CASH 時富

INTERIM REPORT 2019

We stride forward in unity with innovative changes

Celestial Asia Securities Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 1049)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The unaudited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the six months ended 30 June 2019, together with the comparative figures for the last corresponding period, are as follows:

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Notes	**HK$'000**	HK$'000
Revenue	(3)	**699,320**	671,621
Cost of inventories		**(399,610)**	(372,779)
Other income		**5,042**	3,988
Other gains and losses		**5,188**	(1,120)
Salaries, allowances and related benefits		**(107,155)**	(125,975)
Other operating, administrative and selling expenses		**(102,736)**	(227,129)
Depreciation of property and equipment and right-of-use assets		**(99,288)**	(13,058)
Finance costs		**(27,372)**	(4,757)
Share of loss of associates		**(9,142)**	(17,545)
Loss before taxation		**(35,753)**	(86,754)
Income tax expense	(5)	**—**	—
Loss for the period		**(35,753)**	(86,754)
Other comprehensive expense for the period, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**(328)**	(168)
Total other comprehensive expense for the period		**(328)**	(168)
Total comprehensive expense for the period		**(36,081)**	(86,922)

	Note	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Loss for the period attributable to:			
Owners of the Company		(34,167)	(83,106)
Non-controlling interests		(1,586)	(3,648)
		(35,753)	(86,754)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(34,495)	(83,274)
Non-controlling interests		(1,586)	(3,648)
		(36,081)	(86,922)
Loss per share	(6)		
— Basic (HK cents)		(4.1)	(10.0)
— Diluted (HK cents)		(4.1)	(10.0)

Condensed Consolidated Statement of Financial Position

	Note	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Non-current assets			
Property and equipment		49,761	56,293
Goodwill		39,443	39,443
Intangible assets		43,460	43,460
Interests in associates		249,541	259,494
Rental and utilities deposits		39,020	41,708
Right-of-use assets		346,323	—
Deferred tax assets		6,550	6,550
		774,098	446,948
Current assets			
Inventories — finished goods held for sale		54,398	57,848
Accounts and other receivables	(7)	109,791	91,215
Loans receivable		2,254	4,171
Amount due from an associate		—	1,904
Tax recoverable		72	72
Investments held for trading		1,648	2,018
Pledged bank deposits		44,511	44,379
Bank balances (general accounts) and cash		183,886	212,450
		396,560	414,057

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Current liabilities			
Accounts payable	(8)	200,054	238,335
Accrued liabilities and other payables		84,415	63,789
Contract liabilities		—	23,140
Taxation payable		13,453	13,463
Obligations under finance leases			
— amount due within one year		—	444
Lease liabilities		135,244	—
Borrowings — amount due within one year		229,491	208,685
		662,657	547,856
Net current liabilities		(266,097)	(133,799)
Total assets less current liabilities		508,001	313,149
Capital and reserves			
Share capital	(10)	8,312	83,122
Reserves		253,382	224,275
Equity attributable to owners of the Company		261,694	307,397
Non-controlling interests		(29,739)	(27,086)
Total equity		231,955	280,311
Non-current liabilities			
Deferred tax liabilities		6,949	6,949
Obligations under finance leases			
— amount due after one year		—	1,375
Lease liabilities		232,743	—
Borrowings — amount due after one year		36,354	24,514
		276,046	32,838
		508,001	313,149

Condensed Consolidated Statement of Changes In Equity

	Unaudited Six months ended 30 June 2019											
	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling Interests HK$'000	Total HK$'000
At 1 January 2019	**83,122**	**591,437**	**88,926**	**1,160**	**59,719**	**13,291**	**—**	**11,164**	**(541,422)**	**307,397**	**(27,086)**	**280,311**
Adjustment on adoption of HKFRS 16	—	—	—	—	—	—	—	—	(11,208)	(11,208)	(1,067)	(12,275)
Capital reduction	(74,810)	—	74,810	—	—	—	—	—	—	—	—	—
Amount transferred to write off accumulated loss	—	—	(74,810)	—	—	—	—	—	74,810	—	—	—
Loss for the period	—	—	—	—	—	—	—	—	(34,167)	(34,167)	(1,586)	(35,753)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(328)	—	—	—	(328)	—	(328)
Total comprehensive (expense) income for the period	(74,810)	—	—	—	—	(328)	—	—	29,435	(45,703)	(2,653)	(48,356)
At 30 June 2019	**8,312**	**591,437**	**88,926**	**1,160**	**59,719**	**12,963**	**—**	**11,164**	**(511,987)**	**261,694**	**(29,739)**	**231,955**

	Unaudited Six months ended 30 June 2018											
	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	83,122	591,437	88,926	1,160	59,722	11,599	5,145	11,164	(344,152)	508,123	(24,562)	483,561
Adjustment on adoption of HKFRS 9	—	—	—	—	—	—	—	—	(706)	(706)	—	(706)
Loss for the period	—	—	—	—	—	—	—	—	(83,106)	(83,106)	(3,648)	(86,754)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(168)	—	—	—	(168)	—	(168)
Total comprehensive expense for the period	—	—	—	—	—	(168)	—	—	(83,812)	(83,980)	(3,648)	(87,628)
At 30 June 2018	83,122	591,437	88,926	1,160	59,722	11,431	5,145	11,164	(427,964)	424,143	(28,210)	395,933

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Net cash used in operating activities	**(37,678)**	(62,605)
Net cash from (used in) investing activities	**21,762**	(31,087)
Net cash (used in) from financing activities	**(12,648)**	82,696
Net decrease in cash and cash equivalents	**(28,564)**	(10,996)
Cash and cash equivalents at beginning of period	**212,450**	209,031
Cash and cash equivalents at end of period	**183,886**	198,035
Bank balances and cash	**183,886**	198,035

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 Standard ("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 ("Stock Exchange") ("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 2018.

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 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after 1 January 2019, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$383.7 million and right-of-use assets of HK$366.7 million at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.125%.

The Group has not early adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

(3) Revenue

Disaggregation of revenue from contracts with customers

	Unaudited Six months ended 30 June	
	2019 HK$'000	2018 HK$'000
Retailing		
Types of goods or service		
Sales of furniture and household goods	587,899	566,723
Sales of electrical appliances	72,151	71,670
Sales of tailor-made furniture	39,270	33,228
	699,320	671,621
Timing of revenue recognition		
A point of time	648,506	633,679
Over time	50,814	37,942
	699,320	671,621
Geographical market		
Hong Kong	699,320	671,621
Online games services		
Online game subscription income and licensing income	—	—

(4) Business and geographical segments

Business segments

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

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

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 period

Segment revenue and results

For the six months ended 30 June 2019

	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Revenue	699,320	—	699,320
Segment loss	(17,759)	(6)	(17,765)
Unallocated other income, gain and losses			5,188
Corporate expenses			(13,086)
Share of loss of associates			(9,142)
Unallocated finance costs			(948)
Loss before taxation			(35,753)

For the six months ended 30 June 2018

	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Revenue	671,621	—	671,621
Segment loss	(40,850)	(321)	(41,171)
Unallocated other income, gain and losses			(1,120)
Corporate expenses			(26,789)
Share of loss of associates			(17,545)
Unallocated finance costs			(129)
Loss before taxation			(86,754)

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.

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC"). No analysis of the Group's revenue by geographical locations is disclosed because no significant portion of the revenue from external customers are derived outside Hong Kong.

(5) Income tax expense

	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Income tax expense	—	—

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 2018, 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 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 deferred tax asset arising from tax losses brought forward has been recognised in the financial statements due to the uncertainty of future profit streams against which the asset can be utilised.

(6) Loss per share

The calculation of the basic and diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2019 together with the comparative figures for the prior period are based on the following data:

	Unaudited Six months ended 30 June 2019 HK$'000	 2018 HK$'000
Loss for the purpose of basic and diluted loss per share	(34,167)	(83,106)

	Unaudited Six months ended 30 June 2019 '000	 2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	831,222	831,222

(7) Accounts and other receivables

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Accounts receivable arising from retailing business	2,833	1,772
Receivables from securities brokers	68,938	46,619
Prepayments	15,853	13,342
Rental and other deposits	21,272	26,760
Other receivables	895	2,722
	109,791	91,215

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:

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
0–30 days	1,949	480
31–60 days	144	284
61–90 days	138	268
Over 90 days	602	740
	2,833	1,772

(8) Accounts payable

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Trade creditors arising from retailing business	200,054	238,335

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

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

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
0–30 days	122,811	75,132
31–60 days	373	77,456
61–90 days	47,140	57,385
Over 90 days	29,730	28,362
	200,054	238,335

(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 borrowings, and equity attributable to owners of the Company which comprises share capital, reserves and accumulated losses as disclosed in consolidated statement of changes in equity. 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 period.

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 periods.

(10) Share capital

	Par value of each ordinary share HK$	Number of shares '000	Amount HK$'000
Ordinary shares			
Authorised:			
At 1 January 2019	0.10	3,000,000	300,000
Capital reduction (Note)		—	(270,000)
At 30 June 2019	0.01	3,000,000	30,000
Issued and fully paid:			
At 1 January 2019	0.10	831,222	83,122
Capital reduction (Note)		—	(74,810)
At 30 June 2019	0.01	831,222	8,312

Note: 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. Pursuant to 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, representing 3,000,000,000 shares of par value of HK$0.01 each, of which 831,221,677 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.

(11) Related party transactions

The Group entered into the following transactions with related parties during the period:

	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Interest expense paid to the following director of the Company Dr Kwan Pak Hoo Bankee and associates	213	—
Management fee income received from CASH Financial Services Group Limited ("CFSG") (Note)	1,380	—

Note: The Group received management fee income from CFSG of approximately HK$1.4 million.

(12) Interim dividend

No interim dividend in respect of the six months ended 30 June 2019 and 30 June 2018 was declared by the Board.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2019 (2018: nil).

Review and Outlook

Financial Review

Financial Performance

For the six months ended 30 June 2019, the Group recorded revenue of HK$699.3 million, representing an increase of 4.1% as compared with HK$671.6 million for the same corresponding period last year.

Overall, the Group reported a net loss for the period of HK$35.8 million as compared to the net loss of HK$86.8 million for the same period last year.

Retail Management Business — PRICERITE GROUP

During the period under review, facing the challenging external environment caused by the US-Mainland trade tensions, Brexit and other geopolitical tensions, the Hong Kong economy only showed a modestly expanded over last year, the weaker local economic growth and the societal turbulence in Hong Kong continue to weigh on the local consumption and sentiment on domestic demand which was fared considerably weak during the period under review, the Hong Kong total retail sales were down by 2.6% compared with the same period last year. Meanwhile, the unemployment rate remained low at 2.8% throughout the 6-month period, which kept the household incomes and wages grew solidly. Furthermore, the demand for small apartments showed no sign of decreasing, evidenced by the residential property transactions volume increased, mostly in primary residential market, by 4% over the same period last year. These factors had both positive and negative impacts on our retailing business. Benefited by solid demand in the property market and the stable employment prospect, we achieved a 3.6% increase in our revenue. On the other hand, the low unemployment rate had continuously pushing up the staff costs to a new high and the overall rental costs of our outlets was still on increasing trend. Facing the ever rising staff and rental costs, we had embarked on network optimisation of our retail stores by closing down 2 underperforming stores during the period under review. We had also restructured our product mix to improve the logistic efficiency, and optimised the use of warehouse space. Furthermore, we had reorganised our staff structure to increase our competitiveness as a result our staff cost has been decreased by 7.6% over same period last year. To keep our leading position in the retailing business amid the rapidly changing business environments, we had further strengthened our O2O business model to solidly integrate our physical and online store. It smoothly blended the most advance technologies, including artificial intelligence, big data analytics, mobile payments and robotics into our stores in order to implement a seamless shopping experience for our customers.

Overall, Pricerite Group recorded revenue of HK$699.3 million and a net loss of HK$17.8 million for the six months ended 30 June 2019, as compared to revenue of HK$671.6 million and a net loss of HK$40.9 million for the same period last year.

Mobile Internet Services Business — NET2GATHER (CHINA)

The Group's Mobile Internet Service Business had no revenue recorded and a net loss of HK$6,000 for the six months ended 30 June 2019, as compared to a net loss of HK$0.3 million for the same period last year.

CFSG — The Group's Associated Company

Financial Services Business — CFSG

For the six months ended 30 June 2019, CFSG recorded revenue of HK$61.5 million, representing an decrease of 17.9% as compared with HK$74.9 million for the same corresponding period last year.

Trading in the Hong Kong securities market continued to languish in the first half of 2019, the Hang Seng Index only reached to 28,542.62 at the end of June 2019 whereas the Index was above 30,000 most of the time during last corresponding period. Investor sentiment had been fragile since the Trump administration to use trade barriers as a tool of foreign policy, Brexit and others geopolitical tensions have heightened macro uncertainty, leading to a wider range of potential economic and market outcomes ahead. Consequently, more rate cuts by the Federal Reserve are expected in the second half of the year and other central banks will likely to follow suit, and the reduction of the Quantitative Tightening as well as the expected further economic stimulus taken by the Chinese government would potentially indicate that economic growth is slower than predicted, this may cause investors to take a more defensive investing stance and gave extra downside risk to the stock markets in the second half of the year. Affected by the overall investor sentiment the average daily trading volume of the Hong Kong stock market for the period under review recorded a significant decrease over the corresponding period last year. The decrease in trading volume had a direct impact on our securities business, our clients who are mostly retail investors had chosen to flee the highly volatile stock markets to avoid suffering huge investment and trading losses during this deteriorating financial environment, as a result CFSG's brokerage income recorded a decrease of 13.9% for the first half of the year. On the other hand, CFSG's asset management business, owing to the poorer market sentiments and uncertain economic outlook compared with the first half of 2018, had recorded a drop in revenue compared with the last corresponding period. Notwithstanding the market doldrums, CFSG's investment banking team had secured a number of sponsor, advisory and placing contracts and achieved a good revenue growth in the first half of this year. Furthermore, owing to the upside momentum of the Hong Kong stock market in the second quarter, CFSG recorded a net gain of HK$10.2 million on its portfolio of investment securities held for trading in the period under review.

Overall, CFSG recorded a net loss of HK$27.0 million for the six months ended 30 June 2019 as compared to a net loss of HK$52.2 million in the same period last year.

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$261.7 million as at 30 June 2019 as compared to HK$307.4 million at the end of last year. The decrease in the equity was mainly due to the net loss reported for the period under review.

As at 30 June 2019, the Group had total outstanding borrowings of approximately HK$265.8 million as compared to HK$233.2 million as at 31 December 2018. The increase in bank borrowings was mainly due to increase in working capital. The bank borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately of HK$122.2 million and secured loans of approximately of HK$143.6 million. The above bank loans of approximately HK$143.6 million were secured by the Group's pledged deposits of HK$44.5 million and corporate guarantees.

As at 30 June 2019, our cash and bank balances totalled HK$228.4 million as compared to HK$256.8 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the net loss reported for the period under review. 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 30 June 2019 at 0.60 times, as compared to 0.76 times as at 31 December 2018. The decrease in the liquidity ratio was mainly because lease liabilities were recognised due to adoption of the new accounting standard HKFRS 16 Leases during the period under review as well as the net loss reported for the period under review.

The gearing ratio, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 114.6% as at 30 June 2019 as compared to 83.8% as at 31 December 2018. The increase in the gearing ratio was mainly due to the net loss reported for the period under review. On the other hand, we have no material contingent liabilities at the period-end.

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 duly complied.

Foreign Exchange Risks

At the end of the period, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

Material Acquisitions and Disposals

Upon implementation of HKFRS 16 effective from 1 January 2019, the Group if entering into lease transaction as a lessee should recognise the right-of-use asset and will be regarded as an acquisition of asset under the Listing Rules. During the period, the Group as tenants entered into (i) letter agreement dated 30 April 2019 regarding extension of tenancy for the premises at "Portion of Level 1, Hilton Plaza, Shatin" for 13 months from 1 March 2019 to 31 March 2020 at an aggregate consideration of approximately HK$9.4 million for use as retail store of the Group; and (ii) new lease dated 23 May 2019 regarding renewal of lease for the premises at "28th Floor, Manhattan Place, Kowloon Bay" for 3 years from 15 December 2019 to 14 December 2022 at an aggregate consideration of approximately HK$25.5 million for use as office premises of the Group. And subsequent to the reporting period, the Group as tenants entered into (iii) renewal offer letter dated 16 August 2019 regarding renewal of tenancy for the premises at "Shop nos. 2715-23, Level 2, MOSTown" for 2 years from 26 September 2019 to 25 September 2021 at an aggregate consideration of approximately HK$10.5 million for use as retail store of the Group; and (iv) confirmation of tenancy dated 22 August 2019 regarding renewal of tenancy for the premises at "Shop on 1/F and 2/F of Heya Delight Shopping Centre" for 4 years from 16 October 2019 to 15 October 2023 at an aggregate consideration of approximately HK$10.8 million for use as retail store of the Group. The above lease transactions constituted discloseable transactions of the Company, and details of the transactions were disclosed in the announcements of the Company dated 30 April 2019, 23 May 2019, 16 August 2019 and 22 August 2019 respectively.

Save as aforesaid, the Group did not make any material acquisition and disposal 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.

Capital Commitments

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

Material Investments

As at 30 June 2019, the market values of a portfolio of investments held for trading amounted to approximately HK$1.6 million. A net gain derived from investments held for trading of HK$5.2 million was recorded for the period.

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

Financial and Operational Highlights

Revenue

	Unaudited		
	Six months ended 30 June		
(HK$'m)	**2019**	2018	% change
Retailing	**699.3**	671.6	4.1%
Online game	**—**	—	—
Group total	**699.3**	671.6	4.1%

Key Financial Metrics

	Unaudited		
	Six months ended 30 June		
	2019	2018	% change
The Group			
Net loss attributable to shareholders (HK$'m)	**(34.2)**	(83.1)	(58.8%)
Loss per share (HK cents)	**(4.1)**	(10.0)	(59.0%)
Total assets (HK$'m)	**1,170.7**	1,031.1	13.5%
Cash on hand (HK$'m)	**228.4**	245.2	(6.9%)
Borrowings (HK$'m)	**265.8**	275.9	(3.7%)
Retailing			
Revenue per sq. ft. (HK$)	**377**	366	3.0%
Growth for same stores (vs last year)	**4.4%**	5.6%	N/A
Inventory turnover days	**42.7**	44.8	(4.7%)

Management Discussion and Analysis

Retail Management Business — PRICERITE GROUP

Industry Review

The first half of 2019 was tough for Hong Kong retailers, with the market clouded by China-US trade disputes and local social unrest. As a result of the negative consumer sentiment, Hong Kong GDP edged-up just 0.6% and even 0.5% in real terms in the first and second quarters, respectively, with total retail sales slumping 2.6%.

Business Review

The economic hardship inevitably weighed on consumer spending. To enhance operating efficiency, Pricerite took various measures to rationalise costs through digitalisation, standardisation, simplification and automation of work process covering logistics, inventory management, store operations, marketing management and general administration. The entire operating system was reviewed and streamlined while self-service checkout kiosks continue being installed in our outlets to improve customer shopping experience.

The Group is dedicated to developing its multiple-brand home furnishing business with a vision to becoming the innovative home solutions leader for quality home furnishings, lifestyle products and services. Since "Pricerite" is a well-established brand serving customers for more than 30 years, the Group has decided to leverage this strong brand equity — renaming after our flagship brand as Pricerite Group Limited.

Overall, steady demand continues in the market for "smart" furniture and healthy home products as space management and well-being lifestyle remain key trends and issues. As the leading "New Retail" home furnishing specialist in Hong Kong, Pricerite continues to deliver value-for-money solutions that help our customers in tightening circumstances.

Pricerite Home

Our space management business stems from deep understanding of customer needs to maximise limited living space in Hong Kong's micro-apartments. We therefore continue to strengthen our product sourcing both globally and regionally. In 2019 we expanded the scope of our sourcing centres in the Yangtze River Delta, Guangdong-HK-Macau Greater Bay Area and South East Asia.

At the same time, our product design team continues designing multi-functional and transformable furniture, while our merchandising team revamps product offerings to provide well-selected product choices for our customers.

Enabling greater flexibility in home-furnishing for limited living space, Pricerite launched the "My Own Universe (MOU)" furniture series of customisable, fashionable and innovative living room and dining room solutions, in a widening selection of styles, colours and materials.

Our "New Retail" business model meanwhile focuses on retail automation and digitalisation — adopting latest technologies such as big data analytics, artificial intelligence and robotic technologies; and leveraging the advantages of both online and offline touch points to facilitate seamless, convenient shopping experiences.

Supplementing deployment of SAP sales & service software solutions last year, we introduced an SAP marketing module in early 2019 for personalised and timely communication with our customers throughout their shopping journeys.

TMF

During the period, TMF revamped its shops at Megabox and Tsuen Wan Plaza bringing customers a fresh new image with enhanced solution displays.

TMF has also made advancements in product variety for the segment of families with children by introducing additional bedroom solutions. Collaboration with the well-known consumer brands such as B. Duck has also boosted our brand awareness in Hong Kong.

To stay true to our vision, we continuously enhanced our product quality with enrichment in quality assurance of production process.

With our relentless effort in growing the TMF business, the brand has been well-received and recognised in the tailor-made furniture market. The increase in popularity of micro-apartments facilitates TMF's further development in our smart furniture and micro-space management solutions.

SECO

SECO introduced more well-being products for home, environment and personal uses, guided by our healthy-living commitment and good understanding of the importance of clean air and water.

At the same time, store layouts were restyled to continue enhancing shopping experience and product efficiency, while boosted e-shopping solutions leveraged benefits of e-commerce and omni-channel retail trends.

Awards

We were proud to receive a "15-year QTS-accredited Merchant" credit from the Hong Kong Tourism Board, recognising this achievement for the 15th consecutive year.

Pricerite's outstanding service was also once again acknowledged with staff receiving gold awards in both the supervisory and front-line categories of the Outstanding QTS Merchant Service Staff Award 2019.

TMF staff members were also bestowed with silver and bronze awards in supervisory and front-line staff categories, recognising quality service. Salespersons from Pricerite and TMF were additionally awarded Distinguished Salesperson Awards in recognition of their outstanding sales professionalism.

Outlook

Looking forward, Pricerite Group is cautiously optimistic as strong demand for "smart" home furniture and houseware should continue with new apartment intake in both public and private housing estates.

Leveraging Pricerite's well-established brand as a vibrant home furnishing retailer of products and services meeting today's consumer needs, we will continue developing our "New Retail" business model with advanced technologies and innovative product solutions to provide pleasurable and convenient shopping, enhancing customer satisfaction.

Mobile Internet Services Business — NET2GATHER (CHINA)

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 the first half of 2019, Chinese mobile game users reached 620 million, showing a further declining growth trend mainly due to the high base effect in previous years.

Business Review

In view of the very severe industry competition, our mobile game licensing business in overseas market was suspended since 2017. For the six months ended 30 June 2019, the Group's Mobile Internet Services business recorded a net loss of HK$6,000 as compared to a net loss of HK$0.3 million for the same period last year.

CFSG — The Group's Associated Company

Financial Services Business — CFSG

Industry Review

The Hong Kong economy in the first half of 2019 was also hard-hit by the China-US trade war and the uncertain external environment, creating much market volatility. The Hang Seng index (HSI) closed at 25,130.35 on the first trading day of 2019 and reached its 30,157.49 high in April, ending the first half of 2019 at 28,542.62, a minor 1.4% drop over a year earlier, with a 24% decrease in average daily market turnover.

Business Review

During the period, we remain focused on the key importance of preserving our financial strength in the face of challenging global and local economic times — consistently maintaining cost-conscious leadership and retaining our capital strength. Due to the poor market environment, we took several cost rationalisation measures, including reducing headcount and planning for moving to a new office location in up-and-coming East Kowloon district where the rental is much cheaper. Rationalisation was inevitable and necessary for the Group to weather prevailing market conditions and forthcoming challenges.

As the broking industry landscape changes, worsened by recent regulatory and market changes, it is imperative that we seek to revamp our business model, to achieve the agility essential to prevail in the currently austere market environment. As such, apart from maintaining a highly robust and cost-effective operating structure, among other rationalisation moves, we will constrain our resources in the brokerage business, which is forecast to be lacklustre amid the global uncertainty.

While seeking to become leaner, we will also continue our strategy of developing comprehensive and diversifying financial services to reduce reliance on brokerage income.

Under the framework agreement of development of the Greater Bay Area, more cross-boundary transactions of investment products and financial services are expected. This opens new horizons, bringing new momentum for sustainable development of the financial services industry. After months of careful study and detailed assessment, CFSG is determined to develop its foothold in the "Greater Bay Area", augmenting O2O (integration of online and offline) wealth management solutions, recruiting sales professionals and broadening our domestic and international financial product offerings.

During the second half, as a first move, we will focus on building a new wealth management platform, integrating various financial products and services into a single platform. This "All-in-One" solution aims to address the wide range of financial needs of both millennial investors and the Greater Bay Area market.

In the first half of 2019, our investment banking division continued to advise listed companies on a range of corporate finance transactions, including acquisition and disposals of assets, M&As and various connected transactions. We also continued working in our capacity as sponsor relating to a number of IPO applications and placing activities.

Our Asset Under Management (AUM) for clients rose around 10.62% by the end of the first half of 2019 compared with the end of December 2018, which was in line with market performance. We focus on leading blue chips with high visible outlook for our clients and will acquire more new potential clients. The HSI is currently trading at around 10.2x prospective PER, 1.22x P/B and 3.4% prospective dividend yield. Compared with historic track record, the index valuation is not demanding for long-term investors. For the remainder of this year, we expect our revenue and AUM to perform in line with the market.

Outlook

In the middle of the unsettled China-US trade dispute, Hong Kong's economy will inevitably be dragged down. Coupled with the tendency of global central banks to boost the fragile economic growth with monetary stimulus measures, and the unprecedented local social unrest in Hong Kong that hard hit almost every sector in the city, economic outlook for the latter half of 2019 may look gloomier than expected.

Despite current market volatility, Hong Kong's financial services and related industries are well-positioned to contribute to Greater China's visionary "Greater Bay Area" economic integration, global "Belt-and-Road" initiative and continuing Renminbi (RMB) internationalisation. Against this encouraging long-term backdrop, CFSG is cautiously formulating business planning towards these strategic directions. Despite the fact that it takes time and resources to build up sales momentum, we are confident that our experience in the international financial market provides strong foundation for future development.

Employee Information

At 30 June 2019, the Group had 785 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 period under review was approximately HK$107.2 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 and 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 2019, the interests or short positions of each director and chief executive of the Company in the shares, underlying shares or 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:

A. The Company

(a) Long positions in the ordinary shares of HK$0.01 each

Name	Capacity	Number of shares		Shareholding
		Personal	Corporate interest	(%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	4,260,000	281,767,807 (Note (1))	34.41
Chan Chi Ming Benson	Beneficial owner	6,310	—	0.00
Law Ping Wah Bernard (Note (2))	Beneficial owner	27,345,312	—	3.29
		31,611,622	281,767,807	37.70

Notes:

(1) The shares were held by Cash Guardian Limited ("Cash Guardian") (which was 100% beneficially owned by Dr Kwan Pak Hoo Bankee ("Dr Kwan")). Dr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial shareholders" below.

(2) Mr Law Ping Wah Bernard resigned as director of the Company with effect from 1 July 2019 (subsequent to the reporting period).

(b) Long positions in the underlying shares

Options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options outstanding as at 1 January 2019 and 30 June 2019	Percentage to issued shares as at 30 June 2019 (%)
Kwan Pak Hoo Bankee	18/12/2015	18/12/2015–31/12/2019	0.460	(1)to(3)	8,000,000	0.96
Ng Hin Sing Derek	18/12/2015	18/12/2015–31/12/2019	0.460	(2)&(3)	4,800,000	0.57
Law Ping Wah Bernard (Note (4))	18/12/2015	18/12/2015–31/12/2019	0.460	(2)&(3)	4,800,000	0.57
					17,600,000	2.10

Notes:

(1) Dr Kwan is also the substantial shareholder of the Company.

(2) The options are vested in 4 tranches as to 25% each exercisable from 18 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively and is subject to the 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. The options must be exercised within one month from the date on which the Board's approval of the vesting of the options.

(4) Mr Law Ping Wah Bernard resigned as director of the Company with effect from 1 July 2019 (subsequent to the reporting period).

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

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

B. Associated corporation (within the meaning of SFO)

CFSG

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

Name	Capacity	Number of shares: Personal	Number of shares: Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Interest in a controlled corporation	—	1,667,821,069*	33.65
Chan Chi Ming Benson	Beneficial owner	10,924,000	—	0.22
		10,924,000	1,667,821,069	33.87

* The shares were held by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company). The Company was beneficially owned as to approximately 34.41% by Dr Kwan, details of which were disclosed in the "Substantial shareholders" below. Pursuant to the SFO, Dr Kwan was deemed to be interested in all the shares held by CIGL in CFSG.

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

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2019	Number of options: granted during the period (Notes (4) & (5))	Number of options: outstanding as at 30 June 2019	Percentage to issued shares as at 30 June 2019 (%)
Kwan Pak Hoo Bankee	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	40,000,000	—	40,000,000	0.80
	31/8/2017	1/1/2018–31/12/2020	0.253	(2)	49,000,000	—	49,000,000	0.98
	29/3/2019	1/5/2019–30/4/2022	0.071	(3)	—	48,000,000	48,000,000	0.96
Chan Chi Ming Benson	31/8/2017	1/1/2018–31/12/2020	0.253	(2)	49,000,000	—	49,000,000	0.98
	29/3/2019	1/5/2019–30/4/2022	0.071	(3)	—	48,000,000	48,000,000	0.96
Ng Hin Sing Derek	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	16,000,000	—	16,000,000	0.32
Law Ping Wah Bernard (Note (6))	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	40,000,000	—	40,000,000	0.80
	31/8/2017	1/1/2018–31/12/2020	0.253	(2)	49,000,000	—	49,000,000	0.98
	29/3/2019	1/5/2019–30/4/2022	0.071	(3)	—	48,000,000	48,000,000	0.96
					243,000,000	144,000,000	387,000,000	7.74

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 CFSG Board. The options must be exercised within one month from the date on which the CFSG 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 CFSG Board and/or the CFSG Board determined at their sole discretion. The options must be exercised within one month from the date on which the CFSG Board's approval of the vesting of the options.

(3) The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively, and 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 CFSG Board and/or the CFSG Board determined at their sole discretion. Any option that is not vested before the expiry date of each tranch period shall lapse automatically. The options must be exercised within one month from the date on which the CFSG Board's approval of the vesting of the options.

(4) The closing price of the share immediately before the date of grant of option on 29 March 2019 was HK$0.066.

(5) The value of the options granted during the period ended 30 June 2019 was zero as the performance targets set for the options had not been achieved by the end of the period under review.

(6) Mr Law Ping Wah Bernard resigned as director of the Company with effect from 1 July 2019 (subsequent to the reporting period).

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

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

Save as disclosed above, as at 30 June 2019, none of the directors, chief executives or their associates had any interests or 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 Schemes

The Company

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 2019 were as follows:

Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options outstanding as at 1 January 2019 and 30 June 2019
Directors				
18/12/2015	18/12/2015–31/12/2019	0.460	(1)	17,600,000
Employees and other grantees				
18/12/2015	18/12/2015–31/12/2019	0.460	(2)&(3)	16,600,000
				34,200,000

Notes:

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

(2) The options are vested in 4 tranches as to 25% each exercisable from 18 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively, and is subject to the 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. The options must be exercised within one month from the date on which the Board's approval of the vesting of the options.

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

The associated company

CFSG

The new share option scheme of CFSG ("CFSG New Option Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of CFSG held on 8 June 2018 to replace the old share option scheme of CFSG ("CFSG Old Option Scheme") dated 22 February 2008. The options granted under the CFSG Old Option Scheme before expiry and remained outstanding shall continue to be valid and exercisable in accordance with the terms of the options.

Details of share options to subscribe for shares in CFSG granted to participants under the CFSG New Option Scheme and the CFSG Old Option Scheme during the six months ended 30 June 2019 were as follows:

					Number of options			
Name of scheme	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2019	lapsed during the period (Note (7))	granted during the period (Notes (8) & (9))	outstanding as at 30 June 2019
Directors								
CFSG Old Option Scheme	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	96,000,000	—	—	96,000,000
	31/8/2017	1/1/2018–31/12/2020	0.253	(1)	147,000,000	—	—	147,000,000
CFSG New Option Scheme	29/3/2019	1/5/2019–30/4/2022	0.071	(1)	—	—	144,000,000	144,000,000
					243,000,000	—	144,000,000	387,000,000
Employees and other grantees								
CFSG Old Option Scheme	3/12/2015	3/12/2015–31/12/2019	0.315	(2)&(3)	84,000,000	(4,000,000)	—	80,000,000
	31/8/2017	1/1/2018–31/12/2020	0.253	(4)	72,000,000	—	—	72,000,000
	31/8/2017	1/1/2018–31/12/2020	0.253	(5)	194,400,000	—	—	194,400,000
CFSG New Option Scheme	29/3/2019	1/5/2019–30/4/2022	0.071	(6)	—	—	296,000,000	296,000,000
					350,400,000	(4,000,000)	296,000,000	642,400,000
					593,400,000	(4,000,000)	440,000,000	1,029,400,000

Notes:

(1) Details of the options granted to the directors of the Company 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 the 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 CFSG Board. The options must be exercised within one month from the date on which the CFSG Board's approval of the vesting of the options.

(4) The vesting of 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 CFSG Board and/or the CFSG Board determined at their sole discretion. The options must be exercised within one month from the date on which the CFSG Board's approval of the vesting of the options.

(5) The vesting of the options is subject to the satisfactory delivery of services to members of the Group as approved by the Chairman of the CFSG Board and/or the CFSG Board determined at their sole discretion. The options must be exercised within one month from the date on which the CFSG Board's approval of the vesting of the options.

(6) The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively, and is subject to the vesting conditions as set out in (4) above. Any option that is not vested before the expiry date of each tranch period shall lapse automatically.

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

(8) The closing price of the share immediately before the date of grant of option on 29 March 2019 was HK$0.066.

(9) The value of the options granted during the period ended 30 June 2019 was zero as the performance targets set for the options had not been achieved by the end of the period under review.

(10) No option was exercised or cancelled during the period.

Substantial Shareholders

As at 30 June 2019, 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 or 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 (Notes (1) and (2))	Interest in a controlled corporation	281,767,807	33.89
Cash Guardian (Notes (1) and (2))	Interest in a controlled corporation	281,767,807	33.89
Mr Wang Shui Ming (Note (3))	Beneficial owner, interest in a controlled corporation and other interest	77,404,926	9.31

Notes:

(1) This refers to the same number of shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan. Pursuant to the SFO, Dr Kwan and Hobart Assets Limited were deemed to be interested in the shares held by Cash Guardian.

(2) Dr Kwan (a director whose interests are not shown in the above table) was interested and/or deemed be interested in a total of 286,027,807 shares (34.41%), which were held as to 281,767,807 shares by Cash Guardian and as to 4,260,000 shares in his personal name. Detail of his interest is set out in the section "Directors' interests in securities" above.

(3) The shares were held as to 19,631,226 in his personal name, as to 42,114,150 held by Mingtak Holdings Limited (a 100%-owned controlled corporation of Mr Wang), and 15,659,550 held by him as nominee under a power of attorney. Pursuant to the SFO, Mr Wang was deemed to be interested in all these shares.

Save as disclosed above, as at 30 June 2019, 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 or short positions in the shares or 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 2019 to 30 June 2019, 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 deviations summarised as follows:

(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; and

(ii) Dr Kwan (Chairman of the Board) also acted as CEO of the Company during the underlying period. 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.

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

There are no 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 2019 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 2019, neither our 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 & CEO

Hong Kong, 23 August 2019

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

Executive directors:

Dr Kwan Pak Hoo Bankee, JP
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