, following robust growth of 3.9% in the first three quarters on the back of strong asset markets and an improved global economic environment. A pick-up in visitor arrivals from Mainland China and strong local demand boosted consumer confidence. In 2017, total retail sales rose 2.2%, the first increase in three years, putting the retail market on track for a recovery. The optimistic retail outlook has also spurred a trend of rising rents.

Business Review

The Transport and Housing Bureau projected Hong Kong's supply of new private flats to reach 97,000 over the next three to four years. As homes are in high demand among Hong Kong people, but apartment prices are still soaring, there will continue to be a need to furnish homes in ways that maximise shrinking saleable floor area and usable space. To cater for customers' increasingly diverse needs in home and other furnishing sectors, and following careful market research, the Board adopted a multi-brand strategy to better serve different customer segments. To carry this forward, the Group mobilised its internal resources and retail knowhow in home furnishings, and recruited a team of specialists in different fields to spearhead the development of our multi-brand business. The Group is also committed to blending human talent with advanced technology to ensure seamless integration of our omni-channel business model and to add value for customers. Given our pioneering role in adopting this customer-centric "New Retail" concept and, as New Retail becomes the industry's new normal, we will continue to bring a more automated, interactive, digitalised and personalised shopping experience to customers.

Pricerite – Smart, Local Home Furnishing Solutions

The booming residential property market, especially in small and medium-sized flats, brought higher demand for home furnishings and smart furniture solutions. During the year, Pricerite recorded a respectable same-store growth of 7.2%. Pricerite also took advantage of a rental market correction to optimise its retail network. Underperforming stores were closed or relocated to better locations to improve overall network efficiency and maximise productivity.

As the first home furnishing retailer in Hong Kong to develop seamless omni-channel retailing, Pricerite further integrated its online and offline shopping experiences with artificial intelligence, big data analytics, mobile payments and robotic technologies, culminating in the opening of our New Retail concept store in Mongkok.

After reviewing our corporate positioning, we fine-tuned our brand proposition to better communicate with customers. To strengthen bonds with Hong Kong people, we proposed a new theme, "Live on the Bright Side", to encourage people amid the challenges of life while conveying Pricerite's vision to create smart home solutions that light up their lives. A new brand ambassador, Ms Karena Lam, was recruited, with Ms Lam's smart, cheerful and positive outlook aligning perfectly with such brand positioning. The new campaign was well received and improved the brand's health.

In addition, we developed more products focused on space maximisation and customers' well-being. In home furnishings, the Transformer series provided multi-functional items that allow better usage of space. We also introduced a wide range of products to address modern well-being issues, including spinal health, air and water quality.

In 2018, Pricerite will optimise its store network further and open branches in new residential areas in the New Territories. We will also continue to pioneer the New Retail concept in Hong Kong's home furnishing market to improve customers' experience and shopping journey through on-going evolution of space management and well-being products that address modern living concerns.

TMF – Reliable, Professional Tailor-Made Furniture Solutions

The increasing number of small flats in Hong Kong has brought a larger demand for highly flexible and tailor-made furniture. As such, in 2017, TMF developed into a stand-alone CRMG brand, dedicated to providing customised furnishing solutions for household and corporate clients in Hong Kong. TMF's differentiated and distinctive services offer a professional and caring approach as well high-quality customer solutions.

During the year, TMF opened a new store in HomeSquare, Shatin, a strategic location with a cluster of industry players that will help the brand secure a foothold in the sector and raise awareness. To cope with rapid business growth, we also opened a TMF Design Centre in Mongkok to provide tailored services to clients.

With a view to reshaping market standards to address customers' key concerns on tailor-made home furnishing solutions, we became the first in the market to give "5 unique service pledges" to strengthen customer confidence. We also continued our collaboration with Hong Kong Design Institute to nurture a sustainable pool of furniture design talents.

TMF experienced a year of intensive enhancement in 2017, augmenting its business model, brand image, team-building, and operations. Given this solid foundation, it is expected that 2018 will be a year of strong development for TMF. Its store network will be further optimised by opening new branches in strategic locations and streamlining underperforming stores while human resources and operations will be strengthened to maximise resource allocation and utilisation to boost our total customer experience.

W@W – The Workplace Wellness Advisor

As a total caring organisation, the Group is committed to helping organisations optimise wellness in the workplace. Established in 2017, Wellness at Work (W@W) provides full workplace furnishing and wellness solutions to corporate clients. Whether office sundries, office and dormitory furniture or electrical appliances for the workplace, W@W is seeking to becoming Hong Kong companies' long-term wellness partner. By sharing health and safety knowledge through electronic Direct Mail (eDMs) and workshops, we are committed to promoting a wellness culture at work. Our client portfolio ranges from theme parks, property developers, banks and hospitals to education institutions, youth centres and elderly care centres. In 2018, W@W will continue to expand into this untapped market and cultivate wellness at work in Hong Kong.

Outlook and Corporate Strategy

The low interest rate environment and stable economic outlook resulted in consistently high demand for homes and hence home furnishing solutions in 2017. However, the positive retail market also led to rising operating costs, including rents and salaries. The Group is thus cautiously optimistic about CRMG's development, in particular our multi-brand strategy catering for home and other furnishing needs of clients across a wide spectrum of sectors, and CRMG's commitment to innovative smart furnishing solutions and the provision of a delightful shopping experience for customers.

MOBILE INTERNET SERVICES BUSINESS – NET2GATHER

In view of the very severe industry competition, further explorations and developments of the mobile game licensing business in overseas market were suspended from second half of the year. During the year, the Group's mobile internet services business recorded revenue of HK$1.0 million and a net segment loss of HK$1.9 million, as compared to revenue of HK$2.6 million and a net segment loss of HK$2.0 million in the previous year.

According to the research report jointly released by the China Audio-video and Digital Publishing Association (CADPA), Gamma Data and International Data Corporation (IDC), overseas sales of Chinese online games experienced significantly slower growth that the sales surged only 14.5% to USD 8.28 billion in Year 2017. The market was dominated by a few key players that the local developers started to implement more prudent approach in overseas licensing business. On the other hand, as for those local developers committed to expansion in overseas market, disintermediation was seen that they started investing directly in operations setup, localisation and technical implementation. We will consider new business and investment initiatives in mobile internet industry other than the gaming sector to capture new market opportunities.

CFSG – The Group's Associate

FINANCIAL SERVICES BUSINESS – FSG

Industry Review

Following modest signs of a broad-based recovery in the first half of 2017, the global economy was lifted by a strong pick-up in second half of 2017. Mainland China recorded robust GDP growth of 6.9% in 2017, reversing the downward trend for the first time since 2010. In addition, the US Federal Reserve's intention to gradually raise interest rates and scale back its balance sheet, together with the European Central Bank's pledge of a gradual withdrawal of quantitative easing, indicated growing confidence in stable global economic growth.

In Hong Kong, the economy benefitted from the solid global recovery and resilient local demand, with robust growth of 3.8% for 2017. The Hang Seng Index ended 2017 at 29,919.15, a rise of 36% over the year, with average daily turnover reaching HK$88.2 billion, representing a 32% increase in 2017. Mid-year, a sudden massive small-cap sell-off held up retail investors for several months. An appetite for investment returned when IPO activities received a boost during China's 19th Communist Party Congress and more southbound capital inflows headed into the maturing market of Stock Connect programmes.

Business Review

Broking

Brokerage income from securities trading amounted to HK$61.9 million, with a decline of 53.0% in commodities commission recorded due to reduced interest of Mainland clients on international commodities products. Total brokerage commission income decreased by 27.5% from HK$124.9 million to HK$90.5 million year-on-year in 2017. In the third quarter of 2017, the pace of IPO activities slowly started to pick up and the stock market regained its trading momentum, with interest income from IPO and margin financing achieving accelerated growth of 34.9% to HK$22.8 million.

Following the Hong Kong Stock Exchange's proposal to expand Hong Kong's listing regime to ensure Hong Kong remains competitive to attract more listing by innovative companies including considering weighted voting right structure, we anticipate more IPOs and mega companies will seek listings in 2018. The outlook for 2018 is also positive in view of the stable investment environment and optimistic economic outlook. As such, we will continue to expand our margin loan book together with prudent risk management, identify new business opportunities by entering different markets, and revamp our apps and online trading platform to enhance our services. We see relationship management as a key focus to increase customer satisfaction, loyalty, and services that can drive further business growth.

Investment Banking

While the number of IPOs in Hong Kong hit a record high of 160 in 2017, total proceeds dropped to HK$130 billion – the lowest since 2012 (HK$90 billion) – due to a lack of sizeable deals. Hong Kong was therefore unable to retain its leading position as the world's top IPO market in both 2016 and 2017.

In 2017, we advised a number of listed companies on a range of corporate finance transactions, including issuance of securities, acquisitions and disposals, general offers and proposed connected transactions. We also acted as sole book-runner for IPO clients. Our clients included, among others, Hong Kong companies and Mainland China enterprises listing H shares and A shares respectively on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

By leveraging our fund-raising capabilities and financial advisory expertise, we will continue to provide fully fledged investment banking services and maintain our balanced focus on IPOs, corporate finance transactions and fund-raising activities to assist our clients in capturing different capital markets and corporate finance opportunities.

Asset Management

Assets under management rose by around 56.2% by the end of December 2017 compared with the previous year, outperforming the benchmark index. Our focus was on sectors with fast corporate earnings growth, such as technology shares, and bottomed-out industries, for example, Macau gaming.

With the stable macro environment, subsequent increase of capital inflow through Hong Kong Stock Connect, rapid corporate earnings growth and the inclusion of A-shares in the MSCI Index, we are positive about the Hong Kong and Mainland China stock markets. Currently, the Hang Seng Index is trading at around 13.5 times prospective price/earnings, 1.36 times price-to-book and 3.2% dividend yield, an undemanding valuation compared with global stock markets. The Hang Seng Index is likely to set a new record in 2018 and we expect our revenue and assets under management to experience significant growth – unexpected circumstances notwithstanding.

Wealth Management

Despite the effect of the ever-changing economic environment on the overall market, we achieved satisfactory results due to an increase in recurring income. The rebound in the global market resulted in a remarkable performance for portfolios under our discretionary portfolio management service.

In 2018, we will focus on leveraging existing client and business partner networks for business development and continue to broaden our service offerings to provide comprehensive total wealth management solutions to clients. We also plan to open new offices in Mainland China to capture its fast-growing wealth management market.

Financial Technology (FinTech)

In 2017, CFSG continued to transform its services through the use of the latest technologies while leveraging its established brand heritage in premium brokerage, wealth management, and asset management services. Aiming to simplify, standardise, and automate CFSG's product and service offerings, we are currently developing a new trading platform, encompassing web, iOS and Android applications for both premium brokerage and asset management services. We will provide brokerage services for trading on global exchanges, and asset management services for discretionary fund investment and robo-advisory services. With artificial intelligence (AI) redefining the financial industry, we will also integrate innovative AI technologies and big data analytics to provide investment advisory and personalised news recommendations on the new trading platform.

Outlook and Corporate Strategy

Despite some geopolitical risks, interest rate hikes and the scale-back plans of the Federal Reserve and European Central Bank, the global economy gained strength in 2017 and should continue to do so. Mainland China's "One Belt, One Road" initiative, internationalisation of the Renminbi, and development of the Guangdong-Hong Kong-Macau Greater Bay Area will all bring significant opportunities for Hong Kong's growth in the next decades, in particular a demand for international financial services. Together with Hong Kong's new administration's commitment to support a gradual economic transformation to high value-added industries, including innovative ventures and technology enterprises, the Group is cautiously optimistic about our strategy to evolve into a technology-driven financial services business.

With our solid business foundation and enhanced financial strength, CFSG remains dedicated to generating sustainable growth through our customer-centric, technology-driven financial business model; and to a gradual transformation into a leading Hong Kong-based investment advisory group in China, based on service excellence in the four pillars of investment and wealth management, namely broking, investment banking, asset management and FinTech.

EMPLOYEE INFORMATION

At 31 December 2017, the Group had 918 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$278.1 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 2017, 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. The respective CEOs of each business units of the Group 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 2017 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 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, 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 2017, 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, 22 March 2018

As at the date hereof, the Board comprises:-

Executive Directors:

Mr Kwan Pak Hoo Bankee, JP
Mr Law Ping Wah Bernard
Mr Chan Chi Ming Benson
Ms Kwok Lai Ling Elaine
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*