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 2018

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 2018 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2018** **HK$'000**	2017 HK$'000
Continuing operations			
Revenue	(3)	**1,420,264**	1,333,041
Cost of inventories		**(824,943)**	(748,200)
Other income		**13,177**	10,503
Other gains and losses		**15,490**	14,459
Salaries, allowances and related benefits		**(248,330)**	(243,648)
Other operating, administrative and selling expenses		**(418,454)**	(403,573)
Depreciation of property and equipment		**(26,190)**	(22,841)
Impairment loss recognised in respect of property and equipment		**(8,537)**	-
Finance costs		**(9,666)**	(7,085)
Loss before loss arising from associates and taxation		**(87,189)**	(67,344)
Share of loss of associates		**(48,459)**	(2,938)
Impairment loss recognised on interests in an associate		**(64,966)**	(125,760)
Loss before taxation		**(200,614)**	(196,042)
Income tax expense	(5)	**(4,325)**	(3,715)
Loss for the year from continuing operations		**(204,939)**	(199,757)
Discontinued operation			
Profit for the year from discontinued operation	(6)	**-**	223,645
(Loss) profit for the year		**(204,939)**	23,888

	Note	2018 HK$'000	2017 HK$'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		**1,598**	(941)
Reclassification of translation reserve upon loss of control of a subsidiary		**-**	552
Share of other comprehensive income of an associate		**94**	276
		1,692	(113)
Total comprehensive (expense) income for the year		**(203,247)**	23,775
(Loss) profit for the year attributable to:			
Owners of the Company			
- from continuing operations		**(202,415)**	(201,220)
- from discontinued operation		**-**	246,702
		(202,415)	45,482
Non-controlling interests			
- from continuing operations		**(2,524)**	1,463
- from discontinued operation		**-**	(23,057)
		(2,524)	(21,594)
		(204,939)	23,888
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(200,723)**	45,369
Non-controlling interests		**(2,524)**	(21,594)
		(203,247)	23,775
(Loss) earnings per share	(7)		
From continuing and discontinued operations			
Basic (HK cents)		**(24.35)**	5.47
Diluted (HK cents)		**(24.35)**	5.47
From continuing operations			
Basic (HK cents)		**(24.35)**	(24.21)
Diluted (HK cents)		**(24.35)**	(24.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2018** **HK$'000**	 2017 HK$'000
Non-current assets			
Property and equipment		**56,293**	42,352
Goodwill		**39,443**	39,443
Intangible assets		**43,460**	43,460
Interests in associates		**259,494**	363,585
Rental and utilities deposits		**41,708**	31,660
Deferred tax assets		**6,550**	6,550
		446,948	527,050
Current assets			
Inventories – finished goods held for sale		**57,848**	40,791
Accounts and other receivables	(8)	**91,215**	160,352
Loans receivable		**4,171**	9,618
Amount due from an associate		**1,904**	1,764
Tax recoverable		**72**	3,163
Investments held for trading		**2,018**	11,025
Pledged bank deposits		**44,379**	41,974
Bank balances (general accounts) and cash		**212,450**	209,031
		414,057	477,718
Current liabilities			
Accounts payable	(9)	**238,335**	187,180
Accrued liabilities and other payables		**63,789**	118,712
Contract liabilities		**23,140**	-
Taxation payable		**13,463**	13,452
Obligations under finance leases - amount due within one year		**444**	39
Borrowings - amount due within one year		**208,685**	195,175
		547,856	514,558
Net current liabilities		**(133,799)**	(36,840)
Total assets less current liabilities		**313,149**	490,210

	As at 31 December 2018 HK$'000	2017 HK$'000
Capital and reserves		
Share capital	**83,122**	83,122
Reserves	**224,275**	425,001
Equity attributable to owners of the Company	**307,397**	508,123
Non-controlling interests	**(27,086)**	(24,562)
Total equity	**280,311**	483,561
Non-current liabilities		
Deferred tax liabilities	**6,949**	6,649
Obligations under finance leases - amount due after one year	**1,375**	-
Borrowings - amount due after one year	**24,514**	-
	32,838	6,649
	313,149	490,210

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 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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- sales of furniture and household goods and electrical appliances
- sales of tailor-made furniture

HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

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 16	Leases [1]
HKFRS 17	Insurance Contracts [3]
HK(IFRIC) - Int 23	Uncertainty Over Income Tax Treatments [1]
Amendments to HKFRS 3	Definition of a Business [4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [2]
Amendments to HKAS 1 and HKAS 8	Definition of Material [5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement [1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures [1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle [1]

[1] *Effective for annual periods beginning on or after 1 January 2019*
[2] *Effective for annual periods beginning on or after a date to be determined*
[3] *Effective for annual periods beginning on or after 1 January 2021*
[4] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*
[5] *Effective for annual periods beginning on or after 1 January 2020*

(3) Revenue

For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	HK$'000
Types of goods or service	
Sales of furniture and household goods	1,188,557
Sales of electrical appliances	142,108
Sales of tailor-made furniture	89,599
	1,420,264
Timing of revenue recognition	
A point of time	1,330,665
Over time	89,599
	1,420,264
Geographical market	
Hong Kong	1,420,264

For the year ended 31 December 2017

	HK$'000
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
Online game subscription income and licensing income	1,026
	1,333,041

(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 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, of which the management is proactively looking for potential transactions during the year

The financial services segment was discontinued during the year ended 31 December 2017. The segment information reported does not include any amounts for the discontinued operation, which are described in more detail in note 6.

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 2018

	Retailing HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
Continuing operations			
Revenue	**1,420,264**	**-**	**1,420,264**
Segment loss	**(23,937)**	**(418)**	**(24,355)**
Unallocated other income, gain and losses			**22,474**
Corporate expenses			**(85,245)**
Share of loss of associates			**(48,459)**
Impairment loss recognised on interests in an associate			**(64,966)**
Unallocated finance costs			**(63)**
Loss before taxation			**(200,614)**

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 associates			(2,938)
Impairment loss recognised on interests in an associate			(125,760)
Unallocated finance costs			(323)
Loss before taxation			(196,042)

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 associates, impairment loss recognised on interests in an associate and certain finance costs. This is the measure reported to the executive directors of the Company 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 2018

	Retailing HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
ASSETS			
Segment assets	**495,124**	**1,346**	**496,470**
Unallocated property and equipment			**5,298**
Interests in associates			**259,494**
Tax recoverable			**72**
Deferred tax assets			**6,550**
Loans receivable			**4,171**
Amount due from an associate			**1,904**
Investments held for trading			**2,018**
Unallocated prepayments, deposits and other receivables			**54,162**
Unallocated bank balances and cash			**30,866**
Total assets			**861,005**
LIABILITIES			
Segment liabilities	**542,933**	**3,048**	**545,981**
Unallocated accrued liabilities and other payables			**12,482**
Taxation payable			**13,463**
Deferred tax liabilities			**6,949**
Obligations under finance leases			**1,819**
Total liabilities			**580,694**

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 associates			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

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 associates, tax recoverable, deferred tax assets, 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 and obligations under finance leases.

Other segment information

For the year ended 31 December 2018

	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	**45,996**	**-**	**2,802**	**48,798**
Interest income	**657**	**-**	**313**	**970**
Depreciation of property and equipment	**22,913**	**3**	**3,274**	**26,190**
Finance costs	**9,603**	**-**	**63**	**9,666**
Net gain on investments held for trading	**-**	**-**	**8,384**	**8,384**
Write-down on inventories	**2,960**	**-**	**-**	**2,960**
Loss on disposal/write-off of property and equipment	**97**	**-**	**-**	**97**
Impairment loss recognised in respect of property and equipment	**8,537**	**-**	**-**	**8,537**

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

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:

	2018	2017
	HK$'000	HK$'000
Continuing operations		
Sales of furniture and household goods	**1,278,156**	1,196,572
Sales of electrical appliances	**142,108**	135,443
Income from online game services	**-**	1,026
	1,420,264	1,333,041

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**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Hong Kong	**1,420,264**	1,332,007	**440,032**	519,934
PRC	**-**	1,034	**366**	566
	1,420,264	1,333,041	**440,398**	520,500

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

(5) Income tax expense

	2018 **HK$'000**	2017 HK$'000
Continuing operations		
Current tax:		
- Hong Kong Profits Tax	**4,000**	4,150
Underprovisions in prior years	**25**	565
Deferred tax charge (credit)	**300**	(1,000)
	4,325	3,715

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 ("Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 from the financial services operation is set out below.

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

(7) (Loss) earnings per share

From continuing and discontinued operations

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

	2018 **HK$'000**	2017 HK$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(202,415)**	45,482

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:

	2018 **HK$'000**	2017 HK$'000
Loss figures are calculated as follow:		
(Loss) profit for the year attributable to the owners of the Company	**(202,415)**	45,482
Less: Profit for the year from discontinued operation	**-**	(246,702)
Loss for the purposes of basic and diluted (loss) earnings per share from continuing operations	**(202,415)**	(201,220)

	2018 **'000**	2017 '000
<u>Number of shares</u>		
Number of ordinary shares for the purpose of basic loss per share from continuing operations	**831,222**	831,222
Effect of dilutive potential ordinary shares: Share options	**-**	-
Number of ordinary shares for the purpose of diluted loss per share from continuing operations	**831,222**	831,222

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 2018 and 2017 because they are antidilutive in calculating the diluted loss per share.

From discontinued operation

During the year ended 31 December 2017, basic and diluted earnings per share from the discontinued operation is HK29.68 cents per share, based on the profit for the year from discontinued operation of HK$246,702,000. The denominators used are the same as these detailed above for the loss per share from continuing operations.

(8) Accounts and other receivables

	2018 **HK$'000**	2017 HK$'000
Accounts receivable arising from the business of retailing	**1,772**	1,666
Receivables from securities brokers	**46,619**	95,765
Prepayments	**13,342**	13,539
Rental and other deposits	**26,760**	47,891
Other receivables	**2,722**	1,491
	91,215	160,352

The Group allows an average credit period of 30 days to its corporate customers on retailing business. The ageing analysis based on the invoice date, which is approximately the revenue recognition date, is as follows:

	2018 **HK$'000**	2017 HK$'000
0 – 30 days	**480**	549
31 – 60 days	**284**	695
61 – 90 days	**268**	68
Over 90 days	**740**	354
	1,772	1,666

(9) Accounts payable

	2018 **HK$'000**	2017 HK$'000
Trade creditors arising from retailing business	**238,335**	187,180

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:

	2018 **HK$'000**	2017 HK$'000
0 – 30 days	**75,132**	73,655
31 – 60 days	**77,456**	51,873
61 – 90 days	**57,385**	45,266
Over 90 days	**28,362**	16,386
	238,335	187,180

(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 include the borrowings and equity attributable to owners of the Company, comprising 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.

A subsidiary of the Group is regulated by the Hong Kong Securities and Futures Commission (“SFC”) and is 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 entity is 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 this entity to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entity has complied with the capital requirements imposed by the SF(FR)R throughout both years.

(11) Events after the reporting period

Subsequent to the end of the reporting period, the Group obtained financial support from its controlling shareholder and external parties in order to improve the Group's financial position.

On 15 March 2019, a special resolution in relation to capital reorganisation was approved by the shareholders at a special general meeting held on the same date. Upon the capital reorganisation took effect on 18 March 2019, the par value of each of the Company's shares was reduced from HK$0.10 to HK$0.01. The authorised share capital of the Company decreased to HK$30,000,000, which represented 3,000,000,000 new shares of par value of HK$0.01 each, of which 831,221,677 new shares were issued and were fully paid or credited as fully paid and the remainder were unissued. The Company’s issued and paid up share capital was reduced to approximately HK$8,312,000 and the reduction amount of approximately HK$74,810,000 was transferred to the contributed surplus account of the Company. Details of the transaction were disclosed in the announcements of the Company dated 29 November 2018 and 1 February 2019, and the circular and the supplemental circular of the Company dated 4 January 2019 and 15 February 2019 respectively.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

REVIEW AND OUTLOOK

Financial Review

FINANCIAL PERFORMANCE

Facing the unexpected local and global economic conditions, tremendous uncertainties and turbulence in the markets throughout the year under review, the Group still managed to record a mild growth in revenue at HK$1,420.3 million for the year ended 31 December 2018 as compared to HK$1,333.0 million the previous year.

During the year, the Group recorded a gain on dilution of interests in an associate of HK$7.3 million. After taking into account the abovementioned gain on dilution and the operating results of the continuing operations, which already included an impairment loss recognised on interest in an associate of HK$65.0 million and share of loss of associates of HK$48.5 million, the Group reported a net loss of HK$204.9 million for the year ended 31 December 2018.

RETAIL MANAGEMENT BUSINESS – CRMG

The year under review was difficult for Hong Kong's retailing business which had been full of uncertainties. Although the booming trend in property and capital markets of Hong Kong in 2017 had carried forward to the early 2018, the good signs of economy had been fading since March 2018, the abrupt outbreak of the US-China trade war and the interest rate hike triggered the global economic and market conditions to deteriorate significantly causing a fall in property and stock markets. Due to the sudden economic downturn and pessimistic outlook, not only the first-hand but also the second-hand residential property market was adversely affected evidenced by the postponement in the sales of new properties. As a result, the consumption sentiment was dragged down even further. Value of total retail sales in Hong Kong decreased by approximately 2.9% in the third quarter of 2018, compared with the preceding quarter and dropped by a further 1.1% in the fourth quarter. During the year, our business initiatives and strategic investments proceeded as planned based on the then optimistic 2018 outlook at the end of the preceding year, including the opening of New Retail Concept Stores which integrated mobile payment, artificial intelligence to bring a unique shopping experience to our customers. Extra resources were deployed in big-data analytics technologies to improve the level of personalisation and to optimise our product mix in order to keep the pace as the worldwide trend of retail industry. Furthermore, comprehensive brand building campaigns with TV commercials were launched for Pricerite and TMF to strengthen our leading market position. Against the backdrop of the US-China trade war, the unexpected downturn of the residential property market and the poor consumption sentiment, the traffic and revenue of Pricerite's flagship New Retail Concept Stores took longer to build up. To capture the demand before the Christmas and New Year holiday seasons with the slightly improving sentiment towards the end of the year, we carried out an anniversary sales in Pricerite to stimulate the traffic and improve the revenue. These measures, together with the brand building campaign, were effective, bringing a strong growth in sales in the fourth quarter of 2018. The full return of our initiatives, however, may take longer time to surface due to the persistent adverse economic and market conditions. Moreover, the US-China trade war in the second half of 2018 also affected the growth of our newly opened retail outlets for SECO and Galleon under our multi-brand strategy which only commenced operation since the second quarter of 2018. In addition to stimulating sales growth, we also started a number of measures to reduce the operating costs on the other hand, such as streamlining the running overheads by staff since the last quarter of the year.

Despite the challenging business environment, the retailing business managed to maintain the revenue level as the previous year and reported revenue of HK$1,420.3 million, representing an increase of 6.6% as compared with HK$1,332.0 million in 2017. Overall, our retailing business recorded a net loss of HK$23.9 million for the year ended 31 December 2018 as compared to a net profit of HK$19.4 million for the previous year.

MOBILE INTERNET SERVICES BUSINESS – NET2GATHER

The Group's Mobile Internet Service Business recorded a net segment loss of HK$0.4 million for 2018, as compared to a net segment loss of HK$1.9 million in the previous year.

CFSG – The Group's Associate

FINANCIAL SERVICES BUSINESS - CFSG

For the year ended 31 December 2018, CFSG recorded revenue of HK$123.4 million, representing a decrease of 7.6% as compared with HK$133.6 million in 2017.

The global economic conditions and markets in 2018 were quite unpredictable. The promising economic outlook and stronger than expected corporate earnings growth in the US after the tax cut campaign were the drivers for the global stock markets to rise and made a new record in the beginning of the year under review. The Hang Seng Index rose to new record high at 33,484 in January 2018. However, the unexpectedly strong employment figures in the US raised the concern of inflation upcoming. The concern of interest rate hike by the Federal Reserve pushed up the yield of US Treasury Bond, leading to a small scale of financial crisis in the global stock markets in February 2018. Strong US Dollar encouraged investors to park their capital to the US market from the emerging market. The US Federal Reserve raised the interest rate four times by 25 basis points each during 2018, together with the adoption of Quantitative Tightening (QT) caused the amount of liquidity decreased within the US economy. These measures dragged down the global stock market as well as property market. Meanwhile, the US-China trade war kicked off at the beginning of July 2018 deteriorated the export and the overall economic situation in China and the Renminbi against USD depreciated close to the key supporting level. The subsequent capital outflow from Hong Kong, the intensified trade tension relationship between the US and China as well as the depreciation of the Renminbi against USD triggered a downside momentum to the local stock market and the Hang Seng Index fell to 24,541 in October, the lowest of the year and it closed at 25,846 at the end of December 2018, down by 13.61% compared with the end of December 2017 while the H-share index closed at 10,125 at the end of December 2018, down by 13.46% compared with the end of December 2017. Due to such a tremendous downturn in local stock market, our brokerage business clients who are mostly retail investors had suffered huge losses when making their investment strategies and trading activities in securities and commodities. These losses discouraged our clients to further invested in the market and the trading volume then reduced drastically. As they had taken a very cautious view to the market, our margin loan book had decreased substantially in the second half of 2018. Our brokerage business commission and interest incomes in securities and commodities trading therefore had dropped significantly. Furthermore, advanced technologies had been utilised by many leading financial institutions, corporate investors and hedge-fund managers to execute sophisticated investment strategies in trading activities, retail investors are more difficult to take profit by engaging in high volume trading activities in the market and therefore had adopted more conservative attitude in securities dealings. These changes in trading mechanism also hindered the performance of our brokerage business which mainly targeted on retail investors. Owing to the decline of investment sentiment and change in trading mechanism, CFSG's brokerage business recorded a drop of 14.9% in income for 2018. On the other hand, despite the downhill of Hong Kong's stock market and uncertain economic outlook for the second half of 2018, CFSG's asset management business recorded a 55.8% growth in revenue compared with 2017 through the provision of high quality tailor-made investment strategies to its clients to cope with market changes. In addition, CFSG's investment banking team had secured a number of sponsor and advisory contracts to achieve a satisfactory revenue growth in 2018. To embrace the ever-changing capital market in the FinTech area, we had launched "Alpha i" - a new mobile trading application which integrated and utilised artificial intelligence, Big Data and cloud computing technologies, to bring a speedy, convenient and cost-effective investing experience to millennial generation investors. Moreover, in order to further explore and expand the types of products and service we are able to offer to our clients, we had submitted an application for a virtual banking licence to the Hong Kong Monetary Authority. CFSG had incurred some upfront costs to invest for these two initiatives. Apart from brokerage, asset management and investment banking business operations, for treasury function, CFSG recorded a net loss of HK$54.1 million on its portfolio of investment securities held for trading due to the downturn of Hong Kong stock market in 2018.

Taking into account the aforesaid net loss on portfolio of investment securities held for trading, CFSG recorded a net loss of HK$144.5 million for the year ended 31 December 2018 as compared to a net loss of HK$46.1 million last year.

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$307.4 million as at 31 December 2018 as compared to HK$508.1 million at the end of the previous year. The decrease in equity was mainly due to the net loss reported for the year.

As at 31 December 2018, the Group had total outstanding borrowings of approximately HK$233.2 million as compared to HK$195.2 million as at 31 December 2017. The bank borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately HK$92.1 million and secured loans of approximately HK$141.1 million. The above bank loans of approximately HK$141.1 million were secured by the Group's pledged deposits of HK$39.0 million and corporate guarantees.

As at 31 December 2018, our cash and bank balances totalled HK$256.8 million as compared to HK$251.0 million at the end of the previous year. 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 2018 fell to 0.76 times from 0.93 times as at 31 December 2017. The decrease in the liquidity ratio was mainly due to the decrease in accounts receivable, increase in bank borrowings and accounts payable.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 83.8% as at 31 December 2018 as compared to 40.4% as at 31 December 2017. The increase in gearing ratio was mainly due to the net loss reported for the year. 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 the first half of the year, the Group subscribed for 19.9% of shareholding interest in Weever FinTech Limited ("Weever FinTech", a non-wholly-owned subsidiary of CFSG which engaged in brokerage services business for digital assets trading) at total cash consideration of approximately HK$1.9 million. In the second half of the year, the shareholding interest of the Group in Weever FinTech was diluted from 19.9% to 18.91% upon issuance of 500,000 new subscription shares (representing 5% of enlarged share capital) by Weever FinTech to an independent investor at total cash consideration of US$5,000,000 (equivalent to approximately HK$39,000,000), resulting in a gain on dilution of interests in an associate of HK$7.3 million to the Group.

During the year under review, the Group did not make any disposal of shares in CFSG under and subject to the terms of disposal mandate as announced by the Company and CFSG dated 7 November 2017 and approved by shareholders of the Company at a special general meeting held on 18 December 2017. Such disposal mandate was expired on 17 December 2018.

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 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$11.0 million as at 31 December 2017 to approximately HK$2.0 million as at 31 December 2018. A net gain derived from investments held for trading of HK$8.4 million was recorded for the year.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Revenue

(HK$'m)	**2018**	2017	% change
Continuing operations			
Retailing	**1,420.3**	1,332.0	6.6%
Online game	**-**	1.0	N/A
Group total	**1,420.3**	1,333.0	6.5%

Key Financial Metrics

	2018	2017	% change
The Group			
Net (loss) profit attributable to shareholders (HK$'m)	**(202.4)**	45.5	(544.8%)
(Loss) earnings per share (HK cents)	**(24.35)**	5.47	(545.2%)
Total assets (HK$'m)	**861.0**	1,004.8	(14.3%)
Cash on hand (HK$'m)	**256.8**	251.0	2.3%
Bank borrowings (HK$'m)	**233.2**	195.2	19.5%
Retailing			
Revenue per sq. ft. (HK$)	**4,759**	4,488	6.0%
Growth for same stores (vs last year)	**4.1%**	7.2%	N/A
Inventory turnover days	**22.8**	23.8	(4.2%)

Business Review and Outlook

RETAIL MANAGEMENT BUSINESS – CRMG

Industry Review

It was a difficult year for Hong Kong retailing. Following a robust 2017 sales rebound and buoyant first half of 2018, the retail market U-turned from mid-year with decreasing quarter-to-quarter sales. Consumer sentiment was adversely affected by growing economic uncertainty amidst global trade tensions and interest rate hikes, deflating Hong Kong's stock and property markets. Together with hotter and wetter than usual inclement weather in the second half of the year, this conspiracy of negative influences resulted in a meagre 4.6% increase in overall Hong Kong annual furniture and fixtures retail sales.

Business Review and Outlook

CRMG continued its multi-brand strategy to grasp opportunities arising from the home-furnishing market – as consumers fervently pursue quality lifestyle amidst diminishing living space in Hong Kong.

To continuously improve our customer loyalty and retention – at the same time enhancing revenue – we deployed a new Customer Relationship Management (CRM) system for our brands during the year. The cloud-based system correlates service, sales, marketing and loyalty management on shopping – focused on building in-depth understanding of our customers and establishing a membership database to facilitate ongoing customer interaction, and provide personalised products and services.

Pricerite

Pricerite launched the first New Retail Concept Stores in Mongkok and Kwai Fong in the first half. This customer-centric retail model uses innovative retail technologies to enhance customer convenience with a new shopping experience. Hands-on demos and interaction with robotics and automation were welcomed by consumers, bringing encouraging new footfall – underlining the growing popularity of new retail technologies integrating benefits of both online and offline retailing in the city.

We also launched a new branding campaign extending our "Small Space • Big Universe" theme, reinforcing our emotional retailing proposition connecting with customers.

To relentlessly improve our innovative and smart space management solutions, we continued product development with customised new offerings meeting home furnishing needs. New products such as Transformer 2.0 and the multi-functional 2-in-1 Wall Series were introduced with positive feedback.

Responding to economic slowdown in the second half, we introduced a series of 'mega-sales' to whet consumer appetite – with encouraging results. To continuously enhance sales performance, we additionally reviewed our store network, aiming to open new stores in new residential districts while closing under-performing stores. Internally, we also rationalised our operations to further enhance operating efficiency.

TMF

To distinguish TMF as the city's professional, reliable and caring tailor-made furniture provider, we earmarked more resources to transform the company into an independent brand, for more promising development.

Our supply chain expanded to embrace a wider selection of products. We also provided unique services to ease customers' pain-points during the course of tailor-made furniture production, pricing and delivery. Issues were addressed and well-communicated across our branding campaign – including TV commercials, a new TMF website and in-store messaging.

In the second half, we streamlined our operations and store network to enhance operational and sales efficiency. Looking ahead, we will continue to build our professional tailor-made furniture team, delivering unparalleled service to help customers manage shrinking living space in Hong Kong.

SECO, Galleon and W@W

Three new brands were launched during the year to further extend and monetise our home furnishing expertise – SECO, Galleon and W@W.

SECO seeks to provide a variety of solutions whetting consumer appetite for family well-being products, along with tackling urban health concerns such as pollution and food safety. We launched three small shops and an e-shop to materialise our business plan. Initial customer feedback was inspiring and we continue fine-tuning our merchandising mix and operating model for a sustainable income stream. To develop the business further, we will open shop-in-shops in Pricerite in the coming year.

Galleon is a lifestyle store curating a wide range of stylish home furnishing items from around the world. We opened a flagship store near Fashion Walk in Causeway Bay, banking on spill-over trade from the trendy, upscale neighbourhood. Galleon has received strong local TV and trend-setting media coverage. Leveraging our global sourcing capability, we continue expanding our international home-styling range. Leveraging Pricerite’s comprehensive store network, we will expand our business in Pricerite’s shops so as to reach out to more customers.

W@W targets providing workplace wellness solutions for corporate clients to develop cost-effective, healthy working environments. We launched initially into the dormitory and office furniture markets. Looking forward, digital approaches are being developed to cater for recurring orders, while sharing CRMG’s resources in developing personalised service to clients.

New Retail Business Platform

Over the past year, it became evident that the advent of new technologies is intensifying retail polarisation – with increased customer connectivity enabling retailers to create more personalised values to customers.

In the case of our home furnishing business, consumers are also becoming polarised and segmented in their shopping patterns. Where shopping for basic and bulky consumables, they tend to shop more online for a speedy, automated and delivery service. Retail technologies such as Internet of Things (IoT), AI and machine learning can substantially enhance this experience, providing convenience and at the same time lowering labour costs.

At the other end of the spectrum, shoppers for specialty items, such as furniture, health and wellness products, are seeking more human and emotional experiences. Our combination of personalised ‘human’ service and new retail technologies – from digital platforms and AR/VR to electronic and cashless payments – provides an unparalleled service that is not easy for competitors to replicate.

As a pioneer in Hong Kong’s New Retail business model, CRMG is dedicated to developing more customer-centric retail technologies – meeting consumer aspirations and expectations for new retail experiences; thereby increasing customer loyalty, footfall and ultimately revenue to continue leading the market.

Outlook and Corporate Strategy

Looking ahead in a stabilised external political environment, as Sino-US trade tensions seem to be easing, with the US Federal Reserve taking a “dovish” stance on rate hikes amidst risk of global economic slowdown, Hong Kong’s economy should have breathing space for development in 2019 – firmly underpinned by full employment, a robust tourism sector and relatively resilient property market.

Hong Kong’s housing market remains robust, with rigid demand in the coming years. Public housing development is estimated at around 100,400 new units in the coming five years, together with 93,000 new units estimated for private housing supply in the coming 3-4 years. This signals a large number of new home owners seeking home furnishing products and services.

At the same time, it is estimated that about two-thirds of Hong Kong's 800,000 public housing rental flats are smaller than 430 sq ft; and this small-sized flats are expected to account for 45% of all private housing supply in 2019. According to the Rating and Valuation Department, about 90% of the completed private houses in 2019 alone are likewise expected to be small to medium-sized, under 1,000 sq ft, among those, with more than 85% less than 700 sq ft.

We therefore believe and anticipate that space management solution is increasingly in strong demand – with products that address it becoming highly sought after.

Shifting consumer shopping behaviour as a result of new retail technologies and connectivity is also altering the retail landscape – shopping in different retail channels for different products and categories.

With our wide array of quality brands, innovative space management solutions, award-winning service and leadership in adopting latest technologies with our first-mover New Retail business platform, we believe CRMG is well poised to capture market opportunities ahead.

We will continue streamlining our operations, enhancing operational efficiency and adopting a cost leadership approach while driving our home furnishing business forward. Besides, we will mobilise more resources to capitalise the "New Retail" model by integrating online and offline to serve our customers satisfactorily.

MOBILE INTERNET SERVICES BUSINESS – NET2GATHER

Industry Review

An online game industry report jointly released by China Game Publishers Association Publications Committee (GPC) and Gamma Data (CNG New Game Research) indicated that, in 2018, Chinese mobile game users reached 626 million, an increase of 7.3%. Although China's mobile game market continued to grow in 2018, the growth rate has been on the decline as compared with the previous year, while growth of sales revenue has also been slowed down.

Business Review

In view of the very severe industry competition, our mobile game licensing business in overseas market had already been suspended in 2017. For the year ended 31 December 2018, the Group's Mobile Internet Services business recorded a net loss of HK$0.4 million as compared to a net loss of HK$1.9 million for the same period last year.

CFSG – The Group's Associate

FINANCIAL SERVICES BUSINESS – CFSG

Industry Review

Despite starting strongly from a robust second half of 2017, global growth softened in the latter half of 2018 – most notably in Europe and Asia. Mainland China's GDP slowed to 6.6% while euro-zone growth eased from a 10-year high of 2.4% in 2017 to 1.8% in 2018. In the US, the GDP growth was on a declining trend, from 4.2% in Q2, 3.4% in Q3, to 2.6% in Q4 – ending the year with a 2.9% real economic growth.

In Hong Kong, domestic consumption and commodity exports weakened with Sino-US trade tensions and a gloomy global economic outlook conspiring to weigh on both investor and consumer confidence. Coupled with rising interest rates and quantitative tightening measures of US, UK and euro-zone central banks, Hong Kong's economy grew only at 3%.

In tandem, the Hang Seng Index (HSI) experienced a roller-coaster ride; peaking at 33,154 in January before slumping to 24,585 in October. The HSI ended 2018 at 25,845, down 13.61% from 2017's year-end.

Business Review and Outlook

Broking

Investor sentiment weakened in the second half of 2018 from Sino-US trade uncertainty and global political turmoil. Our securities brokerage business was affected, with overall results down 14.9% from 2017. Commodities trading, which was more active in market uncertainty and volatility, recorded a 10.78% increase. Due to lower turnover arising from clients' risk aversion on gloomy economic outlook and increasing market volatility, overall financing income dropped by 20.9%.

Investment Banking

In this buoyant IPO market, we continued advising listed companies on a range of corporate finance transactions, including acquisition and disposal of assets and businesses, M&As, establishing joint ventures and various connected transactions. We completed raising funds from the capital market through placing; acted as joint global coordinator for a mainboard IPO with shares significantly over-subscribed by around 1,000 times; and were appointed as sponsors in a number of IPO applications.

Asset Management

Due to the weak market sentiment, our Asset Under Management (AUM) for external customers fell around 28% by year-end compared to 2017. In 2019 we focus on defensive players and recruiting more new potential clients. Compared to global stock markets, HSI valuations are not demanding for long term investors; currently trading at around 10.5 x prospective PER, 1.22 x P/B and 3.4% prospective dividend yield. Amid this mixed investment environment, we expect slower revenue and AUM growth in 2019.

Wealth Management

Overall wealth management business achieved steady growth in 2018. We not only broadened our client base with more new clients, but also responded to various wealth management enquiries bringing new business from our existing clients. Our strategy in developing the B2C market is receiving positive feedback and our brand messaging – providing "fully-fledged wealth management services" – is reaching a wider market.

Apart from broadening our product offerings, we are also actively establishing local business development partnerships with various parties to capture the fast-growing wealth management market in Greater China. Pursuing these goals, we continue to strengthen our consultant team to provide customised wealth management solutions for our clients' asset preservation, allocation and appreciation.

Financial Technology (FinTech)

2018 was a remarkable year for CFSG in the FinTech arena. We led the market by focusing on our 'Millennial Finance' business – aiming to bring a speedy, convenient and cost-effective investing experience to a new generation of millennial investors. On this course, we launched 'Alpha i' in June 2018 – a new 'first-of-its-kind' mobile application powered by Artificial Intelligence (A.I.), big data analytics and cloud computing technologies.

Bringing a new asset class to investors, we also introduced Weever Fintech, Hong Kong's first commission-free cryptocurrency trading platform, with value-added services of higher convenience and security – coming into official operation in November 2018.

We also instigated the Group's application procedure to the Hong Kong Monetary Authority for a virtual banking licence. Despite the fact that we have not been shortlisted in the first round of the application, we will continue monitoring the market development and consider entering the virtual bank market again when opportunity arises.

Outlook and Corporate Strategy

Looking ahead, the volatile external environment is bringing uncertainties to the market and challenges to the business environment. In 2019 we anticipate a more sceptical market, wary of a number of confounding factors in the global economy – from corporate and private debt levels to US-China trade talks, Brexit and the budgetary position of Italy.

On a positive note, the US Federal Reserve, recognising a global economic slowdown, became more "patient" over raising interest rates and ending reduction in asset holdings in late 2019.

Meanwhile China, despite a mild economic slowdown, continues to maintain relatively strong growth in a global context, while accelerating pace of reform in its structural and financial systems.

Notwithstanding the market volatility, Hong Kong's financial services industry and related businesses are well-positioned to benefit from China's visionary Belt-and-Road Initiative, economic integration in the Guangdong-Hong Kong-Macau Greater Bay Area, and continuing RMB internationalisation.

In particular, Hong Kong's unique positioning in the Greater Bay Area as the international financial centre and global hub for Renminbi clearing and settlement enables professional services providers such as CFSG to offer unparalleled services and investment products to serve a combined population of some 70 million in the world's largest bay area economy. Success in building a loyal and appreciative customer-base hinges on our ability to provide precise and moment-capturing investment information, tools and products.

Going forward, the landscape of financial market has been rapidly changing and evolving towards digitalisation, mobilisation, automation and disintermediation. To continue sharpening our competitive edge, we are formulating our corporate plan towards this direction with an aim to becoming the trusted investment advisor of clients.

With our meticulous blend of human talent and advanced technologies, CFSG is already assembling a team of professional investment and wealth management advisors. We are also exploring further FinTech solutions to augment our AI-enabled Alpha i app, which is now providing a stable and reliable source of filtered and highly-relevant financial materials for clients to make informed investment decisions. The momentous development of EMD Candlesticks in Alpha i, that helps investors detect price trends with higher predictability, has already won the 'Award of the Year in Start-up 2018' in the prestigious ET Net FinTech awards; along with 'Outstanding Big Data Application and Analytics Solution' award. We believe these accolades enhance client recognition of and their stickiness for CFSG's investment platform, scalable enough to further expand into a regional investment tool.

Our goal is to position CFSG as a leading Hong Kong-based investment advisory group in China – continuing to diversify our revenue mix through strengthening existing businesses, enriching product offerings and sourcing new income streams.

EMPLOYEE INFORMATION

At 31 December 2018, the Group had 924 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$248.3 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 language proficiency, product knowledge, customer service, selling techniques, presentation, team building, communication, coaching, quality management, graduate development, leadership transformation, 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 2018, 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. Dr 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 Dr 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 Dr 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 2018 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 2018 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 2018, 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, 29 March 2019

As at the date hereof, the Board comprises:-

Executive Directors:

Dr Kwan Pak Hoo Bankee, JP
Mr Law Ping Wah Bernard
Mr Chan Chi Ming Benson
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*