時富金融
CFSG

At the Forefront of FinTech

2018 INTERIM REPORT

CASH Financial Services Group Limited
(Stock Code: 510)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The unaudited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the six months ended 30 June 2018 together with the comparative figures for the last corresponding period are as follows:

	Notes	Unaudited Six months ended 30 June 2018 HK$'000	 2017 HK$'000 (Restated)
Revenue	(3)	**78,219**	63,194
Other income		**195**	251
Salaries, commission and related benefits		**(55,862)**	(54,491)
Depreciation		**(2,130)**	(3,275)
Finance costs		**(3,897)**	(2,626)
Other operating and administrative expenses		**(41,047)**	(29,612)
Provision for bad debts		**(1,006)**	(15,372)
Net (loss) gains on investments held for trading		**(26,654)**	3,284
Loss before taxation		**(52,182)**	(38,647)
Income tax expense	(5)	**(5)**	—
Loss for the period		**(52,187)**	(38,647)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**666**	(170)
Other comprehensive income (expense) for the period		**666**	(170)
Total comprehensive expense for the period attributable to owners of the Company		**(51,521)**	(38,817)
Loss per share	(6)		
– Basic (HK cents)		**(1.1)**	(0.92)
– Diluted (HK cents)		**(1.1)**	(0.92)

Condensed Consolidated Statement of Financial Position

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Non-current assets			
Property and equipment		7,349	8,420
Investment properties		17,818	17,818
Intangible assets		9,092	9,092
Club debentures		660	660
Other assets		5,414	11,486
Rental and utility deposits		5,884	5,272
Available for sale financial assets		—	8,415
Financial assets at fair value through other comprehensive income		8,415	—
		54,632	61,163
Current assets			
Accounts receivable	(7)	437,034	392,069
Loans receivable		2,031	1,600
Prepayments, deposits and other receivables		65,854	11,685
Investments held for trading		305,565	194,403
Bank deposits subject to conditions		25,093	25,076
Bank balances – trust and segregated accounts		909,542	909,411
Bank balances (general accounts) and cash		141,513	270,658
		1,886,632	1,804,902

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Current liabilities			
Accounts payable	(8)	1,006,238	979,608
Accrued liabilities and other payables		44,668	21,061
Taxation payable		3,000	3,000
Bank borrowings – amount due within one year		207,076	124,253
Amount due to fellow subsidiaries		2,870	1,764
		1,263,852	1,129,686
Net current assets		622,780	675,216
Total assets less current liabilities		677,412	736,379
Non-current liabilities			
Deferred tax liabilities		40	40
Bank borrowings – amount due after one year		—	7,311
		40	7,351
Net assets		677,372	729,028
Capital and reserves			
Share capital		99,207	99,207
Reserves		576,200	629,821
Equity attributable to owners of the Company		675,407	729,028
Non-controlling interests		1,965	—
Total equity		677,372	729,028

Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 June 2018							
	Attributable to equity holders of the Company						Non-controlling interests HK$'000	Total HK$'000
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000		
At 1 January 2018	99,207	604,862	117,788	(548)	(92,281)	729,028	–	729,028
Adjustment on adoption of HKFRS 9	–	–	–	–	(2,100)	(2,100)	–	(2,100)
Loss for the period	–	–	–	–	(52,187)	(52,187)	–	(52,187)
Exchange differences arising on translation of foreign operations	–	–	–	666	–	666	–	666
Other comprehensive income for the period (net of tax)	–	–	–	666	–	666	–	666
Total comprehensive income (expense) for the period	–	–	–	666	(52,187)	(51,521)	–	(51,521)
Issue of ordinary shares by a subsidiary	–	–	–	–	–	–	1,965	1,965
At 30 June 2018	99,207	604,862	117,788	118	(146,568)	675,407	1,965	677,372

	Unaudited							
	Six months ended 30 June 2017							
	Attributable to equity holders of the Company						Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Translation reserve	Accumulated losses	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	82,687	390,101	117,788	(1,199)	(46,199)	543,178	—	543,178
Loss for the period	—	—	—	—	(38,647)	(38,647)	—	(38,647)
Exchange differences arising on translation of foreign operations	—	—	—	(170)	—	(170)	—	(170)
Other comprehensive expense for the period (net of tax)	—	—	—	(170)	—	(170)	—	(170)
Total comprehensive expense for the period	—	—	—	(170)	(38,647)	(38,817)	—	(38,817)
Issue of ordinary shares upon share subscription	16,520	214,760	—	—	—	231,280	—	231,280
At 30 June 2017	99,207	604,861	117,788	(1,369)	(84,846)	735,641	—	735,641

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June 2018 HK$'000	 2017 HK$'000
Net cash used in operating activities	(202,772)	(42,840)
Net cash used in investing activities	(1,059)	(1,027)
Net cash generated from financing activities	74,686	260,458
Net (decrease) increase in cash and cash equivalents	(129,145)	216,591
Cash and cash equivalents at beginning of period	270,658	334,631
Cash and cash equivalents at end of period	141,513	551,222
Bank balances (general accounts) and cash	141,513	551,222

Notes:

(1) Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the unaudited consolidated accounts include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

Apart from (2) below, the accounting policies and judgements applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017.

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

(2) Application of new and amendments to HKFRSs

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

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

HKFRS 9	Financial instrument
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 above amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior period and/or on the disclosures set out in these consolidated financial statements.

HKFRS 9 "Financial instruments"

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

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

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

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

The Group has reviewed its financial assets and liabilities and the following impact has occurred from the adoption of HKFRS 9 on 1 January 2018:

Classification and measurement

- The Group has made an irrevocable election under HKFRS 9 to present subsequent changes in the fair value of the equity investment in Infinity Investment Holding Group (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. Accordingly, the equity investment is no longer classified as available for sale financial assets and is subsequently measured at FVTOCI.

- Accounts receivable from margin clients arising from the business of dealing in securities and loans receivable classified as loans and receivables carried at amortised cost. All of these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, they continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

- Except for financial assets which are subject to expected credit losses assessment under HKFRS 9, all other financial assets and liabilities continue to be measured on the same basis as are measured in the year ended 31 December 2017 under HKAS 39.

The changes in classification and measurement basis mentioned above in respect of available-for-sale financial assets have not significantly impacted the total equity of the Group at 1 January 2018 on initial application of HKFRS 9.

Impairment

In general, the application of the expected credit loss model of HKFRS 9 has resulted in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

The Group's financial assets measured at amortised cost are subject to the new impairment model that requires recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. These financial assets include:

— Accounts receivable

— Loans receivable

— Other receivables

— Bank balances and deposits

Since expected credit loss model is applied by the Group, the accumulated amount of impairment loss recognised by the Group as at 1 January 2018 increased by HK$2,100,000 as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on accounts receivables arising from margin clients.

Disclosures

- HKFRS 9 also introduces expanded disclosure requirements which have increased the extent of the Group's disclosures about its financial instruments particularly for the year ended 31 December 2018 (as the first year of the adoption of the new standard).

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 superseded the revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations.

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

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

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

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

The Group provides various types of financial services. Revenue under the scope of HKFRS 15 comprises primarily commission income arising from securities, futures and other investments broking and fee income arising from corporate finance services. The directors intend to use the modified approach of transition to HKFRS 15. Under the modified approach, the Group would apply the standard from the date of initial application (i.e. 1 January 2018). The Group is not required to adjust prior year comparatives and do not need to consider contracts that have completed prior to the date of initial application. Broadly, the figures reported from the date of initial application will be the same as if the standard had always been applied, but figures for comparative periods will remain on the previous basis. The Group has assessed the impact of HKFRS 15 and the application of the standard has no significant impact on the commission income arising from securities, futures and other investments broking. Furthermore, the application of HKFRS 15 does not have significant impact on revenue recognition from corporate finance services and certain income which are subject to variable consideration constraints. However, the application results in more disclosures in the condensed consolidated financial statements.

Impact of standards issued but not yet applied by the Group

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the condensed consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit/loss and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

(3) Revenue

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000 (Restated)
Fees and commission income	**61,161**	51,078
Interest income	**11,732**	11,785
Dividend and bond interest income	**5,326**	331
	78,219	63,194

(4) Segment information

The Group's operating and reportable segments are as follows:

Financial Services

— provision of online and traditional brokerage of securities, futures and options as well as mutual funds and insurance-linked investment products;

— principal investments of debt and equity securities and derivatives;

— provision of margin financing and money lending services; and

— provision of corporate finance services.

Proprietary Trading

— investment in listed securities and bonds.

Reportable and operating segments

The Chief Executive Officer of the Company, being the chief operating decision maker ("CODM"), regularly reviews the income from broking, investment banking, asset management and wealth management for the purpose of resources allocation and performance assessment, however no further discrete information of these activities is presented to the CODM other than the financial services business as a whole. Accordingly, financial services business is considered one operating segment.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by the segment before unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

For the six months ended 30 June 2018

	Proprietary trading HK$'000	Financial services HK$'000	Total HK$'000
Revenue	5,370	72,849	78,219
RESULT			
Segment loss	(25,495)	(9,347)	(34,842)
Unallocated expenses			(17,340)
Loss before taxation			(52,182)

For the six months ended 30 June 2017 (Restated)

	Proprietary trading HK$000	Financial services HK$'000	Total HK$'000
Revenue	359	62,835	63,194
RESULT			
Segment profit (loss)	2,262	(31,112)	(28,850)
Unallocated expenses			(9,797)
Loss before taxation			(38,647)

All the segment revenue is derived from external customers.

(5) Income tax expense

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Current tax:		
— Hong Kong Profits Tax	—	—
— PRC Profits Tax	(5)	—
Deferred tax	—	—
	(5)	—

Hong Kong Profits Tax has not been provided for entities within the Group as they either incurred losses for taxation purpose or their estimated assessable profits for the period are wholly absorbed by unrelieved tax losses brought forward from previous periods.

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 applicable to the PRC subsidiaries is 25% from 1 January 2008 onwards.

(6) Loss per share

The calculation of basic and diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2018 is based on the following data:

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	(52,187)	(38,647)

	Unaudited Six months ended 30 June 2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	4,960,360,000	4,184,558,000

For the periods ended 30 June 2018 and 30 June 2017, the computation of diluted loss per share has not taken into account the effects of share options.

(7) Accounts receivable

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	89,912	62,285
Cash clients	33,206	26,535
Margin clients	222,079	229,797
Accounts receivable arising from the business of dealing in futures and options:		
Clients	7	134
Clearing houses, brokers and dealers	90,915	72,673
Commission receivable from brokerage of mutual funds and insurance-linked investment products	5	515
Accounts receivable arising from the business of provision of corporate finance services	910	130
	437,034	392,069

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

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

(8) Accounts payable

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses and brokers	—	10,468
Cash clients	607,169	604,368
Margin clients	214,463	203,468
Accounts payable to clients arising from the business of dealing in futures and options	184,606	161,304
	1,006,238	979,608

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

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures and options position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

Except for the accounts payable to clients arising from the business of dealing in securities which bear interest at a fixed rate, all the accounts payable are non-interest bearing.

Accounts payable amounting to HK$909,542,000 (31 December 2017: HK$909,411,000) are payable to external clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

(9) Capital risk management

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

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

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2018 (2017: nil).

Review and Outlook

Financial Review

For the six months ended 30 June 2018, the Group recorded revenue of HK$78.2 million, representing an increase of 23.7% as compared with HK$63.2 million for the same corresponding period last year.

The promising economic outlook and corporate earnings were the drivers for the global stock markets to rise and made a new record in the beginning of this year. The HSI rose to new record high at 33,484 in January 2018. However, the stronger than expected employment figures in US raised the concern of inflation approaching. The concern of interest rate hike by the Federal Reserve pushed up the yield of US Treasury Bond, leading a small scale of financial crisis in the global stock market in February 2018. On the other hand, the weaker than expected PMI in the European Union make its central bank's net asset purchases extended to the end of December 2018 and its interest rate hike plan was postponed to mid of 2019. These two factors led the Euro against US Dollar to fall. The consequent stronger US Dollar had fastened the capital outflows from the Southeast Asia market and the emerging markets including Hong Kong, Taiwan and South Korea. The subsequent capital outflow from Hong Kong, the intensified trade tension relationship between US and China as well as the depreciation of the RMB created a downside momentum to Hong Kong stock market. Amid the deteriorating investor sentiment, the HSI closed at 28,955 on the last trading day of the first half of 2018, down 3.22% as compared with the end of 2017 while the H-share index closed at 11,073 at the end of June 2018, down 5.43% compared with the end of 2017. Thanks to the strong Hong Kong stock market in January this year, the Group's securities brokerage incomes recorded a mild growth of 3% for the first half of the year. On the other hand, the Group's asset management business, having successfully provided high quality tailor-made investment strategies to its clients in this fast changing market, had recorded 436% growth in revenue compared with the last corresponding period. However, due to the downside momentum of Hong Kong stock market, the Group recorded a net loss of HK$26.7 million on its portfolio of investment securities held for trading for the period under review.

Overall, the Group recorded a net loss of HK$52.2 million for the six months ended 30 June 2018 as compared to a net loss of HK$38.6 million in the same period last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$677.4 million as at 30 June 2018 as compared to HK$729.0 million as at 31 December 2017. The decrease in the total equity was mainly due to the reported loss for the period under review.

As at 30 June 2018, the Group had total outstanding bank borrowings of approximately HK$207.1 million, comprising bank loans of HK$174.0 million and overdraft of HK$33.1 million respectively. Bank borrowings of HK$69.0 million were collateralised by its margin clients' securities pledged to the Group and a bank loan of HK$50.0 million was secured by a pledged Hong Kong dollar deposit of HK$25.1 million. The remaining bank loans and overdrafts in a total of HK$88.1 million were secured by corporate guarantees from the Company. All of the Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR or Hong Kong Prime Rate.

As at 30 June 2018, our cash and bank balances including the trust and segregated accounts had decreased to HK$1,076.1 million from HK$1,205.1 million as at 31 December 2017. The decrease in cash and bank balances was mainly due to the increased investments held for trading during the period.

The Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK$125.2 million and HK$41.4 million as at 30 June 2018 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 30 June 2018 slightly decreased to 1.49 times from 1.60 times as at 31 December 2017. The gearing ratio as at 30 June 2018, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 30.6% from 18.0% as at 31 December 2017. The increase in gearing ratio was mainly due to the increase in bank borrowings during the period under review. On the other hand, we have no material contingent liabilities at the end of the period.

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 period. 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 complied.

Foreign Exchange Risks

The Group did not have any material unhedged foreign exchange exposure or interest rate mismatches at the end of the period.

Material Acquisitions and Disposals

In June 2018, the Group announced the proposed issue of 5% subscription shares in Weever FinTech Limited (a 80.10%-owned subsidiary of the Group) to an independent strategic investor at total cash consideration of US$5,000,000 (equivalent to approximately HK$39,000,000) under a subscription agreement dated 11 June 2018. Completion is expected to take place on or before 30 October 2018 or such other date as agreed by the parties. Details of the transaction were disclosed in the joint announcement of the Company and CASH dated 11 June 2018.

In June 2018, the Group announced two discloseable transactions relating to (i) acquisition of an aggregate of 190,000 shares (represent approximately 0.002% of the total issued shares) in Tencent Holdings Limited (stock code: 700) ("Tencent") at an aggregate consideration of approximately HK$77,679,000 during the period from 5 June 2018 to 19 June 2018; and (ii) disposal of an aggregate of 115,000 shares (represent approximately 0.0012% of the total issued shares) in Tencent at an aggregate consideration of approximately HK$46,292,000 on 20 June 2018 by CASH Trinity Bullion Limited (a wholly-owned subsidiary of the Company). Details of the transactions were disclosed in the announcements of the Company dated 19 and 20 June 2018.

During the period under review, Celestial Asia Securities Holdings Limited ("CASH", the substantial shareholder of the Company) did not make any disposal of shares in the Company under and subject to the terms of disposal mandate as announced by the Company and CASH dated 7 November 2017.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the period.

Save as disclosed in this report, there is no important event affecting the Group which has occurred since the end of the financial period.

Fund Raising Activities

The Company did not have any fund raising activity during the period under review.

Capital Commitments

The Group did not have any material outstanding capital commitments at the end of the period.

Material Investments

As at 30 June 2018, the market values of a portfolio of investments held for trading amounted to approximately HK$305.6 million. A net loss on investments held for trading of HK$26.7 million was recorded for the period.

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

Financial and Operational highlights

Revenue

	Unaudited Six months ended 30 June		
(HK$'m)	**2018**	2017	% change
Broking income	**51.5**	51.1	0.8%
Non broking income	**21.4**	11.8	81.4%
Dividend and bond interest income	**5.3**	0.3	1,666.7%
Group total	**78.2**	63.2	23.7%

Key Financial Metrics

	Unaudited Six months ended 30 June		
	2018	2017	% change
Net loss attributable to shareholders (HK$'m)	**(52.2)**	(38.6)	35.0%
Loss per share (HK cents)	**(1.1)**	(0.9)	19.6%
Total assets (HK$'m)	**1,941.3**	1,957.6	(0.8%)
Cash on hand (HK$'m)	**166.6**	576.3	(71.1%)
Bank borrowings (HK$'m)	**207.1**	193.0	7.3%
Annualised average fee income from broking per active client (HK$'000)	**4.6**	7.0	(33.6%)

Industry and Business Review

Industry Review

The promising economic outlook and corporate earnings drove global stock market growth to a new record in the beginning of this year. The HSI reached a new record high at 33,484 in January 2018. However, stronger than expected employment figures in US raised concern of upcoming inflation. Concern over a possible Federal Reserve interest rate hike pushed up yields of US Treasury Bonds, leading a small-scale setback in the global stock market in February 2018. On the other hand, weaker than expected PMI in the European Union persuaded its central bank to postpone a planned interest rate hike to mid-2019. A stronger US Dollar meanwhile drew investors from the Southeast Asia market, including Hong Kong, Taiwan and South Korea. A subsequent capital outflow from Hong Kong, intensified trade tensions between the US and China, and depreciation of the Renminbi (RMB) pushed a downside momentum to the stock market. The HSI could not sustain its key psychological support level of 29,000 and fell to 28,169, the lowest of this year.

The HSI closed at 28,955 at the end of June 2018, down 3.22% from the end of December 2017, while over the same period the H-share index closed at 11,073, down 5.43%. Average daily turnover for the first six months of 2018 was HK$126.6 billion, an increase of 67 per cent from HK$76 billion over the same period last year.

Business Review

During the period under review, CFSG continued to transform its financial services business to cater for clients' changing needs. To leverage the Group's advanced technology platform, CFSG focused on developing its 'Millennial Finance' business, targeting to meet the investment and wealth management needs of the most mobile-driven, social-sharing and tech-savvy users of the new millennium.

Broking

Investor confidence was shaken by uncertainties including the looming Sino-US trade war as well as continuous depreciation of the RMB. Commission income from brokerage in the first half of 2018 maintained at similar level to the same period last year with surging IPO interest income. To reposition our brokerage business, we further strengthened client relationship management to delight our loyal customers with unparalleled service quality. We aim to engage more proactively in the margin financing business, with prudent risk control to improve our revenue mix and create sustainable growth to our business. Expansion is further focused on outreaching to more mainland clients for our long-term growth. This will be facilitated by our new strategic plans and enhanced trading platforms together with innovative investment products in the second half of the year.

Investment Banking

In the first half of 2018, we continued to advise listed companies on a range of corporate finance transactions, including acquisition of assets and businesses, M&As, establishment of joint venture and various kinds of connected transactions. We also participated in the IPO market as joint global coordinator of a Main-board IPO, for shares available under the Hong Kong public offering were significantly over-subscribed by around 1,000 times.

Our clients included, among others, Hong Kong companies, Mainland China enterprise listing H shares and A shares respectively on the Hong Kong Stock Exchange, as well as Taiwan and South-East Asia-based companies.

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 sponsorship and fund-raisings, corporate finance transactions, and secondary market fund-raising activities to asset our clients in capturing different capital market and corporate finance opportunities.

Asset Management

Given the cloud of uncertainty of looming Sino-US trade war, the amount of Asset Under Management (AUM) for clients decreased around 5.15% by the end of June 2018, from the end of December 2017, which was in line with the benchmark index. We focus on sectors with fast corporate earnings growth and better earnings outlook, like technology shares, pharmaceuticals and Macau Gaming.

The Sino-US trade war and RMB depreciation trend will impose a negative sentiment on the market. Meanwhile, resultant capital outflow from emerging markets should limit upside market prospects in the near term. However, the HSI is currently trading at around 12.5x prospective PER, 1.24x P/B and 3.3% prospective dividend yield. Compared with global stock markets, its valuation is not demanding. We expect slower growth of our revenue and AUM in the second half of 2018, compared to the first half of 2018.

Wealth Management

The overall wealth management business recorded steady growth in the first half of 2018. We achieved satisfactory performance in our discretionary management service, resulting not only in increased revenue, but also increased AUM and the number of subscribers for this service. Apart from continuous business development in our regular products, we will introduce different services and products to broaden our service offering – aiming to equip ourselves to provide comprehensive wealth management solutions to our clients and business partners.

To capture the market among China's fast-growing middle-class, we will continue to provide latest global investment and wealth management information for their overall asset allocation. We will also continue enhancing our service to our local business partners, to create synergy and explore more business opportunities.

Financial Technology (Fintech)

In the first half year of 2018, CFSG targeted millennials with the launch of Alpha i, a mobile trading application with Artificial Intelligence (A.I.) features. This 'Millennial Finance' solution emphasises fast, convenient and cost-effective investing through a platform designed specifically for millennial investors. We will continue to develop new functions for enhancement of Alpha i. During the second half of the year, we will focus on building a commission-free cryptocurrency trading platform with value-added services of higher convenience and security to our millennial clients. With the aim of serving mobile-driven, social-sharing and tech-savvy millennial users, providing them more efficient access to the cryptocurrency markets, we will be proud to present the evolutionary cryptocurrency trading application, Weever, to the millennial public in 2018.

Outlook

Growing headwinds in the global economy have triggered a new round of instability in international financial markets since the beginning of the second half of 2018. In addition to intensifying trade tensions between major economies, investor sentiments have also been dampened by geopolitical uncertainty, volatile oil prices and US-Euro monetary policy normalisation, among others. In spite of these uncertainties, the global economy remains generally in good shape. Momentum in the US is strengthening due to fiscal stimulus and solid gains in the labour market. China's GDP in the first half of year remained strong at 6.8%, with the first round of US tariffs having minimal effect on China's economy, and Chinese stocks are well supported by earnings growth. Despite the fact that future performance in coming quarters hinges on trade negotiations, the Group remains cautiously optimistic about the future. In particular, development of the Guangdong-Hong Kong-Macau Greater Bay Area and China's Belt & Road initiative will bring tremendous opportunities for Hong Kong in the coming decades.

Against this backdrop, CFSG's solid business foundation enables us to gradually transform the Group into a first-rate financial services company focused on providing 'Millennial Finance' to tech-savvy millennial investors ahead of the market.

Employee Information

As at 30 June 2018, the Group had 185 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the period under review was HK$35,700,000.

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.

Directors' Interests in Securities

As at 30 June 2018, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

The Company

(a) Long positions in the ordinary shares of HK$0.02 each

Name	Capacity	Personal *(Number of shares)*	Corporate Interest *(Number of shares)*	Shareholding *(%)*
Kwan Pak Hoo Bankee	Interest in a controlled corporation	—	1,667,821,069*	33.62
Chan Chi Ming Benson	Beneficial owner	10,924,000	—	0.22
Lo Kwok Hung John	Beneficial owner	1,255,500	—	0.02
		12,179,500	1,667,821,069	33.86

* The Shares were held by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the substantial shareholder of the Company)). Pursuant to the SFO, Dr Kwan Pak Hoo Bankee ("Dr Kwan") was interested in a total of 34.41% shareholding interest in CASH, details of which are disclosed in the heading of "substantial shareholders" below. Dr Kwan was deemed to be interested in all these shares held by CIGL as a result of his interests in CASH.

(b) Long positions in the underlying shares – options under share option scheme

Name	Date of grant	Option period	Exercise price per Share (HK$)	Notes	Number of options: outstanding as at 1 January 2018	Number of options: reallocated upon change of directorate (Note (3))	Number of options: outstanding as at 30 June 2018	Percentage to issued shares as at 30 June 2018 (%)
Kwan Pak Hoo Bankee	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	40,000,000	—	40,000,000	0.80
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	49,000,000	—	49,000,000	0.98
Chan Chi Ming Benson	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	49,000,000	—	49,000,000	0.98
Law Ping Wah Bernard	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	40,000,000	—	40,000,000	0.80
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	49,000,000	—	49,000,000	0.98
Cheung Wai Ching Anthony (Note (3))	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	N/A	24,000,000	24,000,000	0.48
Kwan Teng Hin Jeffrey	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	40,000,000	—	40,000,000	0.80
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	24,000,000	—	24,000,000	0.48
Ho Tsz Cheung Jack	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	2,000,000	—	2,000,000	0.04
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	24,000,000	—	24,000,000	0.48
					317,000,000	24,000,000	341,000,000	6.82

Notes:

(1) The options are vested in 4 tranches as to 25% each exercisable from 3 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively, and is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the board of directors of the Company. The options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(2) The options are subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the chairman of the board and/or the board determined at their sole discretion. The options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(3) Mr Cheung Wai Ching Anthony was appointed as a director of the Company during the period.

(4) No option was granted, exercised, cancelled or lapsed during the period.

(5) The options were held by the directors of the Company in the capacity of beneficial owners.

Save as disclosed above, as at 30 June 2018, none of the directors, chief executives or their associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Share Option Scheme

Details of share options to subscribe for shares in the Company granted to participants under the share option scheme of the Company during the six months ended 30 June 2018 were as follows:

				Number of options			
Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2018	reallocated upon change of directorate	lapsed during the period (Note (6))	outstanding as at 30 June 2018
Directors							
03/12/2015	03/12/2015–31/12/2019	0.315	(1)	122,000,000	—	—	122,000,000
31/08/2017	01/01/2018–31/12/2020	0.253	(1)	195,000,000	24,000,000	—	219,000,000
				317,000,000	24,000,000	—	341,000,000
Employees and other grantees							
03/12/2015	03/12/2015–31/12/2019	0.315	(2)&(3)	106,000,000	(24,000,000)	(48,000,000)	34,000,000
03/12/2015	03/12/2015–31/12/2019	0.315	(5)	30,000,000	—	(30,000,000)	—
31/08/2017	01/01/2018–31/12/2020	0.253	(4)	24,000,000	—	—	24,000,000
31/08/2017	01/01/2018–31/12/2020	0.253	(5)	194,400,000	—	—	194,400,000
				354,400,000	(24,000,000)	(78,000,000)	252,400,000
				671,400,000	—	(78,000,000)	593,400,000

Notes:

(1) Details of the options granted to the directors are set out in the section headed "directors' interests in securities" above.

(2) The options are vested in 4 tranches as to 25% each exercisable from 3 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively and is subject to vesting conditions as set out in (3) below.

(3) The vesting of the options is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the board and the options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(4) The vesting of the options is subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the chairman of the board and/or the board determined at their sole discretion. The options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(5) The options must be exercised within one month from the date on which the board's approval of the vesting of the options and upon satisfactory delivery of services.

(6) The lapsed options were due to cessation of employment of participants with members of the Group.

(7) No option was granted, exercised or cancelled during the period.

Substantial Shareholders

As at 30 June 2018, so far as is known to the directors and chief executives of the Company, the persons/companies (other than a director or chief executive of the Company) who had, or were deemed or taken to have an interest or short positions in the shares and underlying shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Hobart Assets Limited (Note (1))	Interest in a controlled corporation	1,667,821,069	33.62
Cash Guardian Limited (Note (1))	Interest in a controlled corporation	1,667,821,069	33.62
CASH (Note (1))	Interest in a controlled corporation	1,667,821,069	33.62
Praise Joy Limited (Note (1))	Interest in a controlled corporation	1,667,821,069	33.62
CIGL (Note (1))	Beneficial owner	1,667,821,069	33.62
Ever Billion Group Limited ("Ever Billion") (Note (2))	Beneficial owner	826,000,000	16.65

Notes:

(1) This refers to the same number of 1,667,821,069 Shares held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the substantial shareholder of the Company)). CASH was owned as to a total of approximately 34.41% by Dr Kwan, being approximately 33.90% by Cash Guardian Limited (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan) and approximately 0.51% by Dr Kwan in his personal name. Pursuant to the SFO, Dr Kwan, Hobart Assets Limited and Cash Guardian Limited were deemed to be interested in all the shares held by CIGL through CASH. The above interest has already been disclosed as corporate interest of Dr Kwan in the section headed "Directors' interests in securities" above.

(2) Ever Billion is a wholly-owned subsidiary of Sunbase International (Holdings) Limited, which is in turn owned as to 66.67% by Mr Gao Gunter and 33.33% by Ms Yang Linda. Pursuant to the SFO, Mr Gao Gunter, Ms Yang Linda and Sunbase International (Holdings) Limited were deemed to be interested in all these shares held by Ever Billion.

Save as disclosed above, as at 30 June 2018, the directors and chief executives of the Company were not aware of any other parties or corporation (other than a director or chief executive of the Company) who had, or were deemed or taken to have, any interests and short positions in the shares and underlying shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

Corporate Governance

During the accounting period from 1 January 2018 to 30 June 2018, the Company had duly complied with the code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, except for the deviation that 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.

Compliance with the Model Code

The Company has adopted a code of conduct regarding securities transactions by directors as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard of dealings set out therein throughout the review period.

Disclosure of Information of Directors Pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors subsequent to the date of the 2017 Annual Report are set out below:

Dr Kwan Pak Hoo Bankee (Chairman of the Board and executive director of the Company) was conferred an Honorary Doctorate degree in Business Administration. He was also appointed as an Adjunct Professor of Hang Seng Management College, the deputy chairman of the Business Facilitation Advisory Committee and the deputy convener (Hong Kong and Macao Members) of the Chinese People's Political Consultative Conference, Shanghai Committee during the period.

In August 2018, Dr Kwan was bestowed with the "World Outstanding Chinese Award" organised by World Chinese Business Investments Foundation, which recognised his great contribution to the global Chinese society.

Mr Law Ping Wah Bernard (executive director of the Company) was awarded a fellow of The Institute of Chartered Accountants in England and Wales.

Mr Li Shing Wai Lewis was appointed as chief financial officer of the Group in place of Mr Law Ping Wah Bernard with effect from 10 July 2018.

Save as disclosed herein, there are no other changes to the directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review of Results

The Group's unaudited consolidated results for the six months ended 30 June 2018 have not been reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company.

Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 27 August 2018

As at the date of this report, the directors of the Company comprise:

Executive directors:

Dr Kwan Pak Hoo Bankee, JP
Mr Chan Chi Ming Benson
Mr Law Ping Wah Bernard
Mr Cheung Wai Ching Anthony
Mr Kwan Teng Hin Jeffrey
Mr Ho Tsz Cheung Jack

Independent non-executive directors:

Mr Cheng Shu Shing Raymond
Mr Lo Kwok Hung John
Mr Lo Ming Chi Charles