時富金融 CFSG

ANNUAL REPORT 2019

At the Forefront of FinTech

CASH Financial Services Group Limited
(Stock Code : 510)

Contents

COMPANY PROFILE

OUR CULTURE OF EXCELLENCE

Headquartered and listed in Hong Kong (SEHK: 510), CASH Financial Services Group ("CFSG") has been dedicated to enhancing financial security and legacy planning for our clients for nearly 50 years.

Founded in 1972, CFSG is a leading financial technology (FinTech) institution providing a comprehensive suite of tech-driven global wealth management services, including investment and financial planning, investment banking and corporate finance advisory, securities and commodities brokerage services, insurance, asset management, overseas property investment, immigration advice, estate planning, etc.

Our culture of excellence drives our ongoing focus on sustainable growth, integrity and innovation, serving a diversified client base that includes corporations, financial institutions and individual investors.

Guided by our key corporate values, our culture of excellence means that we will always put our clients' interests first by serving for the best client outcomes and be supportive of colleagues throughout our organisation. Our key corporate values are (4Ts):

Trustworthy — a reliable brand that continuously strives to fulfil all our clients' wealth management needs

Team-oriented — a corporate culture that focuses on "Respect, Trust, and Cooperation"

Tech-savvy — a pioneering company that stays at the forefront of FinTech to deliver convenient and personalised financial services

Thrill-hearted — a nurturing environment that strives to foster a happy and fulfilling work experience for every colleague

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	(Chairman & Acting CEO)
CHEUNG Wai Ching Anthony	(COO)
LI Shing Wai Lewis	(CFO)
KWAN Teng Hin Jeffrey	(ED)
NG Hin Sing Derek	(ED)

Independent Non-executive:

CHENG Shu Shing Raymond
LO Kwok Hung John
LO Ming Chi Charles

AUDIT COMMITTEE

CHENG Shu Shing Raymond (committee chairman)
LO Kwok Hung John
LO Ming Chi Charles

REMUNERATION COMMITTEE

CHENG Shu Shing Raymond (committee chairman)
LO Ming Chi Charles
KWAN Pak Hoo Bankee

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, *FCIS, FCS*

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee
CHEUNG Wai Ching Anthony
(alternate: LUKE Wing Sheung Suzanne)

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
OCBC Wing Hang Bank, Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of Communications Co. Ltd., Hong Kong Branch

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

22/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.cfsg.com.hk

STOCK CODE ON MAIN BOARD

510

CONTACTS

Telephone	:	(852) 2287 8788
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CHAIRMAN'S LETTER

Dear Fellow Shareholders,

A sharp deterioration in geopolitical and macro-economic factors since the beginning of 2019 has adversely affected business viability of most Hong Kong companies across various sectors.

As a key pillar of the Hong Kong economy, financial services has faced serious headwinds from China-US trade tensions since the first half of 2019, followed by unprecedentedly destructive social unrest in the second half and the COVID-19 coronavirus outbreak in early 2020.

As such, Hong Kong's economy shrank by 1.2% in 2019 — down from 2.9% growth in 2018 — and is expected to further contract by 1.5% in 2020, or marginal growth of just 0.5%. Business momentum has been waning with appetite for investment lost, further instigating radical changes in the market landscape.

Having foreseen business uncertainties amid the unfavourable macroeconomic and political outlook, the Group has been proactively managing the challenging external environment to prudently control our credit risk. At the beginning of 2019, we have earmarked more resources for transforming the Group from a brokerage-driven model to a well-rounded wealth management business, while simplifying our organisational structure and improving our operating and capital efficiencies.

We relocated our headquarters and back office to Kowloon Bay in October 2019. This not only substantially saves rental expense, but also brings the benefits of a rising new Hong Kong CBD and high-tech hub.

In view of the subdued performance of the international commodities market, we will retain minimal operation in relevant areas, while channeling our resources to build resilience and increase returns in the promising wealth management business. In this highly competitive corporate finance arena, we are reforming our corporate financial advisory business into a lean and mean operation.

To facilitate this transformation, new teams of wealth managers and new products are being introduced to bolster our product portfolio and investment capabilities. We have also established new offices in the Greater Bay Area to bolster presence and sales in this exciting cross-border zone of new opportunity.

Despite Mainland China's slowing economy, we believe the Central Government's effort to achieve a medium GDP growth rate of above 6% is a challenging target.

However, continuing though seemingly calmer China-US trade tensions, unpredictable outcomes from Brexit and the upcoming US Presidential election, and other geopolitical uncertainties all conspire to cloud 2020 prospects for global economies.

Domestically, unresolved local social unrest and underlying distrust and discontent with the HKSAR Government along with unprecedented repercussions from the coronavirus contribute to highly uncertain investment and economic development.

While hopeful that macroeconomic easing measures by various governments will take effect, the Group is cautiously reforming and transforming our business while maintaining strict cost leadership and credit quality to ensure healthy standing for future development.

On behalf of the board of directors, I would like to thank all of our staff for their dedication and relentless effort in serving our clients and the Group.

With our synergy of committed professionals and adoption of financial technology (FinTech), we firmly believe CFSG will weather difficulties ahead — successfully transforming into a leading FinTech institution providing a comprehensive suite of tech-driven global wealth management services.

Yours sincerely,

Dr Bankee P. Kwan*, JP*
Chairman

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded revenue of HK$107.5 million, representing a decrease of 12.9% as compared with HK$123.4 million in 2018.

In view of the China-US trade tensions, Brexit and others geopolitical tensions, the fear of slower global economic growth lingered and the US has become more dovish. In the second half of 2019, the interest rate cut by 0.75%, the reduction of the Quantitative Tightening and the improved corporate earnings have sent the longest growth in history to the US economy and exuberance to the US stock market which made a new record high. On the other hand, the prolonged social unrest in Hong Kong has kept investors on the edge since June 2019, hammering local industries from tourism to retail. Hong Kong's economy faced serious challenges from a lingering fallout from the political unrest and confidence among investors had taken a beating. The economic circumstances and the Hong Kong stock market were pulled back. The Hong Kong economy fell into a technical recession in the third quarter of 2019. There was a general increase in unemployment as the overall growth continued to weaken towards the year-end. This caused investors to take a more defensive investing stance and gave extra downside risk to the Hong Kong stock market. However, Hong Kong stocks traded at a low valuation which provided a protection against the downside risks. As a result, trading in the Hong Kong securities market continued to languish in the second half of 2019 and the index remained stable and traded in a narrow range after the flourishing first half of 2019. Even though the stock market rebounded following the improved social situation and the alleviated China-US trade war on the scheduled signing of the first phrase trade deal between China and US, the Hang Seng Index only reached to 28,189.75 at the end of 2019, up by 9.06% compared with the end of 2018 whereas the H-share Index closed at 11,168.06 at the end of 2019, up by 10.3% compared with the end of 2018. Affected by the overall investor sentiment, the average daily trading volume of the Hong Kong stock market for the year recorded a significant decrease compared with 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 investment and trading losses during this uncertain financial environment. As a result the Group's brokerage income recorded a decrease of 11.3% for the year. Furthermore, the Group's asset management business, owing to the poorer market sentiments and uncertain economic outlook, had recorded a drop in revenue compared with 2018. Notwithstanding the market doldrums, the Group's investment banking team had secured a number of sponsors, advisory and placing contracts and achieved a mild revenue growth in 2019. Owing to the flat Hong Kong stock market in the second half of the year, the Group recorded a small gain on its portfolio of proprietary trading in the year. To further strengthen our financial services and products to cater for the diverse needs of our clients in order to improve their financial well-being, the Group had made a change in the strategy direction in the third quarter of 2019 that to scale up our wealth management business by hiring more professional advisers in both Hong Kong and PRC, and at the same time set up offices in Greater Bay Area to promote the wealth management business.

Overall, the Group recorded a net loss of HK$116.9 million for the year ended 31 December 2019 as compared to a net loss of HK$144.5 million last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$503.8 million as at 31 December 2019 as compared to HK$623.9 million as at 31 December 2018. The decrease in the total equity was mainly due to the reported loss for the year under review.

As at 31 December 2019, the Group had total outstanding bank borrowings of approximately HK$149.4 million, which were solely bank loans. Bank borrowings of HK$98.0 million were collateralised by its margin clients' securities pledged to the Group and a bank loan of HK$51.4 million was secured by a pledged Hong Kong dollar deposit of HK$25.2 million. 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 31 December 2019, our cash and bank balances including the trust and segregated accounts had slightly decreased to HK$957.9 million from HK$1,239.7 million as at 31 December 2018.

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$225.2 million and HK$88.2 million as at 31 December 2019 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 31 December 2019 slightly decreased to 1.41 times from 1.50 times as at 31 December 2018. The gearing ratio as at 31 December 2019, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 29.7% from 17.1% as at 31 December 2018. The increase in gearing ratio was mainly due to the increase in bank borrowings and decrease in total equity during the year under review. On the other hand, we have no material contingent liabilities at the end of the year.

The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been complied.

FINANCIAL REVIEW

Foreign Exchange Risks

The Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of the year.

Material Acquisitions and Disposals

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 year, the Group as tenant entered into new lease dated 23 May 2019 regarding the lease for the premises at "22nd Floor, Manhattan Place, Kowloon Bay" for 3 years and 5 months from 15 July 2019 to 14 December 2022 at an aggregate consideration of approximately HK$24.9 million for use as office premises of the Group. The above lease transaction constituted a discloseable transaction of the Company, and details of the transaction were disclosed in the announcement of the Company dated 23 May 2019.

In July 2019, the Group announced a discloseable transaction relating to the subscription of non-voting shareholding interests in ZWC CFSG Investments Limited for investment in a FinTech company in the PRC at a subscription amount of US$2,000,000 (equivalent to approximately HK$15,600,000) in cash under a subscription agreement dated 2 July 2019. Details of the transaction were disclosed in the announcement of the Company dated 2 July 2019.

In December 2019, the Group announced a discloseable transaction relating to the subscription of limited partner interests in private equity fund called "武漢老鷹創新投資中心（有限合夥）" (translated as Wuhan Eagles Innovation Investment Centre, L.P.) with capital commitment of RMB10 million (equivalent to approximately HK$11.1 million) in cash under a letter of commitment and partnership agreement with 北京老鷹投資基金管理有限公司 (translated as Beijing Eagles Investment Fund Management Company Limited) dated 20 December 2019. As at 31 December 2019, the Group did not make any payment in the fund. In January 2020, the Group made a payment in the amount of RMB5,000,000 (equivalent to approximately HK$5,550,000) in the fund and the remaining balance was expected to be paid on or before the end of March 2020 in accordance with the terms of the letter of commitment. Details of the transaction were disclosed in the announcement of the Company dated 20 December 2019.

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

Save as disclosed in note 53 to the consolidated financial statements in this annual report, there is no important event affecting the Group which has occurred since the end of the financial year.

Capital Commitments

Save as disclosed in note 48 to the consolidated financial statements in this annual report, the Group did not have any other material outstanding capital commitments at the end of the year.

Material Investments

As at 31 December 2019, the market values of a portfolio of investments held for trading amounted to approximately HK$101.4 million. A net gain on investments held for trading of HK$3.6 million was recorded for the year.

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

FINANCIAL REVIEW

FINANCIAL AND OPERATION HIGHLIGHTS

Revenue

(HK$'m)	**2019**	2018	% change
Broking income	**82.9**	102.3	(19.0%)
Non broking income	**24.6**	21.1	16.6%
Group total	**107.5**	123.4	(12.9%)

Key Financial Metrics

	2019	2018	% change
Net loss (HK$'m)	**(116.9)**	(144.5)	19.1%
Loss per share (HK cents)	**(2.30)**	(2.91)	21.0%
Total assets (HK$'m)	**1,503.6**	1,749.9	(14.1%)
Cash on hand (HK$'m)	**313.4**	402.0	(22.0%)
Bank borrowings (HK$'m)	**149.4**	106.4	40.4%
Annualised average fee income from broking per active client (HK$'000)	**5.4**	6.8	(20.6%)

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

Industry Review

An unprecedented "perfect storm" of various sharply deteriorating geopolitical and economic factors since early 2019 conspired to adversely affect Hong Kong's economic performance. The financial services sector, a major pillar of the economy, initially faced serious headwinds arising from China-US trade tensions from the first half of 2019, followed by unprecedentedly destructive social unrest erupting in the second half.

Resulting disruptions to global trade heavily dragged down economic growth. China's GDP growth was 6.1%, down from 6.6% the year before, while Hong Kong economy shrank by 1.2%, the first annual decrease since 2009.

Notwithstanding fluctuations in global capital markets, Hong Kong's IPO market grew in terms of total IPO funds raised by 9% to HK$312.9 billion. However the number of newly-listed companies slumped by 16% to 183. In addition, total post-IPO funds raised amounted to HK$139.1 billion — a decrease of 46% compared to HK$256 billion raised in 2018.

But overall, investment sentiment in 2019 was subdued, with the Hang Seng Index closing at 28,189.75 at year-end and average daily turnover dropping by 18.86%.

Business Review

As a consequence of trade tensions between China and the US with subsequent slowdown in global economic growth, international capital markets took a big hit. In particular, market sentiment in commodities broking deteriorated distinctly. Together with tightened fund flow in China and other capital markets, our brokerage commission income declined by 11.3% in 2019.

Despite an active IPO market led by the launch of several mega-IPOs, high bank financing costs dampened our overall margin financing business, leading to a moderate drop of 9.4% in interest income.

The volatile global economy, together with escalating costs of compliance, suffocated growth of our brokerage business. The Group therefore continued to transform its model from brokerage-driven to a well-round wealth management-driven business — with a diversified product offering of professional financial advisory services to high-net-worth clients.

2019 was meanwhile a remarkable year for steady advancement of the Chinese government's Greater Bay Area vision. Since the initiative was launched for closer integration of a world-class "Bay" economy, we identified notably growing momentum towards this vision becoming a closer reality — and in anticipation opened representative offices in Guangzhou and Dongguan in the second half of 2019, extending cross-border presence from our existing office in Shenzhen. We have assembled local marketing teams across various locations to explore business opportunities around the Greater Bay Area.

In 2020 and beyond we will continue introducing latest products and services to capture ever-changing wealth management appetites of our clients. We will also continue seeking new strategic partnerships and strengthen our existing networks with various institutions, leveraging synergy with our long-established Shanghai office to offer comprehensive wealth management solutions to our business partners and clients.

During 2019 we assisted certain clients in raising funds from the capital market through placings and IPO sub-underwriting. We also advised listing companies on a range of corporate finance transactions, including M&As, acquisition and disposal of assets and businesses, and various connected transactions; and advised a private company in acquiring controlling stake in a listed company. We also continued our sponsor support for a mainboard IPO applicant. Our clients mainly included Hong Kong companies and Mainland China enterprises.

In view of the current market doldrums, we intend to focus on our financial advisory expertise while fine-tuning our team-mix to fortify our investment banking capabilities. We are also closely monitoring the ever-changing market environment, reacting proactively on behalf of our clients to better capture various capital market and corporate finance opportunities.

Our sum of Asset under Management (AUM) for external customers was flat by year-end, compared with 2018. Our focus is on leading blue chips and new economy stocks with high visible outlook for our clients; and target recruiting more investment managers to attract more potential new clients.

The HSI is currently trading at around 10.9x FY2020 prospective PER, 1.17x P/B and 3.4% prospective dividend yield. Compared with historical track record, its valuation is not demanding for long term investors, so we expect our revenue and AUM to pick up again this year.

In 2019 we also continued to improve our mobile trading platforms — Alpha i and Weever, with more value-added features to satisfy our clients' demand for superior service.

Aiming to bring our clients a more efficient way to manage their assets, we are currently developing a new "All-in-One" wealth management platform, encompassing trading services covering a broad range of markets and asset classes, and professional wealth management services. The new wealth management platform will be released in phases in 2020. Besides, we will continue to integrate innovative technologies into our products and services to ensure our clients benefit from latest technological advancements.

On top of 2019 setbacks, the first quarter of 2020 was poised for inevitable negative economic growth in view of stagnation brought by the new COVID-19 coronavirus. On a brighter note, the chill of US and China trade tensions appears to have thawed somewhat, removing some uncertainty with signing of the first phrase of a trade deal in January 2020 and start of second phrase negotiations. With the turnaround of depreciation pressure on the RMB and loosening monetary policy in China, we see positive longer-term signals for the Hong Kong and China stock markets.

But to prepare for inevitably tough economic conditions resulting from the outbreak of COVID-19 in the coming year, we will implement stringent cost control to remain a sustainable business. Meanwhile, we are actively seeking deal-based business opportunities to maintain steady income stream — applying prudent risk management while identifying new financial products and leveraging our client network to increase business activities in the Greater Bay Area and Yangtze River Delta Area.

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had 158 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK$82.2 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, products knowledge, operational techniques, security awareness, risk and compliance, 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 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN, JP

Chairman & Acting CEO

DBA(Hon), MBA, BBA, FFA, FHKSI, CPM(HK), FHKIM

Dr Kwan, aged 60, joined the Board on 11 August 2000. He is responsible for devising the overall business strategy of the Group. Dr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Dr Kwan was also conferred an Honorary Doctorate degree in Business Administration. Dr Kwan is also a fellow of the Institute of Financial Accountants, UK, the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Marketing (HKIM). He is a Certified Professional Marketer (HK) of HKIM.

Dr Kwan is a firm believer in youth education and development. He is a John Harvard fellow of The Harvard University, US; a member of the Harvard University Asia Center Advisory Committee; a trustee of New Asia College of The Chinese University of Hong Kong; an honorary fellow of The Open University of Hong Kong; a member of the Court of City University of Hong Kong, an Adjunct Professor of The Hang Seng University of Hong Kong and an advisory professor and a honorary member of the Board of Trustees of Nanjing University. Dr Kwan is also an honorary advisor of several higher education institutions, including the LiPACE of The Open University of Hong Kong and the Academy of Oriental Studies of Peking University.

In addition to education, Dr Kwan is also active in serving the community. Currently, he is the deputy chairman of the Business Facilitation Advisory Committee (BFAC) and also the convenor of the Wholesale and Retail Task Force (WRTF) of BFAC; a non-executive director of the Mandatory Provident Fund Schemes Authority (MPFA); a standing committee member and deputy convener (Hong Kong and Macao Members) of the Chinese People's Political Consultative Conference (CPPCC), Shanghai Committee; executive vice president of Hong Kong-Shanghai Economic Development Association; a member of the 5th Council of the China Overseas Friendship Association; a Justice of Peace (JP) of the HKSAR; a member of the Election Committee for the Fourth and the Fifth Term of the Chief Executive Election of the HKSAR; a director, honorary advisor and past chairman of the Hong Kong Retail Management Association (HKRMA); a member of the Marketing Management Committee of the HKMA/TVB Awards for Marketing Excellence; a director of the Hong Kong Justice of Peace Association. Dr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR and an honorary advisor of the CEPA Business Opportunities Development Alliance.

In December 2009, Dr Kwan was named "Entrepreneur of the Year 2009" in the Asia Pacific Entrepreneurship Awards as organised by Enterprise Asia, which recognised his outstanding entrepreneurial success and significant contributions to economic life and society. In April 2016, Dr Kwan was named "Man of the Year for Leadership in Asia" by IAIR, the world's leading financial magazine. The annual IAIR Awards recognise outstanding professionals who actively promote excellences in innovation and sustainability. In August 2018, he 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. In December 2019, The Hang Seng University of Hong Kong bestowed the "Junzi Entrepreneur Award" on Dr Kwan, recognising his continuous contribution to the society of Hong Kong.

Dr Kwan is an executive director, chairman and chief executive officer of CASH. He is a member of the Remuneration Committee, as well as a member of the remuneration committee of CASH. He is the father of Mr Kwan Teng Hin Jeffrey (executive director of the Company and CASH).

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Anthony Wai-ching CHEUNG

COO

MA, BBA

Mr Cheung, aged 46, joined the Board on 2 January 2018. He is in charge of the overall administrative and operational control of the Group. He has extensive experience in the fields of operational control, risk management and dealing in securities and futures market. Mr Cheung received a Master of Arts Degree in Comparative and Public History from The Chinese University of Hong Kong and a Bachelor of Business Administration Degree in Applied Economics from The Hong Kong Baptist University.

Lewis Shing-wai LI

CFO

BBus, CPA(Aus), CPA

Mr Li, aged 46, joined the Board on 2 September 2019. He oversees the Group's accounting and financial management functions. He has extensive experience in the fields of financial and accounting management. Mr Li received a Bachelor of Business Degree from Swinburne University of Technology, Australia. He is a Certified Practising Accountant of CPA Australia and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He is also the chief financial officer of CASH.

Jeffrey Teng-hin KWAN

Executive Director

BA, MHKSI

Mr Kwan, aged 30, joined the Board on 12 June 2017. He is in charge of the WealthTech business and corporate development of the Group. He has extensive experience in the fields of financial technology, corporate and strategic management. Mr Kwan received a Bachelor of Arts in Psychology from The Johns Hopkins University, US. He is a member of the Hong Kong Securities and Investment Institute. Mr Kwan is also an executive director of CASH. He is the son of Dr Kwan Pak Hoo Bankee (the Chairman of the Group).

Derek Hin-sing NG

Executive Director

MBA, BA, PD, CFP^{CM}

Mr Ng, aged 51, joined the Board on 27 March 2020. He is in charge of the Group's corporate development and planning. He has extensive experience in both the financial and retail sectors and corporate management. Mr Ng received a Master of Business Administration Degree from Southern Illinois University Carbondale, US and a Bachelor of Arts Degree from Ottawa University, US. He holds a Professional Diploma in Financial Planning from The University of Hong Kong and is a CERTIFIED FINANCIAL PLANNER^{CM} professional. In 2014, Mr Ng was bestowed with the "Asia Pacific Entrepreneurship Awards 2014 — Outstanding Entrepreneurship Award", as organised by Enterprise Asia. Mr Ng is also an executive director of CASH.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

INED

Mr Cheng, aged 64, joined the Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. He is an honorary fellow of The Professional Validation Centre of Hong Kong Business Sector and a member of Young Industrialists Council Ltd. He is a committee member of The Hospital Authority New Territories West Cluster Hospitals Charitable Trust and was a member of the Medical Development Sub-committee of the Hospital Governing Committee of Tuen Mun Hospital. Mr Cheng was the winner of The Young Industrialist Awards for the year 1992, a member of The Watches and Clocks Advisory Committee of Hong Kong Trade Development Council, the president of the Lions Club of Tuen Mun and the President of Love U All Charitable Foundation. He was the chairman of The Federation of Hong Kong Watch Trades and Industries Limited and is currently an advisor of the Federation. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee.

John Kwok-hung LO

INED

MBA, LL.B, FCCA

Mr Lo, aged 61, joined the Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance fields. He received a Master of Business Administration Degree from The Oklahoma City University, US and a Bachelor of Laws Degree (LL.B) from The University of London, UK. Mr Lo is a fellow of The Association of Chartered Certified Accountants. Mr Lo is also a member of the Audit Committee.

Charles Ming-chi LO

INED

CPA, FFSI

Mr Lo, aged 70, joined the Board on 27 October 2008. Mr Lo has extensive professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He is a Certified Practising Accountant of the CPA, Australia, and a fellow member of the Financial Services Institute of Australasia. Mr Lo is also a member of the Audit Committee and the Remuneration Committee.

SENIOR MANAGEMENT

Ernest Ling-yip FUNG

Financial Controller

BBA, CPA

Mr Fung, aged 42, joined the Group in June 2018. He is assisting the CFO in overseeing the Group's financial and accounting matters. He has extensive experience in the fields of financial and accounting management. Mr Fung received a Bachelor of Business Administration Degree in Professional Accountancy from The Chinese University of Hong Kong. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Suzanne Wing-sheung LUKE

Company Secretary

FCIS, FCS

Ms Luke, aged 51, joined the Group in May 2000. She is in charge of the company secretarial matters of the Group. She has extensive listed company secretarial experience. She is a fellow of The Institute of Chartered Secretaries and Administrators, UK and The Hong Kong Institute of Chartered Secretaries. In addition to taking the role as company secretary of the Company, Ms Luke is also the company secretary of CASH.

Jack Tsz-cheung HO

Managing Director of Wealth Management Division

BBA, MHKSI

Mr Ho, aged 38, joined the Group in September 2003. He is in charge of the development and management of business of the Group in the Yangtze River Delta region. He has extensive experience in the fields of business development, operations and management. Mr Ho received a Bachelor Degree of Business Administration from The Chinese University of Hong Kong. He is a member of the Hong Kong Securities and Investment Institute.

Patrick Ho-yin YIU

Managing Director of Asset Management

BEcon

Mr Yiu, aged 46, joined the Group in April 2006. He is in charge of the Group's asset management services. He has extensive experience in the financial services and asset management fields. Mr Yiu received a Bachelor of Economics Degree from The Chinese University of Hong Kong. He is a responsible officer of CASH Asset Management and CASH Wealth Management.

Daphne Wai-suen NG

Managing Director and Head of Investment Banking

MSc, BA, ACIS, ACS, MHKSI

Ms Ng, aged 49, joined the Group in August 2017. She is in charge of the Group's investment banking business. She has extensive experience in investment banking, corporate finance, corporate governance and compliance advisory services specialising in IPO, pre-IPO financing, M&A, other corporate finance advisory and fund raising. Ms Ng received a Master of Science Degree in Financial Analysis from The Hong Kong University of Science and Technology and a Bachelor of Arts (Hons) Degree in Accountancy from The Hong Kong Polytechnic University. She is an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and a member of the Hong Kong Securities and Investment Institute. She is a responsible officer of Celestial Capital.

Elsa Pak-suet WONG

Managing Director of Premium Brokerage

MA, BA, MHKSI

Ms Wong, aged 46, joined the Group in November 1998. She is in charge of the Group's Hong Kong brokerage business and investment services for premium clients. She has extensive experience in the financial services fields. Ms Wong received a Master of Arts Degree and a Bachelor of Arts Degree in Economics from The University of Saskatchewan, Canada. She is a member of the Hong Kong Securities and Investment Institute. She is a responsible officer of Celestial Securities and Celestial Commodities.

Lionel Ka-lok KWOK

Chief Strategist of Proprietary Trading

BSSc, CFA, CFP, FRM, FAIQ

Mr Kwok, aged 60, joined the Group in August 2018. He is in charge of the Group's proprietary trading businesses. He has extensive experience in the fields of international financial markets, private banking, investment banking, asset management, trading and sales. Mr Kwok received a Bachelor Degree of Social Science in Economics from The Chinese University of Hong Kong. He is a Chartered Financial Analyst of CFA Institute, US, a Certified Financial Planner of the Institute of Financial Planners of Hong Kong, a Financial Risk Manager of the Global Association of Risk Professionals, US and a holder of International Certificate for Financial Advisers of the Chartered Insurance Institute and the Institute of Financial Planners of Hong Kong.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Winky Wing-hang YAN

Chief Technology Officer of Weever FinTech and Divisional Head of WealthTech

BEng

Mr Yan, aged 43, joined the Group in September 1998. He is responsible for overseeing the development of the Group's FinTech and WealthTech businesses. He has extensive experience in computer and information technology in the financial services industry. Mr Yan received a Bachelor of Engineering Degree in Computer Science from The Hong Kong University of Science and Technology.

Rozina Lok-sze CHO

Deputy Managing Director of Premium Brokerage

BCom, MHKSI

Ms Cho, aged 44, joined the Group in August 1997. She is responsible for managing the operations of the Group's brokerage business. She has extensive financial services experience in electronic trading, marketing, compliance and operations. Ms Cho received a Bachelor of Commerce Degree from McGill University, Canada majoring in marketing. She is a member of the Hong Kong Securities and Investment Institute. She is a responsible officer of Celestial Securities and Celestial Commodities.

William Hon-kei CHAN

Managing Director of Greater Bay Area Development

MBA, BSc

Mr Chan, aged 35, joined the Group in December 2007. He is in charge of the Group's overall development in the Greater Bay Area region. He has extensive experience in brokerage service and wealth management fields. Mr Chan received a Master of Business Administration Degree from Cheung Kong Graduate School of Business and a Bachelor of Science Degree in Biochemistry from The Hong Kong University of Science and Technology. He is a responsible officer of CASH Asset Management, CASH Wealth Management, Celestial Securities and Celestial Commodities.

Gian Chi-yan CHOI

Head of Legal and Compliance

LL.B, PCLL, GFEng

Ms Choi, aged 35, joined the Group in October 2017. She is in charge of overseeing and monitoring the legal and compliance of the Group. She has extensive experience in corporate finance, capital markets, mergers and acquisitions, legal advisory, regulatory and compliance. Ms Choi received a Bachelor of Laws Degree from University College London, UK, a Postgraduate Certificate in Laws from The University of Hong Kong and a Certificate in Graduate Financial Engineering Program from Stanford University, US. She is also a qualified solicitor in Hong Kong.

Joyce Ka-mei LUK

Head of Risk Management, Credit Control and Settlement

BA

Ms Luk, aged 39, joined the Group in July 2004. She is in charge of the settlement and risk management and credit control issue of the Group. She has extensive experience in the fields of settlement and financial services. Ms Luk received a Bachelor of Arts Degree in Financial Services from Edinburgh Napier University, UK.

Hilda Ying-ying HUANG

Head of Trading Solutions

MSc, BSc

Ms Huang, aged 35, joined the Group in May 2011. She is responsible for the Group's FinTech project management. She has extensive experience in mobile trading and mobile technology. Ms Huang received a Master of Science Degree in Electronic Business Management from The University of Warwick, UK and a Bachelor of Science Degree in Business Management and Business Information Technology from The University of Gloucestershire, UK.

CORPORATE GOVERNANCE REPORT

The Directors of the Company have adopted various policies to ensure compliance with the code provisions of the CG Code under Appendix 14 of the Listing Rules. For the year ended 31 December 2019, the Company has complied with all the code provisions of the CG Code, 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.

THE BOARD COMPOSITION

Up to the publication date of this report, the Board comprised 8 Directors (5 EDs and 3 INEDs) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The INEDs will also share their valuable impartial view on matters to be discussed at the board meetings. The biographies of the Directors are set out from pages 11 to 12 of this annual report under the "Board of Directors and Senior Management" section.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr Kwan Pak Hoo Bankee served as the Chairman of the Board throughout the year and is responsible for formulating the strategies and policies of the business development of the Group, providing leadership and overseeing the functioning of the Board. During the year, Mr Chan Chi Ming Benson and/or Mr Ng Tze Wai Anthony had performed as CEO attending to the Group's overall business development and implementation of the Group's policies. The division of the responsibilities between the Chairman and the CEO has been established and set out clearly in writing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The INEDs are all professionals with well recognised experience and expertise in professional and/or accounting fields who provide valuable advice to the Board. They are appointed for a term of one year and are subject to retirement from office and re-election at the AGM every year. The Company has received a confirmation of independence from each of the INEDs. The Board considers each of them to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The INEDs have been expressly identified as such in all corporate communications of the Company that disclose the names of the Directors.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the Group and is responsible for promoting the success of the Group by directing and supervising the business operations of the Group in the interests of the Shareholders by formulating strategic directions and monitoring the financial and management performance of the Group.

DELEGATION TO THE MANAGEMENT

The Management is led by the EDs of the Board and has delegated powers and authorities to carry out the day-to-day management and operation of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The Management assumes full accountability to the Board for the operation of the Group.

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to the Management that certain matters (including the followings) must be reserved to the Board:

- Publication of final and interim results of the Company
- Dividend distribution or other distribution
- Major issues of treasury policy, accounting policy and remuneration policy
- Review on risk management and internal control systems
- Corporate governance functions
- Review on the succession plan and consideration of the appointment, re-election and removal of the Directors
- Changes to major group structure or board composition requiring notification by announcement
- Notifiable transaction and non-exempted connected transaction/continuing connected transaction
- Proposed transaction requiring the Shareholders' approval
- Capital restructuring
- Joint venture with outside party involving substantial capital commitment from the Group that requires notification by announcement
- Financial assistance to the Directors

CORPORATE GOVERNANCE REPORT

RELATIONSHIP BETWEEN THE BOARD MEMBERS

Dr Kwan Pak Hoo Bankee (the Chairman of the Group) is the father of Mr Kwan Teng Hin Jeffrey (ED). Save as disclosed herein, none of the members of the Board has any relationship (including financial, business, family or other material/relevant relations) between each other.

INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

There is a Directors' handbook containing relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and corporate information of the Group. The Directors' handbook will be regularly updated to reflect the updated corporate information and new rules and regulations.

The Directors received regular updates and presentation on changes and developments to the Group's business and on the latest developments in the law, rules and regulations relating to Directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend training sessions including but not limited to seminars, briefings, conference forums and workshop and reading materials to enrich their knowledge in discharging their duties as a director.

To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the year under review:—

Name of Directors	**Covered areas** *(Notes)*
Kwan Pak Hoo Bankee	(a) to (e)
Cheung Wai Ching Anthony	(a), (b), (c), (e)
Li Shing Wai Lewis *(was appointed on 2 September 2019)*	(b), (c)
Kwan Teng Hin Jeffrey	(a) to (e)
Chan Chi Ming Benson *(resigned on 27 March 2020)*	(a) to (e)
Ng Tze Wai Anthony *(was appointed on 2 September 2019 and resigned on 1 January 2020)*	(a), (b), (c), (e)
Law Ping Wah Bernard *(resigned on 1 July 2019)*	(b)
Ho Tsz Cheung Jack *(resigned on 2 September 2019)*	(a), (b), (c), (e)
Cheng Shu Shing Raymond	(a), (b)
Lo Kwok Hung John	(b)
Lo Ming Chi Charles	(a), (b), (c), (e)

Notes:

(a) Global and local economy and financial market, general business environment

(b) Regulatory and corporate governance and directors' duties and responsibilities

(c) Finance, law and taxation

(d) Leadership, management and language skills

(e) Other information relevant to the Group's business

There is a procedure agreed by the Board to ensure the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code during the year.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

The attendance record of the Directors at the following meetings during the year is set out below:

	Meetings attended/held					
Name of Directors	**Executive Committee Meeting**	**Full Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**	**Special General Meeting**
EDs						
Kwan Pak Hoo Bankee	12/12	4/4	N/A	1/1	1/1	0/1
Cheung Wai Ching Anthony	12/12	4/4	N/A	N/A	1/1	1/1
Li Shing Wai Lewis *(was appointed on 2 September 2019)*	4/4	1/1	N/A	N/A	N/A	N/A
Kwan Teng Hin Jeffrey	12/12	4/4	N/A	N/A	1/1	1/1
Chan Chi Ming Benson *(resigned on 27 March 2020)*	12/12	4/4	N/A	N/A	1/1	1/1
Ng Tze Wai Anthony *(was appointed on 2 September 2019 and resigned on 1 January 2020)*	4/4	1/1	N/A	N/A	N/A	N/A
Law Ping Wah Bernard *(resigned on 1 July 2019)*	6/6	1/1	N/A	N/A	1/1	1/1
Ho Tsz Cheung Jack *(resigned on 2 September 2019)*	7/8	3/3	N/A	N/A	1/1	1/1
INEDs						
Cheng Shu Shing Raymond	N/A	3/4	3/4	0/1	1/1	1/1
Lo Kwok Hung John	N/A	1/4	1/4	N/A	1/1	0/1
Lo Ming Chi Charles	N/A	4/4	4/4	1/1	0/1	0/1
Total number of meetings held:	12	4	4	1	1	1

During the year, the Chairman of the Board held a meeting with the INEDs without the presence of the EDs.

Upon reviewing (i) the annual confirmation of the time commitment given by each Director; (ii) the directorships and major commitments of each Director; and (iii) the attendance rate of each Director on full Board and their executive committee meetings with the Management on their respective functional duties and responsibilities, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the year.

BOARD MEETINGS AND PROCEEDINGS

Regular board meetings were held at approximately quarterly interval. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team for ensuring that the Board procedures, and all applicable rules and regulations, are followed.

All Directors are consulted as to whether they wish to include any matter in the meeting agenda before the agenda for each board meeting is issued. Board meeting notice is sent to the Directors at least 14 days prior to each regular board meeting. Originals of the minutes of board meetings will be kept by the Company Secretary and are opened for inspection at any reasonable time on reasonable notice by any Director.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant board resolution in which he/she or any of his/her associates has a material interest and that he/she shall not be counted in the quorum present at the board meeting.

AUDIT COMMITTEE *(SET UP ON 30 OCTOBER 2000)*

The Audit Committee comprises 3 INEDs, namely Mr Cheng Shu Shing Raymond (chairman of the committee), Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles.

The specific written terms of reference of the Audit Committee was revised on 17 November 2015 and is available on the Company's website.

The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, approving the remuneration and terms of engagement of external auditor, reviewing financial information and overseeing the financial reporting system, risk management and internal control procedures. The Audit Committee held 4 meetings during the year.

A summary of work performed by the Audit Committee during the year is set out as follows:

i. reviewed the annual and interim financial statements, and the quarterly business operation and development of the Group;

ii. discussed/met with the external auditor on general accounting issues of the Group, and reviewed their work and findings relating to the annual audit and the effectiveness of the audit process;

iii. reviewed the effectiveness of the risk management and internal control systems of the Group;

iv. annual review of the non-exempt continuing connected transactions of the Group; and

v. reviewed the external auditor's independence, approved the engagement and remuneration of external auditor and recommended the Board on the re-appointment of external auditor.

REMUNERATION COMMITTEE *(SET UP ON 30 OCTOBER 2000)*

The Remuneration Committee comprises 2 INEDs, Mr Cheng Shu Shing Raymond (chairman of the committee) and Mr Lo Ming Chi Charles, as well as Dr Kwan Pak Hoo Bankee (Chairman of the Board).

The specific written terms of reference of the Remuneration Committee as re-adopted on 7 February 2012 is available on the Company's website. Pursuant to model B.1.2(c)(ii) and the terms of reference in the CG Code adopted by the Remuneration Committee, its primary duties are to make recommendation to the Board on the Company's policies and structure of the remuneration of Directors and senior management and the remuneration packages of individual EDs and senior management. Details of the remuneration of each of the Directors for the year are set out in note 11 to the consolidated financial statements. The Remuneration Committee held 1 meeting during the year.

A summary of the work performed by the Remuneration Committee during the year is set out as follows:

i. determined and endorsed to the remuneration policy and structure for the Directors and senior management;

ii. assessed the performance of executive Directors and reviewed their current level and remuneration structure/package and approved their specific remuneration package of executive Directors; and

iii. reviewed and approved the cost rationalisation measures and business re-engineering plan of the Group.

NOMINATION POLICY FOR THE DIRECTORS

Nomination of the Directors

The Company had adopted a nomination policy incorporating the board diversity policy for the criteria, procedures, and process of the appointment and removal of the Directors. The criteria to select candidates for directorship is based on a range of diversity perspectives, including gender, age, culture and educational background, professional skill, experience in relevant areas, personal qualities, and whether the candidate can demonstrate his commitment, competence and integrity required for the position of the Director, and in case of INEDs, the independence requirements set out in the Listing Rules and their time commitment to the Company. Nomination of new Director(s) will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard to the benefits of diversity of the Board and our business model and specific needs from time to time. Nomination of new Director(s) will normally be proposed by the Chairman and/or CEO subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

During the year, the Board as a whole regularly reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The independence of the INEDs was assessed according to the relevant rules and requirements under the Listing Rules.

During the year under review, 2 meetings were held by the executive Directors in resolving the appointments and resignations of EDs of the Company.

Remuneration policy of the Directors

The Company adopted a remuneration policy providing guideline for the Directors' remuneration.

Under the remuneration policy, the Directors' remuneration should be based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance — which is set in accordance to the Director's duties, responsibilities, skills, experiences and market influences;

- pension — which is based on the local Mandatory Provident Fund Contribution Scheme;

- short term variable incentive — which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets; and

- long term variable incentive — which may include share options designed to encourage long-term commitment.

The remuneration of the NEDs (if any) and the INEDs will be a lump sum of Directors' remuneration made annually.

The remuneration paid to and/or entitled by each of the Directors for the year under review is set out in note 11 to the consolidated financial statements in this annual report.

The share options granted to and/or entitled by the Directors during the year under review are set out in the section headed "Directors' interests in securities" in the Directors' report of this annual report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions of the Group, the specific written terms of reference of the corporate governance functions is available on the Company's website. The primary duties of the corporate governance functions are (a) reviewing the policies and practices on (i) corporate governance and (ii) compliance with legal and regulations requirements of the Company; (b) reviewing and monitoring the training and continuous professional development of the Directors and senior management; and (c) reviewing the Company's compliance with code and disclosure in this report.

During the year, the Board reviewed the policies and practices on corporate governance, the training and continuous professional development of Directors and senior management and the Company's compliance with code and disclosure in this report.

DIVIDEND POLICY

The Company has adopted a dividend policy as set out below:

1. Purpose

The policy aims to set out the approach for the declaration and payment of dividend by the Board.

2. Vision

The Company considers stable and sustainable returns to the Shareholders to be our goal.

3. Power of the Board

3.1 The Company may declare and distribute dividends to the Shareholders by way of cash or by other means that the Board considers appropriate.

3.2 In proposing any dividend payout, the Board shall also take into account, inter alia:—

(i) the Company's actual and expected financial performance;

(ii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iii) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the Group's expected working capital requirements and future expansion plans;

(vi) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(vii) any other factors that the Board deems appropriate.

3.3 Any declaration and/or payment of future dividend is subject to the Board's determination that the same would be in the best interests of the Group and the Shareholders as a whole.

4. Governing rules

Declaration of the dividend by the Company is also subject to any restrictions under the Laws of Bermuda, the bye-laws of the Company and any applicable laws, rules and regulations.

5. Approval

5.1 The Board may from time to time pay to the Shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.

5.2 Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an AGM and must not exceed the amount recommended by the Board.

6. Review of this policy

The Board will review the policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

7. Legal validity

The policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time. There is no assurance that dividends will be paid in any particular amount for any given period.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions of Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors of the Company, all of them confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the financial statements of the Group and other financial disclosures required under the Listing Rules and the Management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the financial statements are prepared on a "going concern" basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor's Report.

The Management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibilities for establishing and maintaining appropriate and effective risk management and internal control systems, and for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Management is primarily responsible for the design, implementation and monitoring of the risk management and internal control systems.

Procedures have been designed for safeguarding the Group's assets against unauthorised use or disposal, maintaining proper accounting records, ensuring the reliability and usefulness of financial information for internal business use or for publication, and monitoring the compliance with applicable laws, rules and regulations. Furthermore, they are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The key risk management and internal control procedures include the following:

(i) Delegation of authority within limits set by the Board

The managements of business units and functional departments have been delegated powers and authorities by the Board to carry out the day-to-day management, operation, and maintenance of the internal control systems that are appropriate to their business or function. The Group has adopted a tailored governance and organisational structure with formal and clearly defined lines of responsibility and delegation of authority to ensure segregation of duties with check and balance controls are effectively in place.

(ii) Risk management process

The Credit and Risk Management Policy is formulated and adopted to regulate the setting up of system and procedures which are used to identify, evaluate, manage, and report on the material risk types facing the Group including strategic, operations, compliance, reporting, and information and technology risks. Exposure to these risks is monitored by the Risk Management Committee ("RMC"). RMC oversees and defines the Group overall risk management framework, determines the overall risk acceptance level, assesses the Group's risk profile, prioritises top risks for the Group and promotes risk awareness and management knowledge.

Under the Risk Management Framework, the five steps of the risk management process adopted are risk identification, risk assessment and prioritisation, risk manager appointment, risk responses, and risk communication and monitoring. The Group maintains a corporate risk register to record the major and significant risks that will hinder the Company from achieving its business objectives. Risk managers are appointed by the Board to monitor the identified high risk areas of business practices on an ongoing basis and to develop the subsequent risk response action plans. The risk register is reviewed and approved by the RMC on a biannual basis for continuous risk assessment.

(iii) Changes in market condition/external environment

Processes are in place to identify new risks arising from changes in market conditions or external environment which could expose the Group to heightened risk of loss or reputational damage. The Management is primarily accountable for measuring, monitoring, mitigating and managing the risks and controls in their areas of responsibility.

(iv) Financial reporting

The Management monitors the business activities closely and reviews monthly financial results of operations against budgets or forecast. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. In addition, regular reviews and statutory audits are performed by our external auditor to ensure that the preparation of the Group's financial statements are carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

(v) Internal audit

The establishment of the Group's internal audit function is to provide the Management with an independent and impartial view on the adequacy, efficiency and effectiveness of the Group's risk management, internal control and governance system and to provide recommendations for improvement. The Group's internal audit function is undertaken by the Operational Control Department. A risk-based approach is adopted in developing the annual internal audit work plan that is reviewed and endorsed by the Audit Committee. The audit progress and audit observations are reported to the Audit Committee on a biannual basis.

(vi) Inside information

There are internal procedures and controls for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcement or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

(vii) Anti-money laundering

The Group has policy and procedures in governing Know Your Clients ("KYC") and Anti-Money Laundering ("AML"). To ensure the Group in compliance with all the regulatory rules, a robust review program on KYC and AML and an AML Committee comprising senior management and Compliance Department have been put in place.

The Group appoints a designated staff as Money Laundering Reporting Officer to hold responsibility for investigating AML issue and reporting if necessary.

To ensure all the staffs within the Group keep abreast of the knowledge and regulatory update in respect of KYC and AML, induction training as well as annual training is provided.

(viii) Whistle-blowing channels

The Group maintains a Whistle-blowing policy to encourage employees to report any suspected misconduct contrary to our ethical belief in confidence without the fear of recrimination. Procedures are established for employees to raise complaints directly to the Compliance Department, which will evaluate the complaint and determine whether an investigation is appropriate. Compliance Department coordinates with relevant departments for investigation where necessary and recommendations on improvements are communicated to the respective management for implementation. Audit procedures, investigation results and subsequent follow-up actions taken are reported to the Audit Committee on a biannual basis.

Overall assessment

The Board, through the Audit Committee, has conducted an annual review of the effectiveness of our risk management and internal control systems covering all material controls, including financial, operational and compliance controls, and the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions.

In addition, the Board has received confirmation from the Management that the Group's risk management and internal control systems are in place and functioning effectively.

During the year ended 31 December 2019, the Board is not aware of any material internal control deficiency or significant areas of concern that may affect Shareholders' interests.

COMMUNICATION WITH SHAREHOLDERS

The Directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGMs and SGMs, if any, which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases of the Company providing updated information of the Group; (iii) the holding of press briefings and media interviews from time to time; and (iv) the upkeeping of the latest information of the Group on the Company's website at www.cfsg.com.hk. The Shareholders and investors are welcome to visit such website.

In order to protect the environment and save costs for the benefit of the Shareholders, the Company has introduced electronic means for receiving corporate communication materials by the Shareholders. The Shareholders may choose to receive printed or electronic copies. In line with our social caring policies, the Shareholders are encouraged to get access to corporate communication materials of the Company through the Company's website.

Separate resolutions are proposed at each general meetings of the Company. The Company's notice to the Shareholders for the AGM was sent to Shareholders at least 20 clear business days before the meeting and notices of the SGMs (if any) were sent to Shareholders at least 10 clear business days before such meetings in year 2019.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year.

SHAREHOLDERS' RIGHTS

Convening a SGM and putting forward proposals at general meetings

Pursuant to the bye-laws of the Company, Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a SGM to be called by the Board.

The written requisition (i) must state the object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM for a day within 2 months after the date of deposit of such requisition, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Pursuant to the Bermuda Companies Act 1981, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than 6 weeks before the meeting in case of a requisition requiring notice of a resolution or not less than 1 week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date 6 weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Enquiries from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or tel: (852) 2980 1333 or email: cfsg510@cash.com.hk.

Other Shareholders' enquiries can be directed to the Group Public Affairs Department of the Company at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong or tel: (852) 2287 8888 or fax: (852) 2287 8000 or email: inquiry@cash.com.hk.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Audit Committee were of the view that the Company's auditor, Messrs. Deloitte Touche Tohmatsu is independent and has recommended the Board to re-appoint it as the Company's auditor at the forthcoming AGM. During the year, Messrs. Deloitte Touche Tohmatsu has rendered audit services and certain non-audit services to the Company and the remuneration paid/payable to it by the Company are set out as follows:

Services rendered	**Fees paid/payable** HK$
Audit services	1,600,000
Non-audit services:	
Tax advisory	284,000
Consulting	126,000
Review of the continuing connected transactions	58,500
Review of the preliminary results announcement	19,800
	2,088,300

On behalf of the Board
Dr Bankee P. Kwan, *JP*
Chairman

Hong Kong, 20 March 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the requirements set forth in the ESG Guide under Appendix 27 of the Listing Rules, the Group hereby presents the Environmental, Social and Governance ("ESG") report for the year ended 31 December 2019 ("Reporting Period").

SCOPE OF REPORT

This report covers the Group's business activities of subsidiaries in Hong Kong, which represent the Group's major source of investment and income. The ESG data that the Group has direct access to and is under the Group's direct operational control has been included in this report.

MATERIALITY ASSESSMENT

To identify the ESG issues relevant to the Group, we engaged our Management and staff to review our operations. Subsequently, the identified ESG issues have been assessed by considering their importance to our stakeholders as well as our Group. The ESG issues considered to be material are listed below:

ESG aspects as set forth in ESG Guide			Material ESG issues for the Group
A.	**Environmental**		
	A1	Emissions	Waste management and carbon emissions
	A2	Use of resources	Use of electricity
	A3	The environment and natural resources	Not applicable
B.	**Social**		
	B1	Employment	Equal opportunity and diversity
	B2	Health and safety	Health and safety workplace
	B3	Development and training	Staff development and training
	B4	Labour standards	Anti-child and forced labour
	B5	Supply chain management	Supply chain management
	B6	Product responsibility	Customer service, safeguarding customer assets, and handling of personal data
	B7	Anti-corruption	Anti-corruption and money laundering
	B8	Community investment	Supporting local community

The Group has complied with the "comply or explain" provisions set out in the ESG Guide for the Reporting Period.

A. Environmental

A1 Emissions

A2 Use of resources

We strive to promote the vision of "Green CASH", by being an environmentally responsible company. The Company proactively seeks opportunities to conserve energy, utilise resources more efficiently and reduce waste.

Besides establishing environmental policies and communicating measurable environmental objectives to our employees, we also keep ourselves up-to-date with local environmental standards.

In 2019, the Group received Certificate of Merit in Servicing and Trading sector at 2018 Hong Kong Awards for Environmental Excellence, Hong Kong Green Organisation Certificate and 2018 Hong Kong Green Organisation Certification — Wastewi$e Certificate (Excellence Level) from Environmental Campaign Committee, as well as the Certificate of Merit at HSBC Living Business ESG Awards 2018 from Business Environmental Council. The awards recognised our efforts on environmental management, with continuously improving the performance on environmental protection.

During the Reporting Period, the Group did not note any cases of non-compliance relating to environmental laws and regulations in Hong Kong.

Waste management

Considering the principal business activities of the Group (i.e. financial services), we have not produced a notable level of air or water pollutants.

The Company pursues high standard in waste reduction and educates all staff on the importance of sustainability while providing them with the skills and support to implement it.

The waste generated from the business activities of the Company is mostly paper. Our paper consumption during the Reporting Period was 4,747.76 kg[1] (2018: 5,367.55 kg). We regularly monitor our paper consumption and implement various reduction measures.

In our offices, waste separation facilities have been implemented. We also provide recycle bins for collecting scrap paper, plastic bottles, aluminum cans, and recyclable toner cartridges, which are then delivered to the recycling agents for further processing.

The amount of recycling at our offices in the Reporting Period is summarised as follows:

Issue	**Amount**		**Unit**
	2019	2018	
Paper	**5,705**	7,221	Kg
Aluminium cans	**968**	966	Pieces
Plastic bottles	**951**	910	Pieces
Toner cartridges	**24**	39	Pieces

Apart from recycling, a series of programmes and activities have been launched in the office to encourage the participation of staff towards waste management, which include:

- Implementing a Green Information and Communication Technology (ICT) Platform, including systems such as E-workflow and CASHARE (intranet) to build a highly efficient "paperless, IT-driven and systematic" working environment;

[1] *Paper consumption intensity is not considered as an applicable performance indicator due to our nature of business.*

- Achieving waste reduction goals set under the Wastewi$e Certificate recognition scheme;
- Purchasing paper made from the Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC) certified plantations to minimise logging in natural forest;
- Posting a "Green message" reminder at all office equipment;
- Applying used envelopes for internal document circulation; and
- Recommending duplex or 2-on-1 page copying on recycled paper.

No particular hazardous waste is noted in our business activities.

In recognising our achievement in waste reduction, the Group was awarded the Wastewi$e Certificate (Excellence Level) by Environmental Campaign Committee.

Use of electricity and carbon emissions

The major source of our carbon emissions is the use of electricity. The total electricity consumption of the Group during the Reporting Period was 520,936 kWh[1] (2018: 731,279 kWh) and the corresponding carbon dioxide equivalent (CO_2e) generated was 386.39 tonnes[2] (2018: 547.45 tonnes).

In order to reduce our carbon footprint, the Group has launched a wide variety of green measures for awareness building towards energy conservation:

1) Lighting

    - T5 energy-efficient lighting tubes have been installed at offices;
    - Staff is encouraged to switch off lighting while they are duty-off;
    - Partial lighting should be switched off provided that sufficient sunlight is available indoors; and
    - "Light-off" during lunch hour is highly recommended.

2) Office equipment

    - Computers and other electronic equipment should be powered off while they are not in use for energy conservation; and
    - Security guards patrol the offices at night to ensure all non-use equipment is switched off.

In addition to the aforesaid measures, Caring Committee issues regular newsletters to staff with the aim to raise the consciousness of environmental protection. Furthermore, green posters have been framed along the corridor/pantries of our offices to promote environmental office practices.

To enhance employee's awareness on low-carbon initiatives and energy saving practices, we participated in "Earth Hour" events by turning off all non-essential lights for one hour and encouraged all staff to adopt the same practice at home.

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1 Energy intensity is not considered as an applicable performance indicator due to our nature of business.

2 The carbon emission was calculated with reference to the Greenhouse Gas Protocol, and the carbon conversion factors published by CLP Holdings Limited and HK Electric Investment Limited.

Use of water and packaging material

We do not consume significant amounts of water through our business activities. The majority of the water supply facilities are provided and managed by property managers on our rental premises, and the usage has been included in the management fees.

Although the water consumption is considered minimal, we also encourage saving by driving behavioural changes in the workplace. Green messages are posted in pantries and washrooms as reminders for using water efficiently.

Furthermore, packaging material is not consumed during our service delivery, hence the related disclosure is not applicable for the Group.

A3 The environment and natural resources

Apart from the environmental issues mentioned above, the Group is not aware of any other significant impact on the environment and natural resources.

B. Social

B1 Employment

Respect for the rights of everyone who works for us is fundamental to the sustainability of the Group and the communities in which we operate. Our commitment to operate with respect for individuals is reflected in all aspects of the Group's business operations and is integrated in our policies and relevant procedures. We are committed to providing a happy and family-friendly workplace.

The Employee Handbook is formulated to stipulate general practices and policies related to employment, compensation and benefits. To stay competitive, our base salaries are within industry norms, contributing to our ability to attract and retain highly skilled and motivated staff.

The Group is committed to developing, maintaining and supporting a culture of equality and diversity in employment, on the basis of age, race, colour, nationality, religious belief, disability, sexual orientation, political opinion and any other status protected by applicable legislations and ordinances. We believe that the diversity can enrich all employees by providing a more rewarding and less stressful environment. No one shall be discriminated at recruitment, selection, employment, compensation, transfers, promotion, training or development. Qualified individuals are employed to carry out our fiduciary duties based on their education, experience, and ability without discrimination.

Meanwhile, the Group introduces family-friendly employment practices, including offering family leave benefits and employee support schemes, providing fresh fruits, and organising health talks and jogging classes to promote employee well-being.

There were no non-compliance cases noted in relation to employment laws and regulations during the Reporting Period.

The total workforce of the Group is summarised as follows:

Gender	No. of staff 2019	2018
Male	**86**	95
Female	**72**	88
Total	**158**	183

Employment type	No. of staff 2019	2018
Full-time	**157**	179
Part-time	**0**	3
Temporary and contract	**1**	1
Total	**158**	183

Age	No. of staff 2019	2018
<30	**45**	58
30-50	**89**	102
>50	**24**	23
Total	**158**	183

Note: The above statistics represents the number of employees as at the end of the Reporting Period.

B2 Health and safety

Ensuring the health and safety of our employees is an integral part of our business activities. Therefore, we are dedicated to maintaining a safe, hygienic and productive workplace by minimising the potential risk of accidents, injuries and exposure in relation to health risks. We ensure all employees are competent at work, and are given adequate training to comply with all local legislations and ordinances with regard to health and safety.

The Group did not violate any health and safety laws and regulations of Hong Kong during the Reporting Period.

Occupational health and safety record is maintained to ensure that a healthy and safe workplace is provided for our employees at all times. Preventive measures were undertaken with the use of appropriate office equipment as well as performing periodic office risk assessment to enhance workplace safety. We also regularly arrange flu vaccination, and free medical and dental check-ups for our employees.

B3 Development and training

We are committed to ensuring that the talents, skills and abilities of our employees are recognised and are utilised to their full capacity. The Group has implemented various training policies and organised a number of training programmes aiming specifically at improving the skills and developing the talents of our employees and generally increasing the competitiveness, productivity and efficiency of the Group.

Our training programmes are developed based on business needs and competencies of employees. During the Reporting Period, we organised numbers of in-house classes including training in areas such as language proficiency, knowledge on products, operational techniques, career orientation, security awareness, risk and compliance, graduate development, leadership transformation, Continuous Professional Training (CPT) of professional qualifications, and professional license examinations preparation.

B4 Labour standards

The Group prohibits the use of all forms of forced labour. All legal regulations regarding employment of young persons whose age ranged between 15 and 18 shall be followed by the Group.

There were no material non-compliance issues noted regarding labour standards as required by related laws and regulations during the Reporting Period.

B5 Supply chain management

To support sustainability, our Green Supply Chain initiative applies strict environmental, social and ethical criteria to the suppliers of our business. We place high demands on suppliers and request them to comply with the same standards that have been set by the Group.

We have incorporated sustainability considerations into our sourcing and outsourcing practices, requiring suppliers to meet the basic standards. For example, all suppliers are expected to adhere to these basic principles:

- Operating as an equal opportunity employer and recognising the right to collective bargaining as well as minimum and prevailing wages and benefits;
- Maintaining probity and accountability standards;
- Minimising discrimination against small and medium-sized enterprises or local vendors;
- Providing a healthy and safe working environment, not using any forced or child labour, and refraining from harassment or abuse of employees; and
- Supporting sustainable development, acting responsibly with regard to the environment, observing environmental criteria to conserve resources, minimising the negative environmental effects of the production, application and disposal of products, and reducing the use of hazardous products as much as possible.

B6 Product responsibility

Customer service

Satisfying our clients is our central focus. This principle guides all our activities and applies to all business divisions. The key elements are transparency and high-quality advice, which enable us to improve client satisfaction and achieve customer loyalty in the long term.

We aim to customise our solutions based on the unique needs of customers, in delivering sustainable value and fostering long-term relationship with our customers. During advertising, we ensure information and marketing materials are easily understood and provide all relevant information in facilitating the decision making of investors. Our employees are committed to providing professional advice to clients in understanding the characteristics, functions and risks of a financial instrument.

Safeguarding customer assets

Certain subsidiaries of the Group are licensed and regulated under the SFC. As a custodian of customers' assets, we strictly comply with the relevant laws and regulations on handling and safeguarding of customers' assets. We implement the necessary controls to ensure customers' assets are accounted for properly and promptly, and adequately safeguarded.

Segregated accounts are maintained in keeping customers' assets. Transactions should only be executed when customers' consent is received, or customers' obligation is required to be met on agreed contracts. Adequate audit trail is maintained to enable investigation of suspected irregularities. Regular compliance reviews and audits are conducted to detect any non-compliance with regulatory requirements. Any irregularities should be immediately reported to the Management.

Handling of personal data

The Group strictly adheres to regulatory requirements on data privacy, through fulfilling high security and confidentiality of personal data privacy protection. We are committed to maintaining and protecting personal data.

Internal policy has been established to govern the collection and handling of personal data received from a data subject. Under our data protection principles, a Privacy Policy Statement ("PPS") is acknowledged to enable the public to ascertain the data user's general policies and practices in relation to the collection, holding and use of individual personal data.

Furthermore, in accordance with our data protection principles, a Personal Information Collection Statement ("PICS") is acknowledged whenever there is collection of personally identifiable information from individuals to notify data subjects of certain matters in relation to specific collections of personal information from them. The Group will not use or provide personal data to any person for use in direct marketing unless we have obtained the data subject's consent in writing. Meanwhile, the Group maintains sound safety system and measures to prevent unauthorised use of personal data.

There were no material non-compliance issues noted regarding product responsibility as required by related laws and regulations during the Reporting Period.

B7 Anti-corruption

The Group strives to promote and maintain the highest standards of honesty, integrity and fairness. All of our staff must ensure that the Group's reputation is not tarnished by dishonesty, disloyalty or corruption.

Apart from internal guidelines on monitoring anti-money laundering, counter-terrorist financing as well as gifts or advantages received from or given to clients or suppliers, the Group has established an assessment form to evaluate high risk customers and whistle-blowing channels to enable staff to report on suspicious transaction. Any reporting of suspicious transactions will be followed up timely and investigated by independent personnel.

During the Reporting Period, no legal case regarding corruption was brought against the Group or its employees. In addition, the Group was not aware of any cases of non-compliance with laws and regulations relating to anti-money laundering.

B8 Community investment

People-centric is one of our core corporate values that guide our business and day-to-day operation. We therefore care about the interests of the communities and people that we serve. We and our employees are dedicated to working hand-in-hand with the local communities in a variety of initiatives ranging from job creation to youth education and disaster reliefs.

On behalf of the Board
Dr Bankee P. Kwan, *JP*
Chairman

Hong Kong, 20 March 2020

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are (a) provision of online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund products, (b) proprietary trading of debt and equity securities and derivatives, (c) provision of margin financing and money lending services, (d) provision of investment banking services, and (e) provision of asset management services.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the section of "Financial Review" and "Management Discussion and Analysis" of this annual report, and in note 44 to the consolidated financial statements.

The financial risk management objectives and policies of the Group are shown in note 44 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the section of "Financial Review" of this annual report.

Save as disclosed in note 53 to the consolidated financial statements and in this annual report, there is no important event affecting the Group that has occurred since the end of the financial year ended 31 December 2019.

RELATIONSHIPS WITH STAKEHOLDERS

We fully understand that our business is built on the long-term well-being of the "people" in our service areas at large.

Throughout the course of our business development, we care about the needs of our key stakeholders, inter alia, our shareholders, our employees, our customers, our suppliers and our community. As such, we strive to become a "Total Caring Organisation" to embrace the all-round needs of our key stakeholders.

The Group upholds the "People-oriented" principle as our core belief and this forms the essence of our corporate culture. We respect the various needs of these "people" as our stakeholders and we strive to balance the different spectrum of interests for the development of a better future.

Our five core values namely "People", "Customers", "Quality", "Teamwork" and "Change" serve as the guiding principles for the whole team to move ahead.

We are dedicated to creating an enjoyable work environment to highly engage our employees so as to maximise their potential, meeting the needs of our customers with quality products and innovative services and enhancing cooperation with our suppliers so as to provide high-quality products and services to our customers so as to ensure our sustainable development.

Shareholders

The Company is committed to communicating with our shareholders and the financial community proactively, transparently and effectively, and thereby ensuring consistent and timely dissemination of information to shareholders and potential investors.

We have established effective channels of communication with our shareholders to ensure that the corporate information is readily accessible. Corporate communications materials with regard to regulatory disclosures and notices of the Company, such as financial reports, results announcements, corporate announcements and circulars will be distributed according to the principles of continuous disclosure, and complies with the legal and regulatory requirement applicable to the Company. Corporate communications and other general information concerning the Company and its businesses such as press releases will be posted on the corporate website (www.cfsg.com.hk) and distributed to the media as soon as practicable. The Company adheres to its corporate policy of not disclosing unpublished or potentially price-sensitive information such as sales and profit forecasts.

Employees

Our staff is regarded as the most important asset of the Group. We offer a competitive remuneration package and great opportunities for career advancement based on performance-linked appraisal system. Our passion in fostering a learning culture is recognised. We have been honoured as "Manpower Developer" at Employees Retraining Board ("ERB") Manpower Developer Award Scheme in recognition of the Group's efforts and commitment to training and development. We also provide our staff with regular trainings, including internal trainings and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market, industry and various businesses.

The Group is committed to the well-being of our employees as we believe that a healthy body and soul will have a positive impact on people's professional and personal lives.

Along with initiatives designed to improve the health, safety and well-being of our employees, the Group also offers recreational and educational activities in different topics such as professional growth, work-life balance, health and safety, rewards and recognitions, employees' families, amazing occasions to help staff to pursue their interests, explore their full potential and recharge after work. We are the "Family-Friendly Employer" under the scheme by the Home Affairs Bureau and the Family Council in recognition of our family-friendly employment policies and practices which have positive impact to the Company and employees' family life.

In recognition of our commitment and effort in developing employee-orientated human resources management and promoting Family-friendly Employment Practices, we have been recognised as a Signatory of Good Employer Charter under the scheme by the Labour Department.

We sincerely care about our employees' retirement needs and have gone the extra mile to provide additional retirement benefits for them. We have been awarded the accolade of "Good MPF Employer Award" by the Mandatory Provident Fund Schemes Authority (MPFA).

Customers

We value the customers' interests as the first priority. It is our mission to provide customers with a meaningful experience when utilising our services.

We value the feedback from customers and always try to understand their thoughts through Internet, daily communication, customers services and after-sale services etc. In addition, we also set up website, e-portal, email, Facebook and customer service hotline to respond to the feedback of customers.

Suppliers

We firmly believe that our suppliers are equally important in building high-quality businesses. We proactively communicate with our suppliers to ensure they are committed to delivering high-quality and sustainable products and services.

Community

The Group is devoted to supporting the community in which we operate through donation, education, volunteering and encourage others to give.

Over the past years, we show our care about the community with unsparing support for wide-ranging community services and charities. We have also been encouraging our employees and their family members to take part in voluntary services after work and serve the disadvantaged in the community.

We have been awarded the accolade of "15 Years Plus Caring Company" by the Hong Kong Council of Social Service (HKCSS) in recognition of our achievements in "Caring for the Community", "Caring for the Employee" and "Caring for the Environment". It serves as a recognition for our contribution to community services and commitment to employee engagement. In addition, we have attained the "Hong Kong Outstanding Corporate Citizenship Logo" organised by the Hong Kong Productivity Council in recognition of the Group's devoted efforts in corporate social responsibilities.

The Social Capital Builder Logo Award (2018-2020) from the Labour and Welfare Bureau recognised our active role in promoting cross-sectoral partnership and sustainable supportive network.

ENVIRONMENTAL POLICY AND PERFORMANCE

As a total caring organisation, the Group is dedicated to keeping the environmental impact of our operations to a minimum, balancing business needs with conservation.

The Group adopted "Green Office Policy" with various measures regarding minimisation of energy and paper consumption and recycling being implemented. We also execute different types of "Green Office Campaign" in our office to enhance staff awareness and participation for environmental protection.

Over the years, the Group has participated in various environmental protection programmes and campaigns organised by reputable institutions and have been recognised with awards. In year 2019, we received Certificate of Merit in Servicing and Trading sector at 2018 Hong Kong Awards for Environmental Excellence and Wastewi$e Certificate (Excellence Level) from Environmental Campaign Committee. The Environmental Campaign Committee also recognised the Group as Hong Kong Green Organisation. The Group was also awarded the Certificate of Merit at HSBC Living Business ESG Awards 2018 from Business Environmental Council.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those have significant impact on the Group. During the year, the Group has complied with the relevant laws and regulations on corporate level as well as those that have a significant impact on the operations of the Group namely, among other things, the Listing Rules, the Companies Ordinance, Cap. 622 of the laws of Hong Kong, the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 of the laws of Hong Kong.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2019 is set out on page 137 of this annual report.

DIRECTORS' REPORT

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in note 20 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 49 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 41 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" in the consolidated financial statements on page 55 of this annual report.

Details of movements in the reserves of the Company during the year are set out in note 52 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions for financial year ended 31 December 2019

1. **Margin financing arrangement for three financial years ending 31 December 2021**

   Celestial Securities entered into the margin financing agreements all dated 7 December 2018 with each of the following connected clients:

   (a) Dr Kwan Pak Hoo Bankee

   (b) Mr Cheung Wai Ching Anthony

   (c) Mr Kwan Teng Hin Jeffrey

   (d) Mr Chan Chi Ming Benson *(resigned on 27 March 2020)*

   (e) Mr Law Ping Wah Bernard *(resigned on 1 July 2019)*

   (f) Mr Ho Tsz Cheung Jack *(resigned on 2 September 2019)*

   (g) Cash Guardian

   (h) Libra Capital

   (i) Cashflow Credit

   (j) Confident Profits

   Pursuant to the respective margin financing agreements above, Celestial Securities granted margin financing facilities to each of the above connected clients at an annual cap of up to HK$30 million (which represents the maximum outstanding balance, including accrued outstanding interests of the margin financing facility) for each of the three financial years ending 31 December 2021. Each of the margin financing facilities granted to the connected client was a stand alone facility and will not be aggregated. The interest rates charged are in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services.

As at the date of the respective margin financing agreements, the above connected clients were either Directors or substantial Shareholders or their respective associates and were connected persons (as defined under the Listing Rules) of the Company. The granting of the margin financing arrangement by the Company constituted continuing connected transaction relating to financial assistance for the Company under the Listing Rules.

As at 31 December 2019, Mr Law Ping Wah Bernard (item (1)(e)) and Mr Ho Tsz Cheung Jack (item (1)(f)) had resigned as directors of the Group. In March 2020 (subsequent to the reporting period), Mr Chan Chi Ming Benson (item (1)(d)) resigned as director of the Group. All of them still remained as connected persons of the Group within 12 months of their resignation as defined under the Listing Rules.

All the above margin financing agreements were approved by the independent Shareholders at a SGM held on 30 January 2019. Details of the transactions were disclosed in the Company's announcement dated 7 December 2018 and circular dated 9 January 2019.

During the year ended 31 December 2019, the maximum amount of margin financing facilities utilised by each of the above connected clients did not exceed the annual cap of HK$30 million.

2. Provision of brokerage services for three financial years ending 31 December 2021

On 7 December 2018, Celestial Securities and Celestial Commodities as service providers and Confident Profits as client entered into the brokerage services agreement relating to the provision of brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges at predetermined brokerage fees (as more particularly set out in the Company's circular dated 9 January 2019) for each of the three financial years ending 31 December 2021.

The brokerage fees would be charged on normal commercial terms and at market rates, which would not be more favourable than those available to independent third party clients of the Group. The annual cap of the brokerage fees is a sum of up to HK$30 million for each of the three financial years ending 31 December 2021.

As at the date of the brokerage services agreement, Confident Profits Group was a subsidiary of CASH held under CIGL (a wholly-owned subsidiary of CASH), being the substantial Shareholder, and was a connected person of the Company (as defined under the Listing Rules). The provision of brokerage services by the Group to the Confident Profits Group under the brokerage services agreement constituted continuing connected transaction for the Company under the Listing Rules.

The brokerage services agreement was approved by the independent Shareholders at a SGM held on 30 January 2019. Details of the transactions were disclosed in the Company's announcement dated 7 December 2018 and circular dated 9 January 2019.

During the year ended 31 December 2019, the aggregate amount of brokerage fees received by the Group from the Confident Profits Group did not exceed the annual cap of HK$30 million. Details of the amount of brokerage fees received by the Group during the year under review are set out in notes to the consolidated financial statements.

The aforesaid continuing connected transactions of the Company for the financial year ended 31 December 2019 have been reviewed by the INEDs. The INEDs have confirmed that the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the aforesaid Group's continuing connected transactions of the Company for the financial year ended 31 December 2019 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the auditor and the Company to the Stock Exchange.

DIRECTORS' REPORT

RELATED PARTIES TRANSACTIONS

The Group has entered into related party transactions under the applicable accounting standards as disclosed in note 47 to the consolidated financial statements. Such related party transactions related to the continuing connected transactions of the Group as disclosed under heading "Continuing Connected Transactions" above in this section or are de minimis transactions exempted from connected transaction requirements of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover.

In the year under review, the Group's purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases.

DIRECTORS

The Directors of the Company during the year and up to the publication date of this annual report were as follows:

Executive Directors:

Kwan Pak Hoo Bankee
Cheung Wai Ching Anthony
Li Shing Wai Lewis *(was appointed on 2 September 2019)*
Kwan Teng Hin Jeffrey
Ng Hin Sing Derek *(was appointed on 27 March 2020)*
Chan Chi Ming Benson *(resigned on 27 March 2020)*
Ng Tze Wai Anthony *(was appointed on 2 September 2019 and resigned on 1 January 2020)*
Law Ping Wah Bernard *(resigned on 1 July 2019)*
Ho Tsz Cheung Jack *(resigned on 2 September 2019)*

Independent Non-executive Directors:

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

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM:

(i) Mr Li Shing Wai Lewis and Mr Ng Hin Sing Derek, being newly appointed EDs, shall retire at the AGM in accordance with the Company's bye-laws; and

(ii) Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the AGM in each year in accordance with their terms of office of directorship.

DIRECTORS' REPORT

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the margin financing arrangement as disclosed under the heading of "Continuing Connected Transactions" in this section above, no Director or any entity connected with Director had a material interest in, either directly or indirectly, any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the financial year under review.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 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 were as follows:

The Company

(a) Long positions in the Shares

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*	33.65
Chan Chi Ming Benson (Note (7))	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	33.89

* The Shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the substantial Shareholder)). 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	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2019	granted during the year (Notes (4)&(5))	reallocated upon change of directorate	lapsed during the year (Note (9))	outstanding as at 31 December 2019	Percentage to issued shares as at 31 December 2019 (%)
Kwan Pak Hoo Bankee	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	40,000,000	—	—	(40,000,000)	—	—
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	49,000,000	—	—	—	49,000,000	0.98
	29/03/2019	01/05/2019–30/04/2022	0.071	(3)	—	48,000,000	—	—	48,000,000	0.96
Cheung Wai Ching Anthony	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	24,000,000	—	—	—	24,000,000	0.48
	29/03/2019	01/05/2019–30/04/2022	0.071	(3)	—	24,000,000	—	—	24,000,000	0.48
Li Shing Wai Lewis (Note (6))	29/03/2019	01/05/2019–30/04/2022	0.071	(3)	N/A	N/A	12,000,000	—	12,000,000	0.24
Kwan Teng Hin Jeffrey	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	40,000,000	—	—	(40,000,000)	—	—
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	24,000,000	—	—	—	24,000,000	0.48
	29/03/2019	01/05/2019–30/04/2022	0.071	(3)	—	48,000,000	—	—	48,000,000	0.96
Chan Chi Ming Benson (Note (7))	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	49,000,000	—	—	—	49,000,000	0.98
	29/03/2019	01/05/2019–30/04/2022	0.071	(3)	—	48,000,000	—	—	48,000,000	0.96
Law Ping Wah Bernard (Note (8))	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	40,000,000	—	(40,000,000)	N/A	N/A	N/A
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	49,000,000	—	(49,000,000)	N/A	N/A	N/A
	29/03/2019	01/05/2019–30/04/2022	0.071	(3)	—	48,000,000	(48,000,000)	N/A	N/A	N/A
Ho Tsz Cheung Jack (Note (8))	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	2,000,000	—	(2,000,000)	N/A	N/A	N/A
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	24,000,000	—	(24,000,000)	N/A	N/A	N/A
	29/03/2019	01/05/2019–30/04/2022	0.071	(3)	—	24,000,000	(24,000,000)	N/A	N/A	N/A
					341,000,000	240,000,000	(175,000,000)	(80,000,000)	326,000,000	6.52

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. The options must be exercised within 1 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 1 month from the date on which the 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 Board and/or the Board determined at their sole discretion. Any option that is not vested before the expiry date of each tranche period shall lapse automatically. The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.

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

(5) The value of the options granted during the year ended 31 December 2019 was zero as the performance targets set for the options had not been achieved by the end of the year under review.

(6) Mr Li Shing Wai Lewis was appointed as a Director during the year.

(7) Mr Chan Chi Ming Benson resigned as Director of the Company on 27 March 2020 (subsequent to the reporting period).

(8) Mr Law Ping Wah Bernard and Mr Ho Tsz Cheung Jack resigned as Directors of the Company during the year.

(9) The lapsed options were due to expiry of the options.

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

(11) The options were held by the Directors in the capacity of beneficial owners.

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executive 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 New Share Option Scheme was adopted pursuant to an ordinary resolution passed at an AGM of the Company held on 8 June 2018 to replace the Old Share Option Scheme dated 22 February 2008. The options granted under the Old Share Option Scheme before expiry and remained outstanding shall continue to be valid and exercisable in accordance with the terms of the options. Particulars of the terms of the New Share Option Scheme are set out in note 46 to the consolidated financial statements.

The following table discloses details of the Company's share options granted under the New Share Option Scheme and Old Share Option Scheme held by the Directors and the employees and other grantees of the Group and movements in such holdings during the year ended 31 December 2019.

					Number of options				
Name of scheme	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2019	granted during the year (Notes (6)&(7))	reallocated upon change of directorate	lapsed during the year (Note (8))	outstanding as at 31 December 2019
Directors									
The Old Share Option Scheme	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	122,000,000	—	(42,000,000)	(80,000,000)	—
	31/08/2017	01/01/2018–31/12/2020	0.253	(1)	219,000,000	—	(73,000,000)	—	146,000,000
The New Share Option Scheme	29/03/2019	01/05/2019–30/04/2022	0.071	(1)	—	240,000,000	(60,000,000)	—	180,000,000
					341,000,000	240,000,000	(175,000,000)	(80,000,000)	326,000,000
Employees and other grantees									
The Old Share Option Scheme	03/12/2015	03/12/2015–31/12/2019	0.315	(2)&(3)	58,000,000	—	42,000,000	(100,000,000)	—
	31/08/2017	01/01/2018–31/12/2020	0.253	(4)	194,400,000	—	73,000,000	—	267,400,000
The New Share Option Scheme	29/03/2019	01/05/2019–30/04/2022	0.071	(5)	—	200,000,000	60,000,000	(17,000,000)	243,000,000
	04/06/2019	04/06/2019–03/06/2022	0.052	(4)	—	56,000,000	—	—	56,000,000
					252,400,000	256,000,000	175,000,000	(117,000,000)	566,400,000
					593,400,000	496,000,000	—	(197,000,000)	892,400,000

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 1 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 satisfactory delivery of services to members of the Group as approved by the Chairman of the Board and/or the Board determined at their sole discretion. The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.

(5) 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 Board and/or the Board determined at their sole discretion. Any option that is not vested before the expiry date of each tranche period shall lapse automatically. The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.

(6) The closing price of the share immediately before the date of grant of options on 29 March 2019 and 4 June 2019 respectively were HK$0.066 and HK$0.053.

(7) The value of the options granted during the year ended 31 December 2019 was zero as the performance targets set for the options had not been achieved by the end of the year under review.

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

(9) No option was exercised or cancelled during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as is known to the Directors and chief executive 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 (Note (1))	Interest in a controlled corporation	1,667,821,069	33.65
Cash Guardian (Note (1))	Interest in a controlled corporation	1,667,821,069	33.65
CASH (Note (1))	Interest in a controlled corporation	1,667,821,069	33.65
Praise Joy Limited (Note (1))	Interest in a controlled corporation	1,667,821,069	33.65
CIGL (Note (1))	Beneficial owner	1,667,821,069	33.65
Ever Billion Group Limited ("Ever Billion") (Note (2))	Beneficial owner	826,000,000	16.66

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)). CASH was owned as to a total of approximately 34.41% by Dr Kwan, being approximately 33.90% by Cash Guardian (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 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 31 December 2019, the Directors and chief executive 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of its Shares in the hands of the public in accordance with the Listing Rules as at the latest practicable date prior to the issue of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

Save as the share option schemes of the Company as disclosed in note 46 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the financial year.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the INEDs in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them to be independent.

AUDITOR

There have been no changes of auditor in the preceding three years.

The consolidated financial statements of the Company for the year were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Dr Bankee P. Kwan, *JP*
Chairman

Hong Kong, 20 March 2020

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF CASH FINANCIAL SERVICES GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CASH Financial Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 135, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment under expected credit loss ("ECL") for accounts receivable arising from margin financing	
We identified the impairment assessment under ECL for accounts receivable arising from margin financing as a key audit matter due to its significance to the consolidated financial statements and the significant management judgement and estimates required in the ECL measurement. As set out in note 4 to the consolidated financial statements, the ECL measurement involves significant management judgement and estimates in the following key areas: • Determination of the criteria for significant increase in credit risk ("SICR"); • Selection of appropriate models and assumptions used in the ECL models, including Probability of default ("PD") and Loss given default ("LGD"); • Considering forward-looking factors in determining PD and LGD. In addition, the ECL measurement for financial assets involves consideration of other factors, including the realisable values of securities or collaterals held by the Group. The total gross carrying amount of accounts receivable from clients arising from margin financing amounted to HK$170,226,000 with impairment provision of HK$23,646,000 as at 31 December 2019 as disclosed in note 26 to the consolidated financial statements.	Our procedures performed for the impairment assessment under ECL for accounts receivable from clients arising from margin financing include: • understanding the established policies and procedures on impairment assessment of the Group in relation to the application of ECL model under HKFRS 9 "Financial Instrument", including continuous review of the appropriateness of the model, and selection and application of assumptions and inputs into the model; • assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if a SICR has occurred or the financial asset is credit-impaired and the basis for classification of exposures into the 3 stages as required by HKFRS 9; • examining supporting documents, on a sample basis, for the classification of exposures of accounts receivable from clients arising from margin financing at different staging (stage 1, 2 or 3) during the year and as at 31 December 2019; • evaluating, together with our internal valuation specialists, the reasonableness and appropriateness of the ECL model and the critical assumptions, inputs and parameters used in the model; • for a sample of accounts receivable from clients arising from margin financing, assessing the reasonableness of the estimated future cash flows and the fair value of securities or collaterals, and examining underlying documentation supporting the fair value of the securities or collaterals; and • on a sample basis, examining significant data inputs into the ECL model, including PD and LGD after taking into consideration forward-looking information.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial assets at fair value through other comprehensive income ("FVTOCI") classified as level 3 under fair value hierarchy	
We identified the valuation of level 3 financial assets measured at FVTOCI as a key audit matter due to the significance of the judgment and estimates made by the management and the subjectivity in determination of level 3 fair value given the lack of availability of market-based data and the significant unobservable inputs. The total fair value of financial assets at FVTOCI classified as level 3 amounted to HK$39,512,000 as at 31 December 2019 and the key source of estimation uncertainty are disclosed in notes 44 and 4 to the consolidated financial statements.	Our audit procedures for the valuation of the level 3 financial assets at FVTOCI include: • evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge; • evaluating the appropriateness and consistency of the valuation techniques used by the management; • evaluating the rationale of management's judgment on the significant unobservable inputs; • examining supporting documents for significant inputs; and • performing sensitivity analysis to evaluate the reasonableness of the valuation, where appropriate, or performing independent valuation together with our internal valuation specialist and comparing the valuation with the Group's valuation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor’s report is Tong, Mei Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue			
Fee and commission income	5	**82,916**	102,332
Interest income	6	**24,576**	21,113
Total revenue		**107,492**	123,445
Other income	8	**818**	83
Other gains (losses)	9	**3,649**	(55,989)
Salaries and related benefits	10	**(82,155)**	(75,594)
Commission expenses		**(23,798)**	(34,298)
Depreciation	20	**(23,654)**	(3,968)
Finance costs	13	**(6,644)**	(6,536)
Impairment losses under expected credit loss model, net of reversal	14	**3,211**	(6,245)
Impairment losses on property and equipment	20	**(20,000)**	—
Other expenses		**(76,253)**	(85,250)
Change in fair value of investment property	21	**444**	(118)
Loss before taxation		**(116,890)**	(144,470)
Income tax expense	15	**—**	—
Loss for the year	17	**(116,890)**	(144,470)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value (loss) gain on financial assets at fair value through other comprehensive income		**(2,328)**	1,056
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(184)**	(776)
Other comprehensive (expense) income for the year		**(2,512)**	280
Total comprehensive expense for the year		**(119,402)**	(144,190)
Loss attributable to:			
Owners of the Company		**(114,048)**	(144,132)
Non-controlling interests		**(2,842)**	(338)
		(116,890)	(144,470)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(116,560)**	(143,852)
Non-controlling interests		**(2,842)**	(338)
		(119,402)	(144,190)
Loss per share	18		
— Basic (HK cents)		**(2.30)**	(2.91)
— Diluted (HK cents)		**(2.30)**	(2.91)

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property and equipment	20	**21,748**	9,246
Investment property	21	**17,094**	17,025
Intangible assets	22	**9,092**	9,092
Club debentures	23	**660**	660
Other assets	24	**6,401**	6,002
Rental and utility deposits		**2,764**	690
Financial assets at fair value through other comprehensive income	25	**39,512**	26,240
Loans receivable	29	**19,129**	—
		116,400	68,955
Current assets			
Accounts receivable	26	**308,999**	283,404
Contract assets	27	**1,760**	684
Contract costs	28	**2,444**	—
Loans receivable	29	**8,093**	1,576
Prepayments, deposits and other receivables	30	**6,659**	12,465
Financial assets at fair value through profit or loss	31	**101,357**	143,200
Bank deposits subject to conditions	32	**25,161**	25,127
Bank balances — trust and segregated accounts	33	**644,542**	837,705
Bank balances (general accounts) and cash	33	**288,192**	376,831
		1,387,207	1,680,992
Current liabilities			
Accounts payable	35	**794,220**	986,497
Contract liabilities	36	**4,330**	2,260
Accrued liabilities and other payables	37	**20,570**	25,906
Taxation payable		**3,000**	3,000
Lease liabilities	40	**9,085**	—
Bank borrowings — amount due within one year	38	**149,090**	102,539
Amounts due to related companies	34	**198**	1,904
		980,493	1,122,106
Net current assets		**406,714**	558,886
Total assets less current liabilities		**523,114**	627,841

Consolidated Statement of Financial Position (continued)

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred tax liabilities	39	**40**	40
Lease liabilities	40	**17,836**	—
Bank borrowings — amount due after one year	38	**307**	3,892
Provision for restoration		**1,133**	—
		19,316	3,932
Net assets		**503,798**	623,909
Capital and reserves			
Share capital	41	**99,115**	99,115
Reserves		**396,182**	513,451
Equity attributable to owners of the Company		**495,297**	612,566
Non-controlling interests	42	**8,501**	11,343
Total equity		**503,798**	623,909

The consolidated financial statements on pages 52 to 135 were approved and authorised for issue by the Board of Directors on 20 March 2020 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LI SHING WAI LEWIS
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to equity holders of the Company									
	NOTES	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note a)	Contributed surplus HK$'000 (note b)	Investments revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018		99,207	604,862	—	117,788	1,169	(548)	(94,857)	727,621	—	727,621
Loss for the year		—	—	—	—	—	—	(144,132)	(144,132)	(338)	(144,470)
Fair value gain on financial assets at fair value through other comprehensive income		—	—	—	—	1,056	—	—	1,056	—	1,056
Exchange differences arising on translation of foreign operations		—	—	—	—	—	(776)	—	(776)	—	(776)
Other comprehensive income (expense) for the year		—	—	—	—	1,056	(776)	—	280	—	280
Total comprehensive income (expense) for the year		—	—	—	—	1,056	(776)	(144,132)	(143,852)	(338)	(144,190)
Repurchase of ordinary shares	41	(92)	(320)	—	—	—	—	—	(412)	—	(412)
Shares of a subsidiary issued to non-controlling interests	16 (ii)	—	—	29,209	—	—	—	—	29,209	11,681	40,890
At 31 December 2018		99,115	604,542	29,209	117,788	2,225	(1,324)	(238,989)	612,566	11,343	623,909
Adjustment on application of HKFRS 16	2	—	—	—	—	—	—	(709)	(709)	—	(709)
At 1 January 2019, restated		99,115	604,542	29,209	117,788	2,225	(1,324)	(239,698)	611,857	11,343	623,200
Loss for the year		—	—	—	—	—	—	(114,048)	(114,048)	(2,842)	(116,890)
Fair value loss on financial assets at fair value through other comprehensive income		—	—	—	—	(2,328)	—	—	(2,328)	—	(2,328)
Exchange differences arising on translation of foreign operations		—	—	—	—	—	(184)	—	(184)	—	(184)
Other comprehensive expense for the year		—	—	—	—	(2,328)	(184)	—	(2,512)	—	(2,512)
Total comprehensive expense for the year		—	—	—	—	(2,328)	(184)	(114,048)	(116,560)	(2,842)	(119,402)
At 31 December 2019		**99,115**	**604,542**	**29,209**	**117,788**	**(103)**	**(1,508)**	**(353,746)**	**495,297**	**8,501**	**503,798**

Notes:

(a) The other reserve of the Group represents the reserve arising from the change in the Group's ownership interest in existing subsidiary without losing control. Details are disclosed in notes 16 and 42.

(b) The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to eliminate accumulated losses.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Operating activities			
Loss before taxation		**(116,890)**	(144,470)
Adjustments for:			
Depreciation of property and equipment	20	**23,654**	3,968
Interest expense	13	**6,644**	6,536
Interest income	6 & 9	**(28,163)**	(25,996)
Dividend income	9	**(772)**	(3,888)
Change in fair value of investment property	21	**(444)**	118
Loss on fair value changes of financial assets at fair value through profit or loss		**9,704**	13,805
Write-off of property and equipment	9	**32**	23
Impairment losses under expected credit loss model, net of reversal	14	**(3,211)**	6,245
Impairment losses on property and equipment		**20,000**	—
Operating cash flows before movements in working capital		**(89,446)**	(143,659)
(Increase) decrease in other assets		**(399)**	5,484
Increase in contract assets		**(1,076)**	(684)
Increase in contract costs		**(2,444)**	—
(Increase) decrease in accounts receivable		**(27,784)**	104,472
Increase in loans receivable		**(25,646)**	(34)
Decrease (increase) in prepayments, deposits and other receivables		**9,070**	(2,609)
Decrease in financial assets at fair value through profit or loss		**32,139**	38,944
Decrease in bank balances — trust and segregated accounts		**193,163**	71,706
(Decrease) increase in accounts payable		**(192,277)**	6,889
(Decrease) increase in accrued liabilities and other payables		**(5,336)**	4,933
Increase in contract liabilities		**2,070**	1,110
Cash (used in) generated from operations		**(107,966)**	86,552
Interest received		**27,996**	27,738
Dividend received		**772**	3,888
Net cash (used in) from operating activities		**(79,198)**	118,178
Investing activities			
Purchase of property and equipment	20	**(9,840)**	(4,820)
Purchase of financial assets at fair value through other comprehensive income	25	**(15,600)**	(15,600)
Net cash outflow on acquisition of subsidiaries	16	**(255)**	(377)
Cash used in investing activities		**(25,695)**	(20,797)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Financing activities			
Payment on repurchase of shares	41	**—**	(412)
Capital contribution from non-controlling interests		**—**	40,890
Repayments of lease liabilities	45	**(18,560)**	—
Advances from bank borrowings	45	**58,500**	59,000
Repayment of bank borrowings	45	**(15,547)**	(84,245)
Advances from related companies	45	**26,631**	944
Repayments to related companies	45	**(28,337)**	(804)
Interest paid on lease liabilities	45	**(1,061)**	—
Interest paid on bank borrowings	45	**(5,570)**	(6,512)
Net cash generated from financing activities		**16,056**	8,861
Net (decrease) increase in cash and cash equivalents		**(88,837)**	106,242
Cash and cash equivalents at beginning of year		**376,831**	270,658
Effect of change in foreign exchange rate		**198**	(69)
Cash and cash equivalents at end of year		**288,192**	376,831
Bank balances (general accounts) and cash		**288,192**	376,831

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

CASH Financial Services Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company is an associate of Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH"), a company incorporated in Bermuda. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, while the address of the principal place of business of the Company is 22/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

The Company and its subsidiaries (the "Group") are principally engaged in the following activities:

- provision of online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund ("MPF") products;
- proprietary trading of debt and equity securities and derivatives;
- provision of margin financing and money lending services;
- provision of investment banking services; and
- provision of asset management services.

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 HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 new and amendments to HKFRSs in the current year has had no material impact on the Group's performance and financial position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases"

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

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 standard 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.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the accumulated losses 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. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

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; and

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases" (continued)

As a lessee (continued)

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 incremental borrowing rates applied by the relevant group entities range from 4% to 4.125%.

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	20,242
Lease liabilities discounted at relevant incremental borrowing rates	19,386
Lease liabilities as at 1 January 2019	19,386
Analysed as	
Current	16,548
Non-current	2,838
Lease liabilities as at 1 January 2019	19,386

The carrying amount of right-of-use assets relating to operating leases for own use as at 1 January 2019 amounted to HK$18,884,000.

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019.

	HK$'000
Impact at 1 January 2019	709

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases" (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported as 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current assets				
Right-of-use assets		—	18,884	18,884
Current assets				
Prepayments, deposits and other receivables	(a)	12,465	(207)	12,258
Current liabilities				
Lease liabilities		—	16,548	16,548
Non-current liabilities				
Lease liabilities		—	2,838	2,838
Capital and reserves				
Reserves		513,451	(709)	512,742

Note:

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under rental and utility deposits. Based on the definition of lease payments under HKFRS 16, such rental and utility deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect as if HKFRS 16 had been applied since commencement date. As at 1 January 2019, HK$197,000 and HK$10,000 were adjusted to right-of-use assets and accumulated losses respectively.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the impact mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that involves the use of unobservable inputs to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Group. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Revenue as below is recognised at a point in time on the following bases:

- Commission income from broking business is recognised when trades are executed;
- Commission income from underwriting, sub-underwriting and placing activities are recognised when the relevant significant act has been completed;
- Commission income for placement of life insurance, mutual funds and MPF products is recognised when the placements are successful, subject to constraint on variable consideration; and
- Fees from sponsor and financial advisory services are recognised upon listing or when the underlying transactions are completed.

Asset management fees and performance fees are recognised over time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration for asset management services and wealth management services to which it will be entitled using the most likely amount and expected value amount respectively.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises costs as an asset if it expects to recover these costs. The asset so recognised is subsequently charged to profit or loss at the point when the revenue relating to the relevant contracts is recognised in profit or loss.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Costs to fulfil a contract

The Group incurs costs to fulfil its services contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently charged to profit or loss at the point the services are transferred to the customer. The asset is subject to impairment review.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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 or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

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.

As a practical expedient, leases with similar characteristics are accounted for on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments); and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution plans including state-managed benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment held for use in the production or supply of goods and services, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on property and equipment, intangible assets, right-of-use assets and contract cost below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on property and equipment, intangible assets and contract costs

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on property and equipment, intangible assets and contract costs (continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related services less the costs which relate directly to providing those services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/ initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combinations to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses. Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains (losses)" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains (losses)" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, loans receivable, deposits and other receivables, bank deposits and bank balances) and other items (representing contract assets) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12-m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the counterparties, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for contract assets and accounts receivable except for those from margin clients. The ECL on these assets are assessed based on the Group's historical default rates or default rates by reference to the Probability of Default ("PD"), Loss Given Default ("LGD") over the expected life and is adjusted for forward-looking estimates.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers the event of default occurs when the information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

In respective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the PD, LGD (i.e. the magnitude of the loss if there is a default) and the Exposure at Default ("EAD"). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis, the financial instruments are grouped taking into account the following:

- Nature of financial instruments;
- Loan to collateral value ratio ("LTV");
- Past-due status; and
- External credit ratings where available.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loans receivable and accounts receivable where the corresponding adjustment is recognised through a loss allowance account.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

The financial liabilities of the Group are all carried at amortised cost.

Financial liabilities including accounts payable, other payables, bank borrowings and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition of financial liabilities

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Equity-settled share-based payment transactions

Share options granted to employees of the Group for their services to the Group

The fair value of services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of share options granted at the grant date, without taking into account any service and non-market performance vesting conditions. Service and non-market performance vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity (share-based payments reserve).

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

Share options granted to other service providers

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment under ECL for accounts receivable arising from margin financing

The impairment assessment under ECL for accounts receivable arising from margin financing is an area that requires the use of models and management assumptions about future economic conditions and the credit risk of the margin clients.

In applying the accounting requirements for measuring ECL, the management exercised significant judgements in determining criteria for significant increase in credit risk, selecting appropriate models and assumptions for the measurement of ECL and considering the forward-looking scenarios.

Inputs, assumptions and estimation techniques

ECL of accounts receivable arising from margin financing is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 (credit risk has increased significantly since initial recognition) or 3 (credit-impaired) as defined in note 44. In assessing whether the credit risk of a financial asset has significantly increased, the Group considered the historical trend in LTV ratio as well as qualitatively and quantitatively reasonable and supportable forward-looking information available without undue cost or effort. ECL is the discounted product of expected future cash flows by using the PD, LGD and EAD, of which PD and LGD are estimates based on significant management judgement and estimates. For credit-impaired receivable arising from margin financing, the management performed individual assessment for each client by considering various factors, including the realisable value of securities or collaterals held by the Group.

Forward-looking information

The calculation of ECL considers forward-looking information through the use of publicly available economic data and forecasts and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios.

Details of the impairment assessment of accounts receivable arising from margin financing are disclosed in note 44.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to offices. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs); and
- current geographical and global economic uncertainty.

On commencement dates of relevant leases, management did not consider that it is reasonably certain to exercise the renewal option in the relevant leases. As at 31 December 2019, the undiscounted potential future lease payments not included in lease liabilities amounted to approximately HK$16,818,000.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of property and equipment

Property and equipment and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, the higher of the net present value of future cash flows which are estimated based upon the continued use of the asset in the case of value in use or fair value less cost of disposal; and (3) the appropriate key inputs to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate in determining value in use and certain adjustments as disclosed in note 20 in determining fair value. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the inputs and estimates could materially affect the relevant value in use or fair value of the various cash-generating units ("CGUs").

As at 31 December 2019, in view of impairment indicators, the Group performed impairment assessment on property and equipment of HK$41,748,000 (2018: nil). Impairment losses of HK$20,000,000 (2018: nil) has been recognised on property and equipment. Details of the impairment of property and equipment are disclosed in note 20.

Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK$449,570,000 (2018: HK$357,958,000) and deductible temporary differences of HK$45,390,000 (2018: HK$36,092,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, recognition of deferred tax asset in relation to estimated unused tax losses and deductible temporary differences may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

Fair value of financial assets at FVTOCI

The Group holds financial instruments that are not listed and are not traded in active markets. The Group employs valuation methods and makes assumptions that are based on market conditions existing at the reporting date. These investments are valued by an independent external valuation specialist based on generally accepted pricing models with reference to market comparables. The model may employ observable data where available and to the extent practicable. However, the model may also use unobservable data such as the discount rate for lack of marketability, the determination of these unobservable inputs and other assumptions used in the model may involve subjective judgement and estimates.

The Group considers the above valuation approach as the best estimate of the fair value of the underlying investments. Changes in assumptions or inputs could affect the reported fair values of these instruments. Details of valuation methodologies or inputs are set out in note 44 to the consolidated financial statements.

5. FEE AND COMMISSION INCOME

(i) Disaggregation of revenue from contracts with customers

	2019 HK$'000	2018 HK$'000
Type of services		
Broking services	**63,623**	71,730
Investment banking services	**8,417**	6,765
Wealth management services	**3,083**	6,959
Asset management services	**1,706**	9,969
Handling and other services	**6,087**	6,909
Total	**82,916**	102,332

	2019 HK$'000	2018 HK$'000
Timing of revenue recognition		
A point in time	**81,210**	92,363
Over time	**1,706**	9,969
Total	**82,916**	102,332

Fee and commission income of HK$82,916,000 (2018: HK$102,332,000) and interest income of HK$24,542,000 (2018: HK$20,894,000) are presented as financial services segment revenue and interest income of HK$34,000 (2018: HK$219,000) is presented as proprietary trading revenue for the year ended 31 December 2019 in the segment information in note 7.

(ii) Performance obligations for contracts with customers

Broking services

The Group provides broking services to customers on securities, futures and options trading. Commission income from broking services is determined at a certain percentage of the transaction value of the trades executed and is recognised as income on the date the trades are executed. Normal settlement terms are one or two days after trade date, unless specifically agreed with counterparties.

Investment banking services

The Group provides underwriting, sub-underwriting, placing, sponsor and financial advisory services to customers. The revenue is recognised at a point in time.

For sponsor or financial advisory services, the Group considers that all the services promised in a particular contract of being a sponsor or financial advisor are interdependent and interrelated and should be therefore accounted for as a single performance obligation. As it is unlikely that a customer can obtain benefit before the Group completes all its services up to listing or the completion of the underlying transaction and since the contracts do not provide the Group an enforceable right to payment performance completed up to date, the sponsor or financial advisory fees are recognised at a point in time upon listing or when the underlying transactions are completed. Payments are received by instalments in accordance to the completion of milestones as specified in the mandate.

5. FEE AND COMMISSION INCOME (continued)

(ii) Performance obligations for contracts with customers (continued)

Asset management services

Asset management services to customers are recognised over time as the Group provides asset management services and the customers simultaneously receives and consumes the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group. The Group is also entitled to a performance fee for certain accounts when pre-set performance target for the relevant performance period is met. The performance fee is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on an annual basis for each of the account. Management fee is normally due on account opening date and the subsequent anniversary date while performance fee is normally due at the end of the relevant performance period.

Wealth management services

The Group provides placement services for life insurances, mutual funds and MPF products to customers. Revenue is recognised at a point in time when the placement is successful. Revenue is calculated at a certain percentage of the premium receivable for certain period of the mutual funds and insurance-linked investment products, subject to constraints on variable consideration. The Group receives payment for a certain period over the life of the underlying products after satisfying its performance obligation, depending on the payment terms of the products. The Group has considered the effects of financing component on the consideration as insignificant.

Handling and other services

The Group provides services in securities, futures and options trading and customer's account handling. Handling and other services fee income are recognised when the transaction are executed and services are completed.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applied the practical expedient for contracts with original expected duration less than one year, and did not disclose the aggregate amount of transaction price allocated to performance obligations of the services that are unsatisfied (or partly unsatisfied). The performance fee arising from asset management services which are constrained as at 31 December 2019 has been excluded from the transaction price and hence not disclosed.

6. INTEREST INCOME

	2019 **HK$'000**	2018 HK$'000
Interest income arising from financial assets at amortised cost	**24,576**	21,113

7. SEGMENT INFORMATION

Reportable and operating segment

The Chief Executive Officer of the Company, who is also the chief executive of the brokerage business, being the chief operating decision maker ("CODM"), regularly reviews the income from broking, investment banking, asset management, wealth management and proprietary trading activities for the purposes of resource allocation and performance assessment.

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by the segment before change in fair value of investment property and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

For the year ended 31 December 2019, right-of-use assets and lease liabilities are not allocated to segments for the measurement of segment assets and liabilities while depreciation and impairment losses of right-of-use assets and finance cost for lease liabilities are included in segment results.

For the year ended 31 December 2019

	Financial services HK$'000	**Proprietary trading HK$'000**	**Total HK$'000**
Revenue	**107,458**	**34**	**107,492**
RESULT			
Segment loss	**(108,071)**	**(230)**	**(108,301)**
Change in fair value of investment property			**444**
Unallocated expenses			**(9,033)**
Loss before taxation			**(116,890)**

For the year ended 31 December 2018

	Financial services HK$'000	Proprietary trading HK$'000	Total HK$'000
Revenue	123,226	219	123,445
RESULT			
Segment loss	(67,745)	(68,589)	(136,334)
Change in fair value of investment property			(118)
Unallocated expenses			(8,018)
Loss before taxation			(144,470)

All the segment revenue is derived from external customers.

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities

All assets are allocated to the operating segments other than corporate assets, such as right-of-use assets, investment property, financial assets at FVTOCI, and certain property and equipment, other receivables and cash. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All liabilities are allocated to the operating segments other than lease liabilities, deferred tax liabilities, amounts due to related companies, provision for restoration and taxation payable. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

As at 31 December 2019

	Financial services HK$'000	Proprietary trading HK$'000	Total HK$'000
ASSETS			
Segment assets	1,288,118	129,092	1,417,210
Right-of-use assets			14,593
Investment property			17,094
Financial assets at FVTOCI			39,512
Other unallocated assets			15,198
Consolidated total assets			1,503,607
LIABILITIES			
Segment liabilities	917,133	51,384	968,517
Lease liabilities			26,921
Deferred tax liabilities			40
Amounts due to related companies			198
Taxation payable			3,000
Provision for restoration			1,133
Consolidated total liabilities			999,809

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities (continued)

As at 31 December 2018

	Financial services HK$'000	Proprietary trading HK$'000	Total HK$'000
ASSETS			
Segment assets	1,446,937	254,858	1,701,795
Investment property			17,025
Financial assets at FVTOCI			26,240
Other unallocated assets			4,887
Consolidated total assets			1,749,947
LIABILITIES			
Segment liabilities	1,063,775	57,319	1,121,094
Deferred tax liabilities			40
Amounts due to related companies			1,904
Taxation payable			3,000
Consolidated total liabilities			1,126,038

7. SEGMENT INFORMATION (continued)

Other information

For the year ended 31 December 2019

	Financial services HK$000	**Proprietary trading HK$000**	**Unallocated amount HK$000**	**Total HK$000**
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	**8,432**	**1,155**	**27,758**	**37,345**
Interest income	**24,542**	**34**	**—**	**24,576**
Depreciation of property and equipment	**(23,359)**	**—**	**(295)**	**(23,654)**
Write-off of property and equipment	**(32)**	**—**	**—**	**(32)**
Finance costs	**(4,108)**	**(2,536)**	**—**	**(6,644)**
Net gains on financial assets at FVTPL	**—**	**3,617**	**—**	**3,617**
Impairment losses, net of reversal				
— accounts receivable	**(2,189)**	**—**	**—**	**(2,189)**
— other receivables	**—**	**—**	**5,400**	**5,400**
Net foreign exchange gain (loss)	**177**	**(114)**	**1**	**64**
Impairment losses on property and equipment	**(18,227)**	**(1,155)**	**(618)**	**(20,000)**

For the year ended 31 December 2018

	Financial services HK$000	Proprietary trading HK$000	Unallocated amount HK$000	Total HK$000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	4,102	—	718	4,820
Interest income	20,894	219	—	21,113
Depreciation of property and equipment	(3,952)	—	(16)	(3,968)
Write-off of property and equipment	(23)	—	—	(23)
Finance costs	(4,215)	(2,321)	—	(6,536)
Net losses on financial assets at FVTPL	—	(54,093)	—	(54,093)
Impairment losses, net of reversal				
— other receivables	—	—	(3,420)	(3,420)
— accounts receivable	(2,767)	—	—	(2,767)
— loans receivable	(58)	—	—	(58)
Net foreign exchange (loss) gain	(2,555)	622	60	(1,873)

7. SEGMENT INFORMATION (continued)

Other information (continued)

The Group's segment revenue from external customers determined based on location of operation of the Group and information about its non-current assets (excluding financial instruments) by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (Place of domicile)	**107,492**	123,445	**34,119**	23,781
PRC	**—**	—	**20,876**	18,934
Total	**107,492**	123,445	**54,995**	42,715

There were no customers for the years ended 31 December 2019 and 2018 contributing over 10% of the Group's total revenue.

8. OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Imputed interest income on rental deposits	**214**	—
Sundry income	**604**	83
	818	83

9. OTHER GAINS (LOSSES)

	2019	2018
	HK$'000	HK$'000
Net gains (losses) on financial assets at FVTPL (note)	**3,617**	(54,093)
Write-off of property and equipment	**(32)**	(23)
Net foreign exchange gain (loss)	**64**	(1,873)
	3,649	(55,989)

Note: The amount includes dividend income of HK$772,000 (2018: HK$3,888,000) and interest income amounting to HK$3,587,000 (2018: HK$4,883,000) from financial assets at FVTPL.

10. SALARIES AND RELATED BENEFITS

	2019 HK$'000	2018 HK$'000
Salaries and related benefits represent the amounts paid and payable to the directors of the Company and employees of the Group, and comprise:		
Salaries and allowances	77,820	71,302
Contributions to retirement benefits schemes	4,335	4,292
	82,155	75,594

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2019

	Kwan Pak Hoo Bankee HK$'000 (note (a))	Cheung Wai Ching Anthony HK$'000	Li Shing Wai Lewis HK$'000 (note (c))	Kwan Teng Hin Jeffrey HK$'000	Chan Chi Ming Benson HK$'000 (note (d))	Law Ping Wah Bernard HK$'000 (note (e))	Ho Tsz Cheung Jack HK$'000 (note (e))	Ng Tze Wai Anthony HK$'000 (note (f))	Total 2019 HK$'000
(A) EXECUTIVE DIRECTORS									
Fees	–	–	–	–	–	–	–	–	–
Other emoluments:									
Salaries and allowances	828	1,020	200	972	1,720	180	560	720	6,200
Retirement benefits	41	51	10	49	86	9	28	36	310
Sub-total	869	1,071	210	1,021	1,806	189	588	756	6,510

	Lo Kwok Hung John HK$'000	Lo Ming Chi Charles HK$'000	Cheng Shu Shing Raymond HK$'000	Total 2019 HK$'000
(B) INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	150	150	150	450
Sub-total	150	150	150	450
Total				6,960

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

For the year ended 31 December 2018

	Kwan Pak Hoo Bankee HK$'000	Cheung Wai Ching Anthony HK$'000 (note (b))	Kwan Teng Hin Jeffrey HK$'000	Chan Chi Ming Benson HK$'000	Law Ping Wah Bernard HK$'000	Ho Tsz Cheung Jack HK$'000	Total 2018 HK$'000
(A) EXECUTIVE DIRECTORS							
Fees	—	—	—	—	—	—	—
Other emoluments:							
Salaries and allowances	1,169	1,020	1,008	2,585	910	945	7,637
Retirement benefits	59	51	50	118	46	47	371
Sub-total	1,228	1,071	1,058	2,703	956	992	8,008

	Lo Kwok Hung John HK$'000	Lo Ming Chi Charles HK$'000	Cheng Shu Shing Raymond HK$'000	Total 2018 HK$'000
(B) INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	150	150	150	450
Sub-total	150	150	150	450
Total				8,458

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(a) Dr Kwan Pak Hoo Bankee was appointed as Acting Chief Executive of the Company with effect from 1 January 2020.

(b) During the year ended 31 December 2018, Mr Cheung Wai Ching Anthony was appointed as executive director of the Company.

(c) During the year ended 31 December 2019, Mr Li Shing Wai Lewis was appointed as executive director of the Company.

(d) Mr Chan Chi Ming Benson had been the executive director and Chief Executive of the Company. During the year ended 31 December 2019, he resigned as Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive and before his resignation as the Chief Executive.

(e) During the year ended 31 December 2019, Mr Law Ping Wai Bernard and Mr Ho Tsz Cheung Jack resigned as executive directors of the Company.

(f) During the year ended 31 December 2019, Mr Ng Tze Wai Anthony was appointed as Chief Executive and executive director of the Company. He resigned as Chief Executive and executive director of the Company with effect from 1 January 2020 and his emoluments disclosed above include those for services rendered by him as the Chief Executive and before his resignation as the Chief Executive.

(g) During the years ended 31 December 2019 and 2018, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any remuneration during the years ended 31 December 2019 and 2018.

12. EMPLOYEES' REMUNERATION

Two (2018: one) of the five individuals with the highest emoluments in the Group were directors of the Company for the year ended 31 December 2019. Details of these directors' emolument are included in the disclosures in note 11 above. The emolument of the remaining three (2018: four) individual were as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and allowances	**5,422**	6,447
Contributions to retirement benefits schemes	**271**	322
Amount as inducement to join the Group	**—**	—
	5,693	6,769

The remuneration of the three (2018: four) individuals (other than directors) was within the following bands:

	Number of employees	
	2019	2018
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**—**	—
	3	4

13. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on bank overdrafts and borrowings	**5,583**	6,536
Interest on lease liabilities	**1,061**	—
	6,644	6,536

14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019	2018
	HK$'000	HK$'000
Net impairment losses (reversed) recognised on:		
Accounts receivable	**2,189**	2,767
Loans receivable	**—**	58
Other receivables	**(5,400)**	3,420
	(3,211)	6,245

For the year ended 31 December 2019, impairment loss of HK$5,400,000 was reversed because the Group recovered full amount from the counterparties.

Details of impairment assessment for the years ended 31 December 2019 and 2018 are set out in note 44.

15. INCOME TAX EXPENSE

	2019	2018
	HK$'000	HK$'000
Current tax:	**—**	—

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "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%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable to the PRC subsidiaries is 25% from 1 January 2008 onwards.

The income tax expense for the year can be reconciled to the loss before taxation as per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$'000	HK$'000
Loss before taxation	**(116,890)**	(144,470)
Taxation at income tax rate of 16.5%	**(19,287)**	(23,838)
Tax effect of expenses not deductible for tax purpose	**3,312**	1,891
Tax effect of income not taxable for tax purpose	**(720)**	(1,155)
Tax effect of deductible temporary differences not recognised	**3,858**	2,809
Tax effect of utilisation of estimated tax losses previously not recognised	**(2,270)**	(1,153)
Tax effect of utilisation of temporary differences previously not recognised	**(2,324)**	—
Tax effect of estimated tax losses not recognised	**17,386**	21,758
Others	**45**	(312)
Income tax expense	**—**	—

16. ACQUISITION OF SUBSIDIARIES AND CHANGE IN SHAREHOLDING OF A SUBSIDIARY WITHOUT LOSING CONTROL

(i) For the year ended 31 December 2019

On 15 May 2019, the Group acquired 100% of the issued share capital of CFSG FinTech Group Limited ("CASH FinTech") from CASH Dynamic Opportunities Investment Limited, a wholly-owned subsidiary of CASH, for a consideration of US$1. The consideration paid is equal to the share of net asset of CASH FinTech.

On 31 October 2019, the Group acquired 100% of the issued share capital of Shanghai Yirui Equity Investment Fund Management Company Limited ("Shanghai Yirui") from Sky Rich Investments Limited, a wholly-owned subsidiary of CASH, for a consideration of RMB1,600,000 (equivalent to approximately HK$1,776,000). The consideration paid is equal to the share of net asset of Shanghai Yirui.

The acquisitions are considered as acquisitions of assets through acquisition of a subsidiary rather than a business combination as defined in HKFRS 3 "Business Combination".

	HK$'000
Consideration transferred:	
Cash	**1,776**
Assets acquired at the date of acquisition were as follows:	
Bank balance and cash	**1,521**
Other receivables	**255**
Total	**1,776**
Net cash outflow on acquisition of the subsidiary:	
Cash consideration paid	**1,776**
Less: cash and cash equivalent balances acquired	**(1,521)**
Total	**255**

(ii) For the year ended 31 December 2018

On 2 May 2018, the Group acquired 100% of the issued share capital of Weever FinTech Limited ("Weever") from CASH Algo Finance Limited, a wholly-owned subsidiary of CASH, for a consideration of HK$377,000.

	HK$'000
Consideration transferred:	
Cash	377
Assets acquired at the date of acquisition were as follows:	
Property and equipment (note 20)	29
Deposits with brokers	348
Total	377
Cash outflow on acquisition of the subsidiary:	
Cash consideration paid	377

16. ACQUISITION OF SUBSIDIARIES AND CHANGE IN SHAREHOLDING OF A SUBSIDIARY WITHOUT LOSING CONTROL (continued)

(ii) For the year ended 31 December 2018 (continued)

On 10 May 2018, Weever allotted 800 shares and 199 shares at HK$1 per share, to the Group and Excel Smart Profits Limited ("Excel Smart"), a wholly-owned subsidiary of CASH, respectively.

On 1 June 2018, Weever further allotted 7,608,699 shares and 1,890,301 shares, at HK$1 per share, to the Group and Excel Smart, respectively.

On 21 December 2018, Weever allotted and issued 5% shares of Weever to an independent third party at a total cash consideration of US$5,000,000 (equivalent to approximately HK$39,000,000). The proceeds will be used for development of digital assets brokerage services business of Weever.

After three share allotments during the year, the shareholdings in Weever held by the Group decreased from 100% to 76.1%. The difference between the adjustment to the non-controlling interest of HK$11,681,000 and the fair value of the consideration received of HK$40,890,000 from the above share allotments and issuance is recognised directly in other reserve and attributed to owners of the Company.

17. LOSS FOR THE YEAR

	2019 **HK$'000**	2018 HK$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**1,600**	2,200
Operating lease rentals	**—**	22,372
Depreciation of property and equipment	**23,654**	3,968
Handling expenses:		
– dealing in securities dealing	**2,857**	3,533
– dealing in futures and options	**1,539**	1,958
Advertising and promotion expenses	**4,342**	5,925
Telecommunication expenses	**26,283**	15,715
Legal and professional fees	**4,217**	9,331

18. LOSS PER SHARE

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

Loss

	2019	2018
	HK$'000	HK$'000
Loss for the purposes of basic and diluted loss per share	**(114,048)**	(144,132)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,955,763,588**	4,958,948,322
Effect of dilutive potential ordinary shares:		
Share options of the Company	**—**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**4,955,763,588**	4,958,948,322

For the years ended 31 December 2019 and 2018, the computation of diluted loss per share has not taken into account the effects of share options as it would result in decrease in loss per share.

19. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2019 and 2018.

20. PROPERTY AND EQUIPMENT

	Right-of-use assets - leased properties HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Total Hk$'000
COST OR VALUATION					
At 1 January 2018	—	18,275	2,351	41,463	62,089
Exchange adjustments	—	(30)	(3)	—	(33)
Additions	—	2,527	136	2,157	4,820
Written-off	—	(250)	—	—	(250)
Acquired on acquisition of a subsidiary	—	—	—	29	29
At 31 December 2018	—	20,522	2,484	43,649	66,655
Effect arising from application of HKFRS 16	36,437	—	—	—	36,437
As 1 January 2019, restated	36,437	20,522	2,484	43,649	103,092
Exchange adjustments	—	(37)	(38)	—	(75)
Additions	27,505	7,312	1,251	1,277	37,345
Written-off	—	(17,892)	(1,047)	(34,964)	(53,903)
At 31 December 2019	63,942	9,905	2,650	9,962	86,459
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2018	—	17,104	1,532	35,033	53,669
Exchange adjustments	—	—	(1)	—	(1)
Provided for the year	—	793	73	3,102	3,968
Written-off	—	(227)	—	—	(227)
At 31 December 2018	—	17,670	1,604	38,135	57,409
Effect arising from application of HKFRS 16	17,553	—	—	—	17,553
As 1 January 2019, restated	17,553	17,670	1,604	38,135	74,962
Exchange adjustments	—	—	(34)	—	(34)
Provided for the year	19,796	1,482	105	2,271	23,654
Impairment loss recognised in profit or loss	12,000	4,117	1,178	2,705	20, 000
Written-off	—	(17,892)	(1,047)	(34,932)	(53,871)
At 31 December 2019	49,349	5,377	1,806	8,179	64,711
CARRYING VALUES					
At 31 December 2019	14,593	4,528	844	1,783	21,748
At 31 December 2018	—	2,852	880	5,514	9,246

The above property and equipment are depreciated on a straight-line basis over the following years:

Right-of-use asset - leased properties	Over the shorter of the lease terms and 5 years
Leasehold improvements	Over the shorter of the lease terms and 5 years
Furniture and fixtures	5 years
Computer and equipment	5 years

During the year ended 31 December 2019, property and equipment of cost of HK$53,855,000, which were fully depreciated, were written off.

Total cash outflow for leases for the year ended 31 December 2019 amounted to HK$19,621,000.

20. PROPERTY AND EQUIPMENT (continued)

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of two years to five years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has extension options in a number of leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise are summarised below:

	Lease liabilities recognised as at 31 December 2019 HK$'000	**Potential future lease payments not included in lease liabilities (undiscounted) HK$'000**
Offices at Hong Kong	**20,407**	**16,818**

Restrictions or covenants on leases

In addition, lease liabilities of HK$26,921,000 are recognised with related right-of-use assets of HK$14,593,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Impairment assessment

During the current year, as a result of the recurring losses of the Group and significant uncertainty on global and local economic environment, the management of the Group concluded there was indicator for impairment on property and equipment. The Group estimates the recoverable amount of the various CGUs of broking, investment banking, asset management, wealth management which in aggregate are reported as financial services segment and proprietary trading which is a separate segment to which the asset belongs, using the higher of value in use and fair value less cost of disposal of the respective CGU.

The fair value of various CGUs was estimated by reference to valuation carried out by Peak Vision Appraisals Limited, the independent qualified professional valuer not connected to the Group, which is based on market transactions of comparable operations, adjusted to reflect the underlying assets included in the relevant CGUs for the purpose of impairment assessment. The fair value hierarchy of the valuation is classified as Level 3.

Based on the result of the assessment, management of the Group determined that the recoverable amounts of certain CGUs based on the fair value less cost of disposal were lower than the respective carrying amounts. For such CGUs, the impairment amount of HK$20,000,000 has been allocated to each category of property and equipment with reference to their relative carrying amounts such that the carrying amount of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero.

21. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 January 2018	17,818
Net decrease in fair value recognised in profit or loss	(118)
Exchange adjustments	(675)
At 31 December 2018	17,025
Net increase in fair value recognised in profit or loss	444
Exchange adjustments	(375)
At 31 December 2019	17,094
Unrealised gain (loss) on property revaluation relating to the investment property held at the end of the reporting period included in "change in fair value of investment property"	
For the year ended 31 December 2019	444
For the year ended 31 December 2018	(118)

The Group's property interests held under operating leases for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment property.

21. INVESTMENT PROPERTY (continued)

The investment property of the Group is situated:

	2019 HK$'000	2018 HK$'000
Outside Hong Kong	**17,094**	17,025

Fair value measurement of the Group's investment property

The fair value of the Group's investment property as at 31 December 2019 and 2018 has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited, the independent qualified professional valuer not connected to the Group who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair value of the property, which is classified as level 3 fair value hierarchy, was determined based on the direct comparison approach assuming sale of the property interest in its existing state with the benefit of vacant procession and by making reference to recent comparable sales evidence as available in the relevant market.

The following table gives information about how the fair value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurement is categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurement are observable.

Investment property held by the Group	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2019 and 2018				
Residential property unit	Level 3	Direct comparison method based on market observable transactions of the same location and adjusted to reflect the conditions of the subject properties. The key inputs are: (1) Level adjustment (2) View adjustment (3) Size adjustment	Level adjustment on individual floors of the property of range of –5% to +2% (2018: –5% to +2%) View adjustment on the site view of the property of +2% (2018: +2%) Size adjustment on the size of the property of –10% (2018: N/A)	The higher level, the higher the fair value The better view, the higher the fair value The larger size, the lower the price per square meter

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the property, the highest and best use of the property is their current use.

In estimating the fair value of the investment property, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management's findings to the board of directors of the Company every half year to explain the cause of fluctuations in the fair value of the investment property.

22. INTANGIBLE ASSETS

	Trading rights HK$'000
COST AND CARRYING VALUES	
At 31 December 2019 and 31 December 2018	9,092

At 31 December 2019, intangible assets amounting to HK$9,092,000 (2018: HK$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights were considered by the management of the Group as having an indefinite useful life because these are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead these will be tested for impairment annually and whenever there is an indication that they may be impaired.

For impairment testing purpose, the recoverable amount of the trading rights is determined based on the fair value less cost of disposal. The directors of the Company consider that the fair value less cost of disposal of the trading rights is more than replacement cost and accordingly, no impairment is recognised in profit or loss for both years.

23. CLUB DEBENTURES

The club debentures are stated at cost, less any identified impairment losses.

24. OTHER ASSETS

	2019 HK$'000	2018 HK$'000
Statutory deposits with exchanges and clearing houses	**6,401**	6,002

The above deposits are non-interest bearing.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets designated at FVTOCI:

	2019 HK$'000	2018 HK$'000
Unlisted equity investments at fair value	**39,512**	26,240

On 2 July 2019, the Group acquired approximately 0.47% equity interest in Dataseed Fintech Holdings Limited ("Fintech") at a total consideration of HK$15,600,000. The principal activity of the Fintech is engaging in credit card refinancing services.

On 27 August 2018, the Group acquired 2% equity interest in Coinsuper Fintech (HK) Co., Limited ("Coinsuper") at a total consideration of HK$15,600,000. Coinsuper is a cryptocurrency exchange incorporated in Hong Kong.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

At 31 December 2019, the unlisted investments represents equity interest in Infinity Investment Holding Group ("Infinity Holding") of HK$8,312,000 (2018: HK$10,640,000), Coinsuper of HK$15,600,000 (2018: HK$15,600,000) and Fintech of HK$15,600,000 (2018: nil). Infinity Holding is a company incorporated in Cayman Islands, which was engaged in the business of venture capital and private equity management in PRC.

The unlisted investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these unlisted investments as at FVTOCI as they believe that recognising short-term fluctuations in the investments' fair value in profit or loss would not be consistent with the Group's strategy of holding the investments for long-term purposes and realising their performance potential in the long run.

26. ACCOUNTS RECEIVABLE

	Notes	**2019** **HK$'000**	2018 HK$'000
Accounts receivable arising from the business of dealing in securities:	(a)		
Clearing houses, brokers and dealers		**30,402**	22,401
Cash clients		**62,665**	26,648
		93,067	49,049
Accounts receivable arising from the business of margin financing	(a)	**170,226**	151,127
Less: allowance for impairment		**(23,646)**	(21,457)
		146,580	129,670
Accounts receivable arising from the business of dealing in futures and options:	(a)		
Cash clients		**7**	53
Clearing houses, brokers and dealers		**69,283**	104,218
		69,290	104,271
Commission receivable from brokerage of life insurance, mutual funds and MPF products	(b)	**62**	274
Accounts receivable arising from the provision of investment banking services	(b)	**—**	140
		308,999	283,404

26. ACCOUNTS RECEIVABLE (continued)

Notes:

(a) Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. 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, brokers, dealers and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

The Group provides customers with margin financing for securities transactions secured by customers' securities held as collateral. Securities are assigned with specific margin ratios for calculating margin values. Additional funds or collateral are required if the amount of accounts receivable from margin clients outstanding exceeds the eligible margin value of the securities deposited.

The customers' listed securities can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use clients' securities up to the amount of 140% of the accounts receivable from margin clients as collateral of the Group's borrowings. The accounts receivable from margin clients are repayable on demand and bear interest at commercial rates. As at 31 December 2019, accounts receivable from margin clients are secured by clients' pledged securities with fair value of approximately HK$556,915,000 (2018: HK$418,595,000), of which 87% (2018: 84%) of accounts receivable arising from the business of margin financing are fully collateralised.

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. Details are set out in note 44.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business in margin financing.

(b) The Group allows a credit period of 30 days for commission receivable from brokerage of life insurance, mutual funds and MPF products as well as accounts receivable arising from the provision of investment banking services. The ageing analysis (from the completion date of investment banking services or receipt of statements from fund houses) of such receivables is as follows:

	2019 **HK$'000**	2018 HK$'000
0—30 days	**62**	369
31—60 days	**—**	—
61—90 days	**—**	—
Over 90 days	**—**	45
	62	414

26. ACCOUNTS RECEIVABLE (continued)

Details of the credit risk profile disclosure and movements in the allowance for impairment for the years ended 31 December 2019 and 2018 are set out in "credit risk and impairment assessment" in note 44.

Included in accounts receivable from margin clients arising from the business of dealing in securities are amounts due from certain related parties, details of which are as follows:

Name	Balance at 1 January HK$'000	Balance at 31 December HK$'000	Maximum amount outstanding during the year HK$'000	Market value of pledged securities at fair value at 31 December HK$'000
Directors of the Company				
Dr Kwan Pak Hoo Bankee				
2018	—	—	27,999	—
2019	—	—	5,999	—
Mr Cheung Wai Ching Anthony (note 2)				
2018 (from 2/1/2018 to 31/12/2018)	N/A	—	2,728	—
2019	—	—	7,718	—
Mr Li Shing Wai Lewis (note 3)				
2018	N/A	N/A	N/A	N/A
2019 (from 2/9/2019 to 31/12/2019)	N/A	—	515	—
Mr Kwan Teng Hin Jeffrey				
2018	—	—	1,993	—
2019	—	—	273	—
Mr Chan Chi Ming Benson				
2018	—	—	9,227	—
2019	—	—	—	—
Mr Law Ping Wah Bernard (note 1)				
2018	—	—	27,898	—
2019 (from 1/1/2019 to 30/6/2019)	—	N/A	11,577	N/A
Mr Ho Tsz Cheung Jack (note 1)				
2018	—	—	2,182	—
2019 (from 1/1/2019 to 1/9/2019)	—	N/A	655	N/A
Subsidiaries of CASH				
Libra Capital Management (HK) Limited (note 4)				
2018	—	—	5,073	—
2019	—	—	—	—

26. ACCOUNTS RECEIVABLE (continued)

Notes:

(1) During the year ended 31 December 2019, Mr Law Ping Wah Bernard and Mr Ho Tsz Cheung Jack resigned as executive directors of the Company.

(2) During the year ended 31 December 2018, Mr Cheung Wai Ching Anthony was appointed as executive director of the Company.

(3) During the year ended 31 December 2019, Mr Li Shing Wai Lewis was appointed as executive director of the Company.

(4) Libra Capital Management (HK) Limited, a subsidiary of CASH, the substantial shareholder of the Company.

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

27. CONTRACT ASSETS

Contract assets represent the Group's rights to commission from insurers for the provision of placement services of life insurance, mutual funds and MPF products. The Group recognises revenue when the placement is successful whilst the Group's right to commission is conditional on the payment of the premiums to the insurers. The contract assets are transferred to accounts receivable when the rights become unconditional.

The Group's contract assets are analysed as follows:

	2019	2018
	HK$'000	HK$'000
Commission arising from placement of mutual funds and insurance-linked investment products	**1,760**	684

As at 1 January 2018, contract assets amounted to nil.

At 31 December 2019, the recognition of contract assets of HK$1,760,000 (2018: HK$684,000) represents management's best estimate of each contract's outcome.

Details of the impairment assessment of contract assets at 31 December 2019 and 2018 are set out in note 44.

28. CONTRACT COSTS

	2019	2018
	HK$'000	HK$'000
Costs to fulfil contracts for financial advisory and sponsor services	**2,444**	—

Contract costs capitalised as at 31 December 2019 related to the salaries and other direct costs incurred to satisfy the performance obligation in the contracts of relevant sponsor and financial advisory services. Contract costs are recognised in the profit or loss when revenue from the related services is recognised. The Group has considered there was no impairment in relation to the costs capitalised.

29. LOANS RECEIVABLE

	2019 HK$'000	2018 HK$'000
Revolving loans receivable denominated in:		
Hong Kong dollars	**22,199**	1,576
Renminbi	**4,514**	—
United State dollars	**509**	—
	27,222	1,576

Except for the loans receivable with the carrying amount of nil (2018: HK$112,000) which is fixed interest bearing, the remaining are variable-rate loans receivable which bear interest at Hong Kong Prime Rate plus a spread for both years. As at 31 December 2019, the loans receivable included a total carrying amount of HK$2,259,000 (2018: nil) and HK$2,255,000 (2018: nil) which are loans to a director and a staff respectively, of a subsidiary of the Company.

Details of impairment assessment at 31 December 2019 and 2018 are set out in note 44.

The carrying amount of the loans receivable has remaining contractual maturity dates as follows:

	2019 HK$'000	2018 HK$'000
On demand or within one year	**8,093**	1,576
In more than one year but not more than two years	**19,129**	—
	27,222	1,576

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Deposits	**2,889**	7,147
Prepayments and other receivables, net of impairment	**3,770**	5,318
	6,659	12,465

The other receivables are non-interest bearing and repayable on demand or within one year.

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

Details of impairment assessment for the years ended 31 December 2019 and 2018 are set out in note 44.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Financial assets mandatorily measured at FVTPL		
Equity securities listed in Hong Kong (note (a))	**87,846**	93,535
Debt securities (note (b))		
— Listed in Hong Kong	**13,511**	38,021
— Listed outside Hong Kong	**—**	11,644
	101,357	143,200

Notes:

(a) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

(b) The fair values of the debt securities listed in Hong Kong and overseas are determined with reference to the quoted prices provided by market makers.

32. BANK DEPOSITS SUBJECT TO CONDITIONS

	2019 **HK$'000**	2018 HK$'000
Other bank deposits	**25,161**	25,127

Pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$25,000,000 (2018: HK$25,000,000) with a bank as a condition precedent to banking facilities granted by the bank to the Group to the extent of HK$50,000,000, of which HK$47,500,000 was utilised as at 31 December 2019 (2018: HK$50,000,000). The pledged bank deposits will be released upon the repayment of relevant bank borrowings. The bank deposits subject to conditions carried fixed rate of 2% (2018: 2%) per annum, which is also the effective interest rate on the bank deposits. All the deposits are pledged to secure short-term loan or short-term undrawn facilities, and are therefore classified as current assets.

Details of impairment assessment for the years ended 31 December 2019 and 2018 are set out in note 44.

33. BANK BALANCE AND CASH

Bank balances — trust and segregated accounts

The Group receives and holds monies deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. Such monies are maintained in one or more segregated bank accounts and bear interest at 0.25% to 2.25% (2018: 0.28% to 2.54%) per annum. The Group has recognised the corresponding liabilities to respective external clients and other institutions as accounts payable (note 35). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rate of 0.25% (2018: in the range of 0.2% to 0.28%) per annum with an original maturity of three months or less.

Details of impairment assessment for the years ended 31 December 2019 and 2018 are set out in note 44.

34. AMOUNTS DUE TO RELATED COMPANIES

These companies are subsidiaries of CASH and are regarded as related companies of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

35. ACCOUNTS PAYABLE

	2019 **HK$'000**	2018 HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	**12,404**	21,768
Cash clients	**524,608**	617,180
Margin clients	**112,166**	152,601
Accounts payable to clients arising from the business of dealing in futures and options	**145,042**	194,948
	794,220	986,497

The settlement terms of accounts payable 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. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

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

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$644,542,000 (2018: HK$837,705,000) 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.

36. CONTRACT LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Provision of investment banking services	**4,330**	2,260

As at 1 January 2018, contract liabilities amounted to HK$1,150,000.

Contract liabilities, are expected to be settled within the Group's normal operating cycle, and accordingly are classified as current.

Revenue from provision of investment banking services of HK$1,260,000 (2018: HK$1,150,000) recognised in the current year relates to contract liabilities brought forward from prior periods.

For acting as sponsor, the Group normally receives fees by instalments in accordance to the completion of milestones as specified in the mandate. This will give rise to contract liabilities over the life of the contract, until the performance obligation is satisfied when the revenue will be recognised at that point in time.

37. ACCRUED LIABILITIES AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Accrued liabilities		
— Accrual for salaries and commission	**2,417**	3,106
— Other accrued liabilities	**8,178**	11,693
Other payables	**9,975**	11,107
	20,570	25,906

38. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans, secured	**149,397**	106,431
Based on scheduled repayment dates set out in the loan agreements, the carrying amount of bank loans is repayable:		
Within one year	**3,577**	3,539
In the second year	**307**	3,586
In the third to fifth year	**—**	306
	3,884	7,431
Carrying amount of bank loans containing a repayment on demand clause and repayable:		
Within one year	**145,513**	99,000
	149,397	106,431
Less: Amount due within one year shown under current liabilities	**(149,090)**	(102,539)
Amount due after one year shown under non-current liabilities	**307**	3,892

The Group's bank borrowings as at 31 December 2019 and 2018 are secured by:

(a) corporate guarantees from the Company for both years;

(b) corporate guarantees from certain subsidiaries of the Company for both years;

(c) marketable securities of the Group's clients with fair value of HK$216,015,000 (2018: HK$171,167,000) at 31 December 2019 (with clients' consent); and

(d) bank deposits of HK$25,161,000 (2018: HK$25,127,000) as disclosed in note 32.

38. BANK BORROWINGS (continued)

Bank loans amounting to HK$149,397,000 (2018: HK$106,431,000) are variable-rate borrowings which carry interest with reference to Hong Kong Interbank Offered Rate ("HIBOR") or Hong Kong Prime Rate.

The effective interest rates on the Group's borrowings are also equal to the contracted interest rates.

39. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and the movements thereon during the current and the prior reporting years:

Deferred tax liabilities

	Revaluation of investment property HK$'000
At 1 January 2018, 31 December 2018 and 31 December 2019	(40)

At 31 December 2019, the Group has estimated unused tax losses of approximately HK$449,570,000 (2018: HK$357,958,000) and deductible temporary differences of HK$45,390,000 (2018: HK$36,092,000). No deferred tax asset has been recognised as at 31 December 2019 and 2018 in respect of these estimated unused tax losses and deductible temporary differences as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

Estimated unused tax losses of HK$2,881,000 (2018: HK$4,448,000) incurred by certain subsidiaries operating in PRC are subject to expiry periods of five years from the year in which the tax losses arose under the current tax legislation. The remaining estimated unused tax losses have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department.

40. LEASE LIABILITIES

	31.12.2019 HK$'000
Lease liabilities payable:	
Within one year	**9,085**
More than one year but not exceeding two years	**8,742**
More than two years but not exceeding three years	**9,094**
	26,921
Less: amount due for settlement with 12 months shown under current liabilities	**(9,085)**
Amount due for settlement after 12 months shown under non-current liabilities	**17,836**

The Group leases various properties to operate its business and these liabilities were measured at the present value of the lease payments that are not yet paid.

41. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.02 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	15,000,000	300,000
Issued and fully paid:		
At 1 January 2018	4,960,359	99,207
Share repurchased	(4,596)	(92)
At 31 December 2018 and 31 December 2019	4,955,763	99,115

For the year ended 31 December 2018, the Company repurchased its own ordinary shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary share	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
September	3,972,000	0.096	0.080	368
October	528,000	0.085	0.064	38
November	96,000	0.066	0.065	6
				412

The above ordinary shares were cancelled upon repurchase.

All new shares rank pari passu with the existing shares in all respects.

42. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiary HK$'000
At 1 January 2018	—
Share of loss for the year	(338)
Non-controlling interests arising on partial disposal on subsidiary (note 16)	9,716
Additional non-controlling interests arising on allotment of shares (note 16)	1,965
At 31 December 2018 and 1 January 2019	11,343
Share of loss for the year	(2,842)
At 31 December 2019	8,501

43. 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 disclosed in note 38 and lease liabilities disclosed in note 40, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 41, 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 issue of new shares and share options as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

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

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
At FVTPL	**101,357**	143,200
At FVTOCI	**39,512**	26,240
At amortised cost	**1,302,609**	1,535,805
Financial liabilities		
Amortised cost	**953,790**	1,105,939

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, accounts receivable, loans receivable, deposits and other receivables, bank deposits, bank balances, bank borrowings, lease liabilities, amounts due to related companies, other payables and accounts payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity and other price risks

The Group has a portfolio of equity securities held for trading which are measured at FVTPL and expose the Group to price risk. In both years, the directors of the Company manage the exposure by closely monitoring the portfolio of equity securities held for trading and imposing trading limits on individual trades.

In addition, the Group also invested in unlisted equity securities for long term strategic purposes which had been designated at FVTOCI.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks of listed equity securities held for trading at the end of the reporting period.

As at 31 December 2019, if the market bid prices of the Group's listed equity investments had been 15 percent (2018: 15 percent) higher/lower, the Group's loss after taxation would decrease/increase by HK$13,177,000 (2018: HK$14,030,000). This is attributable to the changes in fair values of the listed equity investments.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

No sensitivity analysis of unlisted equity securities, including sensitivity analysis for unobservable inputs, is disclosed as in the opinion of the directors of the Company, the impact to the consolidated financial statements is insignificant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to bank deposits subject to condition, accounts payable to clients arising from business of dealing in securities, lease liabilities and fixed-rate debt securities classified as financial assets at FVTPL. The Group currently does not have fair value hedging policy. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, accounts receivable arising from the business of margin financing, loans receivable and bank borrowings carrying interest at prevailing market rates. However, management closely monitors its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 50 (2018: 50) basis points ("bps") change representing management's assessment of the reasonably possible change in interest rates is used.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Prime Rate and HIBOR arising from the Group's respective RMB and USD denominated financial instruments.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial assets and liabilities at amortised cost, bearing variable interest and debt instruments at FVTPL carrying fixed interest. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of respective reporting period were outstanding for the whole year. When reporting to management of the Group on the interest rate risk, a 50 bps increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as these are subject to minimal interest rate fluctuation. A positive number below indicates an increase in loss after taxation of the Group or vice versa.

	2019 **HK$'000**	2018 HK$'000
Loss after taxation for the year		
Increase by 50 bps	**78**	4,941
Decrease by 50 bps	**(78)**	(4,941)

Foreign currency risk

The group entities have financial assets and liabilities denominated in currencies other than their respective functional currencies. Consequently, the Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Group's assets and liabilities denominated in foreign currencies.

The exposure primarily arises from the receivables from foreign brokers, foreign currency deposits with banks and accounts payable to clients denominated in USD and RMB. The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arises. The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar pegged system to the USD.

The carrying amounts of the major foreign currency denominated monetary assets and monetary liabilities of the Group at the reporting date are as follows:

	Liabilities		**Assets**	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
USD	**82,782**	159,900	**125,333**	211,000
RMB	**1,474**	16,440	**43,818**	48,406

As at 31 December 2019, if RMB had strengthened/weakened by 5% (2018: 5%) against HK$ and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK$2,117,000 (2018: HK$1,598,000). Under the pegged exchange rate system, the financial impact in exchange fluctuation between HK$ and USD is considered to be immaterial and therefore no sensitivity analysis has been prepared.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2019, except for debt securities measured at FVTPL, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Financial assets at FVTPL – debt securities

The following table details the aggregate credit ratings of debt securities held by the Group, as rated by well-known rating agencies.

	2019	2018
	HK$'000	HK$'000
Portfolio by issuer rating		
Financial assets at FVTPL		
BB+ to B–	**13,511**	38,021
Non-rated (note)	**—**	11,644
	13,511	49,665

Note: Non-rated financial assets represent debt instruments issued by large corporations in the construction, property development and transportation industries, which are creditworthy issuers in the market.

As at 31 December 2019, the total principal amount of the debt securities held by the Group amounted to HK$15,600,000 (2018: HK$57,847,000).

In order to minimise the credit risk on brokerage, financing and investment banking services, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on delinquent receivables. In addition, the Group has a policy for assessing the credit risk of accounts and loans receivable. The assessment is based on a close monitoring and evaluation of collectability and on management's judgment, including the ageing analysis of receivables, the current creditworthiness, account executives concentration analysis, collateral distribution and concentration analysis and the past collection history of each client, etc. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also invests in debt securities which expose the Group to credit risk. The Credit and Risk Management Committee regularly reviews the portfolio of debt securities held for trading and assesses the credit quality of the issuers. Those debt securities are issued by corporates primarily in the construction, property development and transportation industries. In this regard, the directors of the Company consider that the credit risk relating to debt securities at FVTPL is not significant.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit management and assessment	12-month or lifetime ECL	2019 Gross carrying amount HK$'000	2018 Gross carrying amount HK$'000
Financial assets at amortised cost						
Loans receivable	29	N/A	Note 1,5	12-month ECL	**27,222**	1,518
				Credit impaired	**—**	58
					27,222	1,576
Bank balances	33	A3 - Aa1	N/A	12-month ECL	**877,546**	1,192,095
		Baa3 - Baa1 (note 2,5)	N/A	12-month ECL	**55,188**	22,441
					932,734	1,214,536
Bank deposits subject to conditions	32	A3 (note 2,5)	N/A	12-month ECL	**25,161**	25,127
Accounts receivable other than from margin clients	26	N/A	Note 3	Lifetime ECL (not credit impaired)	**162,419**	153,734
Accounts receivable arising from the business of margin financing	26	N/A	Note 4	12-month ECL	**144,191**	122,221
				Lifetime ECL (not credit impaired)	**588**	1,469
				Credit impaired	**25,447**	27,437
					170,226	151,127
Deposits and other receivables	30	N/A	Note 5	12-month ECL	**8,493**	11,162
				Credit impaired	**—**	5,400
					8,493	16,562
Other item						
Contract assets	27	N/A	Note 3	Lifetime ECL (not credit impaired)	**1,760**	684

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1. In order to minimise the credit risk, the management of the Group closely evaluates the borrower's financial background and repayment abilities. The assessment is based on a close monitoring and evaluation of the collectability of each individual account and the past collection history. As at 31 December 2019, the Group had concentration of credit risk on loans receivable as 70% of the outstanding balance is from the top borrower. The loans receivable of HK$27,222,000 (2018: HK$1,518,000) are not overdue and are considered to have no significant increase in credit risk since initial recognition. Accordingly, these are subject to 12-month ECL. As at 31 December 2018, the management considered an unsecured loan of HK$58,000 to be uncollectable and fully impaired.

2. The Group has concentration of credit risk arising from bank balances which are mainly deposited with three banks. The credit risk on bank balances and bank deposits is limited because the counterparties are major institutional banks with credit ratings of Baa3 or higher assigned by international credit-rating agencies. These institutional banks have a low risk of default and there is no significant increase in credit risk since initial recognition. Accordingly, they are subject to 12-month ECL.

3. For accounts receivable other than from margin clients and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the lifetime ECL on these items based on the Group's historical default rates or by reference to the PD and LGD of speculative grade ratings published by international credit rating agencies ("speculative grade ratings") over the expected life and is adjusted for forward-looking estimates. Majority of the balances are not past due as at 31 December 2019 and 2018.

4. As at 31 December 2019, the Group had concentration of credit risk on the accounts receivable from margin clients as the aggregate balances with the five largest clients represent approximately 45% (2018: 33%) of total accounts receivable from margin clients. The Group considers that there is significant increase in credit risk since initial recognition and default indicator when the LTV ratio of a particular client has increased up to certain level for a certain period of time. The PD and LGD over the expected life of the accounts receivable are estimated on a portfolio basis based on the Group's historical default and loss data and adjusted for forward-looking factors that are available without undue cost or effort.

   For credit-impaired accounts receivable from margin clients, the management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement.

5. The ECL is assessed by reference to the PD and LGD for the relevant credit rating grades published by international credit rating agencies, and adjusted for forward-looking factors that are available without undue cost or effort. For exposure from non-rated counterparties, the Group has assessed the ECL by reference to the PD and LGD of speculative grade ratings.

Except for accounts receivable arising from margin financing and other receivables, the ECL impairment allowance determined for other financial assets carried at amortised cost and contract assets is insignificant and accordingly no provision has been made.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(a) The following table shows the reconciliation of loss allowance that has been recognised for accounts receivable arising from margin financing.

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2018	297	1,129	17,377	18,803
— Transfer to lifetime ECL (credit-impaired)	(142)	(56)	198	—
— Transfer to lifetime ECL (not credit-impaired)	(70)	80	(10)	—
— Transfer to 12m ECL	29	(19)	(10)	—
— Impairment losses recognised	605	6,071	11,064	17,740
— Impairment losses reversed	(557)	(6,650)	(7,766)	(14,973)
— Write-offs	—	—	(113)	(113)
As at 31 December 2018 and 1 January 2019	162	555	20,740	21,457
— Transfer to lifetime ECL (credit-impaired)	(4)	(10)	14	—
— Transfer to lifetime ECL (not credit-impaired)	(17)	87	(70)	—
— Transfer to 12m ECL	16	(13)	(3)	—
— Impairment losses recognised	419	2,386	4,432	7,237
— Impairment losses reversed	(396)	(2,460)	(2,192)	(5,048)
As at 31 December 2019	180	545	22,921	23,646

The net increase of the ECL allowance was HK$2,189,000 (2018: HK$2,767,000) for the year ended 31 December 2019.

The Group does not have any significant changes in loss allowance during the current year. During the year ended 31 December 2018, the amount of HK$11,064,000 was for three margin clients calculated with reference to the shortfall of collateral values, of which HK$7,766,000 was reversed primarily due to subsequent settlement.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(b) The following table shows the reconciliation of loss allowance that has been recognised for other receivables.

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2018	—	—	1,980	1,980
Changes due to financial instruments recognised as at 1 January:				
— Impairment losses recognised (note)	—	—	3,420	3,420
As at 31 December 2018 and 1 January 2019	—	—	5,400	5,400
Changes due to financial instruments recognised as at 1 January:				
— Impairment losses reversed (note)	—	—	(5,400)	(5,400)
As at 31 December 2019	—	—	—	—

Note: For the year ended 31 December 2018, additional loss allowance of HK$3,420,000 was made for other receivables with gross carrying amount of HK$5,400,000 as the Company considered the whole balance to be uncollectable. The amount was subsequently recovered in 2019 and the impairment has been reversed.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and customers. To address the risk, the treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates.

The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate %	**Repayable on demand HK$'000**	**Less than 1 month to 3 months HK$'000**	**Between 3 months to 1 year HK$'000**	**Over 1 to 5 years HK$'000**	**Total contracted undiscounted cash flows HK$'000**	**Carrying amount at reporting date HK$'000**
At 31 December 2019							
Accounts payable	**0.001**	**742,012**	**52,208**	**—**	**—**	**794,220**	**794,220**
Other payables	**N/A**	**9,975**	**—**	**—**	**—**	**9,975**	**9,975**
Bank borrowings	**Note**	**145,513**	**922**	**2,767**	**308**	**149,510**	**149,397**
Lease liabilities	**4-4.125**	**—**	**2,670**	**7,347**	**18,661**	**28,678**	**26,921**
Amounts due to related companies	**N/A**	**198**	**—**	**—**	**—**	**198**	**198**
		897,698	**55,800**	**10,114**	**18,969**	**982,581**	**980,711**

	Weighted average effective interest rate %	Repayable on demand HK$'000	Less than 1 month to 3 months HK$'000	Between 3 months to 1 year HK$'000	Over 1 to 5 years HK$'000	Total contracted undiscounted cash flows HK$'000	Carrying amount at reporting date HK$'000
At 31 December 2018							
Accounts payable	0.001	972,560	13,937	—	—	986,497	986,497
Other payables	N/A	11,107	—	—	—	11,107	11,107
Bank borrowings	Note	99,000	922	2,767	3,997	106,686	106,431
Amounts due to related companies	N/A	1,904	—	—	—	1,904	1,904
		1,084,571	14,859	2,767	3,997	1,106,194	1,105,939

Note: Variable-rate borrowings carry interest at HIBOR plus a spread or Hong Kong Prime Rate. The prevailing market rate at the reporting date is used in the maturity analysis.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 December 2019, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$145,513,000 (2018: HK$99,000,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements as disclosed in note 38.

As at 31 December 2019, assuming the banks will not exercise their discretionary rights to demand immediate repayment, the aggregate principal and interest cash outflows until the maturity date for such bank loans amount to approximately HK$148,376,000 (2018: HK$103,727,000).

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from the estimated interest rates determined at the end of the reporting period.

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

	Fair value as at 31 December		Fair value hierarchy	Valuation techniques	Significant unobservable input	Relationship of unobservable input to fair value
	2019	2018				
	HK$'000	HK$'000				
Financial assets at FVTPL						
Investments held for trading						
— Equity securities listed in Hong Kong	**87,846**	93,535	Level 1	Quoted prices in an active market	N/A	N/A
— Debt securities listed in Hong Kong and overseas	**13,511**	49,665	Level 2	Quoted by market makers	N/A	N/A
Financial assets at FVTOCI						
— Unlisted equity securities	**39,512**	26,240	Level 3	Market approach	Discount rate for lack of marketability	The higher the discount rate for lack of marketability, the lower the fair value

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Reconciliation of level 3 fair value measurements

	Financial assets at FVTOCI HK$'000
As at 1 January 2018 upon application of HKFRS 9	9,584
Purchases	15,600
Total gains in other comprehensive income	1,056
As at 31 December 2018 and 1 January 2019	26,240
Purchases	15,600
Total losses in other comprehensive income	(2,328)
As at 31 December 2019	39,512

Included in other comprehensive income is an amount of loss of HK$2,328,000 (2018: gain of HK$1,056,000) related to unlisted equity securities at FVTOCI held as at 31 December 2019.

There were no transfers between Levels 1 and 2 in the current and prior years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with cash clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis. The Group has a legally enforceable right to set off the accounts receivable and payable with margin clients and the Group intends to settle the balances on a net basis. Cash and margin clients collectively referred to as the brokerage clients.

44. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group and deposits placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

As at 31 December 2019

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position — Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position — Collateral received* HK$'000	Net amount HK$'000
Financial assets						
Amounts due from HKSCC, brokers and brokerage clients	**537,600**	**(297,953)**	**239,647**	**(4,498)**	**(204,746)**	**30,403**
Deposit placed with HKSCC	**2,031**	**—**	**2,031**	**—**	**—**	**2,031**

As at 31 December 2018

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position — Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position — Collateral received* HK$'000	Net amount HK$'000
Financial assets						
Amounts due from HKSCC, brokers and brokerage clients	298,483	(119,764)	178,719	(28,445)	(149,641)	633
Deposit placed with HKSCC	1,798	—	1,798	—	—	1,798

44. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

Note: The directors of the Company consider that the net amount of accounts payable to HKSCC, brokers and brokerage clients as at 31 December 2019 presented in the consolidated statement of financial position of HK$686,625,000 (2018: HK$842,092,000) do not expose the Group to significant risk. Accordingly, the relevant offsetting disclosures for accounts payable are not presented.

* These represents market value of shares pledged by customers, which are capped at the outstanding balances of respective customers.

The gross amounts of financial assets and their net amounts as presented in the consolidated statement of financial position, both of which have been disclosed in the above tables, are measured as follows:

- Amounts due from HKSCC, brokers and brokerage clients — amortised cost
- Deposit placed with HKSCC — amortised cost

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position or subject to enforceable master netting arrangements or similar agreements are measured on the same basis as the recognised financial assets and financial liabilities.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings HK$'000 (note 38)	Amounts due to related companies HK$'000 (note 34)	Lease liabilities HK$'000 (note 40)	Total HK$'000
At 1 January 2018	131,652	1,764	—	133,416
Financing cash flows:				
— Advances from bank borrowings	59,000	—	—	59,000
— Repayment of bank borrowings	(84,245)	—	—	(84,245)
— Advances from related companies	—	944	—	944
— Repayments to related companies	—	(804)	—	(804)
— Interest paid	(6,512)	—	—	(6,512)
Interest expense	6,536	—	—	6,536
At 31 December 2018	106,431	1,904	—	108,335
Adjustment arising from initial application of HKFRS 16 (note 2)	—	—	19,386	19,386
At 1 January 2019 (restated)	**106,431**	**1,904**	**19,386**	**127,721**
Financing cash flows:				
— Advances from bank borrowings	**58,500**	**—**	**—**	**58,500**
— Repayment of bank borrowings	**(15,547)**	**—**	**—**	**(15,547)**
— Repayments to related companies	**—**	**(28,337)**	**—**	**(28,337)**
— Advances from related companies	**—**	**26,631**	**—**	**26,631**
— Repayments of lease liabilities	**—**	**—**	**(18,560)**	**(18,560)**
— Interest paid	**(5,570)**	**—**	**(1,061)**	**(6,631)**
Inception of new leases	**—**	**—**	**26,095**	**26,095**
Interest expense	**5,583**	**—**	**1,061**	**6,644**
At 31 December 2019	**149,397**	**198**	**26,921**	**176,516**

Non cash transaction

During the year, the Group entered into various lease agreements for the use of leased properties for two to five years. On the commencement, the Group recognised right-of-use assets of HK$27,228,000 and lease liabilities of HK$26,095,000.

46. SHARE OPTION SCHEMES

The New Share Option Scheme was adopted pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 8 June 2018 to replace the previous Share Option Scheme dated 22 February 2008 ("Old Share Option Scheme").

Under the terms of the Old Share Option Scheme, unless otherwise cancelled or amended, the Old Share Option Scheme would remain in force for a period of 10 years from the date of its adoption. Accordingly, the Old Share Option Scheme had been expired and terminated on 21 February 2018, and no further option could thereafter be offered under the Old Share Option Scheme. However, the rules of the Old Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any option granted prior to its termination, or otherwise to the extent as may be required in accordance with the rules of the Old Share Option Scheme. All options granted under the Old Share Option Scheme prior to its termination will continue to be valid and exercisable in accordance with the rules of the Old Share Option Scheme.

The terms of the New Share Option Scheme and the Old Share Option Scheme are broadly similar. A few changes have been made to reflect changes to the Listing Rules and to market practice in this area since the Old Share Option Scheme was adopted.

The major terms of the New Share Option Scheme are summarised as follows:

(i) The purpose is to provide incentives to:

- award and retain the participants who have made contributions to CASH and its subsidiaries and associates, including the Group ("CASH Group"); or

- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

(ii) The participants include any employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the New Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 495,576,358 (2018: 496,035,958) shares, representing around 10% (2018: 10%) of the issued share capital of the Company as at 31 December 2019. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Share Option Scheme or any other share option scheme within any 12-months period, must not exceed 1% of the shares in issue from time to time.

(v) There is no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company ("Board") and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the Board of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

46. SHARE OPTION SCHEMES (continued)

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;
- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the share.

(ix) The life of the New Share Option Scheme is effective for 10 years from the date of adoption until 7 June 2028.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Share options to the employees, directors and other service providers and weighted average exercise price are as follows for the reporting periods presented:

	2019			2018	
	Number of share options	**Weighted average exercise price HK$**	Notes	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**593,400,000**	**0.272**	(a) & (b)	671,400,000	0.277
Additions	**496,000,000**	**0.069**	(c) & (d)	—	—
Lapsed	**(197,000,000)**	**—**	(e)	(78,000,000)	—
Outstanding at 31 December	**892,400,000**	**0.154**		593,400,000	0.272
Exercisable at 31 December	**—**	**—**		—	—

Notes:

(a) During the year ended 31 December 2015, a total of 338,000,000 options were granted to directors and employees of the Group and were arranged with other service providers of the Group for the provision of satisfactory services to the Group and the granting of the options are subject to the achievement of performance targets (for directors and employees) and satisfactory delivery of services to the Group (for other service providers) determined at the sole discretion of the Board for the financial years ended 31 December 2016 to 2019. At 31 December 2019 and 31 December 2018, the performance targets have not been achieved or do not expect to be achieved by the directors and employees and there was no satisfactory delivery of services to the Group by other service providers, thus no share-based compensation expense was recognised in the consolidated financial statements.

46. SHARE OPTION SCHEMES (continued)

Notes: (continued)

(b) During the year ended 31 December 2017, 219,000,000 options were granted to directors and employees of the Group for the provision of satisfactory services to the Group and will only be vested subject to the achievement of performance targets for the financial years ended/ending 31 December 2017 to 2020. At 31 December 2019, the performance targets have not been achieved or do not expect to be achieved and thus no share-based compensation expense was recognised in the consolidated financial statements. In addition, the Group entered into arrangement with other service providers in respect of 194,400,000 options on 31 August 2017 for the provision of satisfactory services to the Group up to 31 December 2020. The service providers will be entitled to the options upon the satisfactory delivery of services to the Group determined at the sole discretion of the Board. The options must be exercised within one month from the date the Board approves the entitlement of the options. At 31 December 2019 and 31 December 2018, there was no satisfactory delivery of services to the Group and thus no share-based compensation expense was recognised in the consolidated financial statements.

(c) During the year ended 31 December 2019, a total of 440,000,000 options were granted to directors and employees of the Group and were arranged with other service providers of the Group for the provision of satisfactory services to the Group and the granting of the options are subject to the achievement of performance targets (for directors and employees) and satisfactory delivery of services to the Group (for other service providers) determined at the sole discretion of the Board for the financial years ended/ending 31 December 2019 to 2022. At 31 December 2019, the performance targets have not been achieved or do not expect to be achieved by the directors and employees and there was no satisfactory delivery of services to the Group by other service providers, thus no share-based compensation expense was recognised in the consolidated financial statements.

(d) During the year ended 31 December 2019, the Group entered into arrangement with other service providers in respect of 56,000,000 options on 4 June 2019 for the provision of satisfactory services to the Group up to 31 December 2022. The service providers will be entitled to the options upon the satisfactory delivery of services to the Group determined at the sole discretion of the Board. The options must be exercised within one month from the date the Board approves the entitlement of the options. At 31 December 2019, there was no satisfactory delivery of services to the Group and thus no share-based compensation expense was recognised in the consolidated financial statements.

(e) During the year ended 31 December 2019, 197,000,000 (2018: 78,000,000) options lapsed as the relevant employees resigned from the Group or the options had expired.

The weighted average remaining contractual life of share options outstanding as at 31 December 2019 is 1.7 years (2018: 1.8 years).

No share-based compensation expenses has been recognised in profit or loss for the years ended 31 December 2019 and 2018. No liabilities were recognised due to share-based payment transactions.

During the years ended 31 December 2019 and 2018, no share options were cancelled.

The Black-Scholes pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

47. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

	Notes	**2019** **HK$'000**	2018 HK$'000
Commission and interest income received from the following directors of the Company:			
Dr Kwan Pak Hoo Bankee		**27**	21
Mr Cheung Wai Ching Anthony	(a)	**9**	4
Mr Li Shing Wai Lewis	(b)	**2**	N/A
Mr Kwan Teng Hin Jeffrey		**7**	10
Mr Chan Chi Ming Benson		**1**	14
Mr Law Ping Wah Bernard	(c)	**9**	14
Mr Ho Tsz Cheung Jack	(c)	**7**	12
		62	75

Notes:

(a) During the year ended 31 December 2018, Mr Cheung Wai Ching Anthony was appointed as executive director of the Company.

(b) During the year ended 31 December 2019, Mr Li Shing Wai Lewis was appointed as executive director of the Company.

(c) During the year ended 31 December 2019, Mr Law Ping Wah Bernard and Mr Ho Tsz Cheung Jack resigned as executive directors of the Company.

Remuneration of key management personnel represents amounts paid to the Company's directors as disclosed in note 11.

The remuneration of directors is determined by the performance of individuals and market trends.

48. CAPITAL COMMITMENT

On 20 December 2019, a wholly-owned subsidiary of the Company entered into the Letter of Commitment and the Partnership Agreement with the Beijing Eagles Investment Fund Management Company Limited in relation to the subscription of limited partner interests in the Wuhan Eagles Innovation Investment Centre, L.P. (the "Fund") with a capital commitment of RMB10,000,000 (equivalent to approximately HK$11,100,000). In January 2020, the Group made a payment in the amount of RMB5,000,000 (equivalent to approximately HK$5,550,000) in the Fund and the remaining balance was expected to be paid on or before the end of March 2020 in accordance with the terms of the letter of commitment.

49. SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the respective reporting period are set out below:

Name	Place of incorporation	Paid up issued share capital	Proportion of issued share capital held by the Company 2019 Direct interest %	2019 Indirect interest %	2018 Direct interest %	2018 Indirect interest %	Principal activities
CASH Asset Management Limited	Hong Kong	Ordinary HK$10,000,000	—	100	—	100	Provision of asset management services
CASH Wealth Management Limited	Hong Kong	Ordinary HK$15,000,000	—	100	—	100	Financial advisory consultancy
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	—	100	—	100	Provision of payment gateway services
Celestial Asset Management Limited	Hong Kong	Ordinary HK$6,781,401	—	100	—	100	Provision of treasury management functions and investment holding and trading
Celestial Capital Limited	Hong Kong	Ordinary HK$30,000,000	—	100	—	100	Provision of corporate finance, investment and financial advisory services
Celestial Finance Limited	Hong Kong	Ordinary HK$121,000,002	—	100	—	100	Money lending
Celestial Commodities Limited	Hong Kong	Ordinary HK$50,000,000	—	100	—	100	Brokerage of futures and options
Celestial Securities Limited	Hong Kong	Ordinary HK$140,000,000	—	100	—	100	Brokerage of securities and equity options
CASH Trinity Buillion Limited	Hong Kong	Ordinary HK$2	—	100	—	100	Investment holding and trading
Agostini Limited	Hong Kong	Ordinary HK$1	—	100	—	100	Investment holding and trading
Victory Glory Investments Limited	Hong Kong	Ordinary HK$1	—	100	—	100	Investment trading
icoupon Limited	British Virgin Islands	Ordinary US$1	—	100	—	100	Investment holding and trading
Think Right Investments Limited	British Virgin Islands	Ordinary US$1	—	100	—	100	Properties holding
Celestial Financial Services Limited	British Virgin Islands	Ordinary US$10,000	100	—	100	—	Investment holding
CASH Mobile Financial Services Limited	Hong Kong	Ordinary HK$10,000,000	—	100	—	100	Provision of management services for group companies

49. SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of issued share capital held by the Company 2019 Direct interest %	2019 Indirect interest %	2018 Direct interest %	2018 Indirect interest %	Principal activities
Celestial (China) Asset Management Limited	British Virgin Islands	Ordinary US$500,000	**—**	**100**	—	100	Investment holding
Weever FinTech Limited	Hong Kong	Ordinary HK$48,500,000	**—**	**76.1**	—	76.1	Brokerage of cryptocurrencies
CASH VB Limited	Hong Kong	Ordinary HK$1	**100**	**—**	100	—	Investment holding
Libra Capital Manager Limited	British Virgin Islands	Ordinary US$3	**—**	**100**	—	100	Investment holding
CFSG China Investment Limited	British Virgin Islands	Ordinary US$1	**—**	**100**	—	—	Investment holding
Golden Riverside Industrial Limited	Hong Kong	Ordinary HK$102	**—**	**100**	—	100	Investment holding
CFSG FinTech Group Limited	British Virgin Islands	Ordinary US$1	**—**	**100**	—	—	Investment holding
Shanghai Yirui Equity Investment Fund Management Company Limited	PRC	Ordinary RMB7,000,000	**—**	**100**	—	—	Investment holding

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

None of the subsidiaries had issued any debt securities at the end of the year.

50. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2018 HK$'000
Within one year	17,272
In the second to fifth year inclusive	2,970
	20,242

Operating lease payments represent rentals payable by the Group for its office premises. Lease are mainly negotiated for lease term of one to three years.

51. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of contribution amount was HK$1,500 per employee per month.

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 12%, 22%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

The employer's contributions to the MPF Scheme and various benefits schemes in the PRC are disclosed separately in notes 10, 11 and 12.

52. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**134,280**	472,256
Amounts due from subsidiaries	**571,502**	424,025
	705,782	896,281
Current assets		
Amounts due from subsidiaries	**1,588**	1,588
Bank balances (general accounts)	**1,209**	1,178
	2,797	2,766
Current liabilities		
Accrued liabilities and other payables	**643**	5,716
Amounts due to subsidiaries	**307,586**	417,929
Amounts due to related companies	**—**	796
	308,229	424,441
Net current liabilities	**(305,432)**	(421,675)
Net assets	**400,350**	474,606
Capital and reserves		
Share capital	**99,115**	99,115
Reserves	**301,235**	375,491
Total equity	**400,350**	474,606

52. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (continued)

(b) Reserves movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	604,862	80	(144,129)	460,813
Share repurchased	(320)	—	—	(320)
Loss and total comprehensive expense for the year	—	—	(85,002)	(85,002)
At 31 December 2018	604,542	80	(229,131)	375,491
Loss and total comprehensive expense for the year	—	—	(74,256)	(74,256)
At 31 December 2019	604,542	80	(303,387)	301,235

53. EVENT AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impacted the global business environment, series of precautionary and control measures have been implemented globally. Travel between countries has been severely restricted and the annual economic forecasts in terms of GDP for countries worldwide have been downward adjusted significantly. The outlook for the Hong Kong and the global economy and financial market remain uncertain and subject to both systematic and systemic risks. The Group had implemented home office arrangement to the greatest extent preserve health of staff and sustainability of business operation and also executed a salary saving scheme from February to June 2020 to minimise operating costs. As at 20 March 2020, the income from broking services after the reporting period has not been significantly impacted by the outbreak of COVID-19. The global stock markets have been extremely volatile since the outbreak of COVID-19. Most market indexes had dropped to a historical low level, which may have negative effect on the Group's investment portfolio and margin book. The Group's risk control team had carried out a set of predefined measures and procedures to minimise the downside risk. Furthermore, even though the investment results from the proprietary trading were not in satisfactory performance, the results fared better than the broad Hong Kong market performance.

The management will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group. Given the dynamic nature of these circumstances, management considers that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue. The related financial effects, if any, will be reflected in the Group's future consolidated financial statements.

Appendix I – Investment Property

Location	Approximate gross floor area (sq. ft.)	Land use
Room 1607 (also known as 19A), No. 8 Residences, No. 8 Jinan Road, Luwan District (now known as Huangpu District), Shanghai, the PRC	1,593	The property is vacant

Appendix II — Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**107,492**	123,445	133,607	166,830	252,290
(Loss) profit before taxation	**(116,890)**	(144,470)	(46,033)	(53,400)	11,755
Taxation (charge) credit	**—**	—	(49)	2,202	1,655
(Loss) profit for the year	**(116,890)**	(144,470)	(46,082)	(51,198)	13,410
Attributable to:					
Owners of the Company	**(114,048)**	(144,132)	(46,082)	(51,198)	13,606
Non-controlling interests	**(2,842)**	(338)	—	—	(196)
	(116,890)	(144,470)	(46,082)	(51,198)	13,410

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**21,748**	9,246	8,420	13,577	19,445
Intangible assets	**9,092**	9,092	9,092	9,092	9,752
Other non-current assets	**85,560**	50,617	43,651	39,664	202,649
Current assets	**1,387,207**	1,680,992	1,804,902	1,648,590	2,070,842
Total assets	**1,503,607**	1,749,947	1,866,065	1,710,923	2,302,688
Current liabilities	**980,493**	1,122,106	1,129,686	1,157,060	1,622,915
Non-current liabilities	**19,316**	3,932	7,351	10,685	84,198
Total liabilities	**999,809**	1,126,038	1,137,037	1,167,745	1,707,113
Net assets	**503,798**	623,909	729,028	543,178	595,575
Non-controlling interests	**8,501**	11,343	—	—	—

Note: In the current year, the Group has applied HKFRS 16 that is effective for accounting periods beginning on or after 1 January 2019 without restating comparatives. During the year ended 31 December 2018, the Group had applied HKFRS 9 and HKFRS 15 that were effective for accounting periods beginning on or after 1 January 2018 without restating comparatives. Accordingly, the corresponding comparative amounts in prior years are not comparable with amounts shown for current year.

Definitions

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

"AGM(s)"	the annual general meeting(s) of the Company
"Audit Committee"	the audit committee of the Company established pursuant to the CG Code of the Listing Rules
"Board"	the board of Directors
"CASH"	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board. It is the substantial Shareholder indirectly held through CIGL
"CASH Asset Management"	CASH Asset Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 9 (asset management) regulated activity
"CASH Group"	CASH and its subsidiaries
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands with limited liability, is the substantial shareholder of CASH and an associate of Dr Kwan Pak Hoo Bankee
"CASH Wealth Management"	CASH Wealth Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities
"Cashflow Credit"	Cashflow Credit Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CASH
"Celestial Capital"	Celestial Capital Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities
"Celestial Commodities"	Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity
"Celestial Securities"	Celestial Securities Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 1 (dealing in securities) regulated activity
"CEO"	the chief executive officer of the Company
"CFO"	the chief financial officer of the Company
"CG Code"	the Corporate Governance Code as contained in Appendix 14 of the Listing Rules
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, is an indirect wholly-owned subsidiary of CASH. It is the substantial Shareholder

Definitions (continued)

"Company" or "CFSG"	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board. It is an associate of CASH
"Company Secretary"	the company secretary of the Company
"Confident Profits"	Confident Profits Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of CASH. It is the holding company of the Confident Profits Group
"Confident Profits Group"	Confident Profits Limited and its subsidiaries
"COO"	the chief operating officer of the Company
"Director(s)"	the directors of the Company
"ED(s)"	the executive Director(s) of the Company
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 of the Listing Rules
"Group"	the Company and its subsidiaries
"INED(s)"	the independent non-executive Director(s) of the Company
"Libra Capital"	Libra Capital Management (HK) Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of CASH
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Management"	the management team of the Company
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"NED(s)"	the non-executive Director(s) of the Company
"New Share Option Scheme"	the existing share option scheme of the Company adopted by the Company pursuant to an ordinary resolution passed at an AGM held on 8 June 2018. The New Share Option Scheme, which replaced the Old Share Option Scheme, took effect on 8 June 2018
"Old Share Option Scheme"	the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the SGM of the Company held on 22 February 2008, which took effect on 3 March 2008. The Old Share Option Scheme was expired and terminated on 21 February 2018
"Remuneration Committee"	the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules
"SFC"	the Hong Kong Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM(s)"	the special general meeting(s) of the Company

Definitions (continued)

“Share(s)”	ordinary shares of HK$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China
“UK”	United Kingdom
“US”	United States

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