



INTERIM
REPORT
2020

At the Forefront of
FinTech

CASH Financial Services Group Limited
(Stock Code : 510)

Corporate Information

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee (Chairman & 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
Registered Public Interest Entity Auditors

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
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WEBSITE

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STOCK CODE ON MAIN BOARD

510

CONTACTS

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The unaudited consolidated results of CASH Financial Services Group Limited (“Company” or “CFSG”) and its subsidiaries (“Group”) for the six months ended 30 June 2020 together with the comparative figures for the last corresponding period are as follows:

	Notes	Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000 (Restated)
Revenue	(3)		
Fee and commission income		38,658	50,278
Interest income		11,844	9,679
Total revenue		50,502	59,957
Other income		692	184
Other (losses) gains		(7,558)	14,256
Salaries and related benefits		(28,655)	(40,706)
Commission expenses		(10,147)	(16,038)
Depreciation		(6,912)	(11,051)
Finance costs		(4,679)	(2,814)
Other expenses	(5)	(21,367)	(30,806)
Loss before taxation		(28,124)	(27,018)
Income tax expense	(6)	—	—
Loss for the period		(28,124)	(27,018)

	Note	Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000 (Restated)
Other comprehensive expense for the period		—	—
Total comprehensive expense for the period		(28,124)	(27,018)
Loss attributable to:			
Owners of the Company		(28,124)	(26,479)
Non-controlling interests		—	(539)
		(28,124)	(27,018)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(28,124)	(26,479)
Non-controlling interests		—	(539)
		(28,124)	(27,018)
Loss per share	(7)		
– Basic (HK cents)		(0.6)	(0.6)
– Diluted (HK cents)		(0.6)	(0.6)

Condensed Consolidated Statement of Financial Position

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Notes		
Non-current assets			
Property and equipment		16,087	21,748
Investment property		17,094	17,094
Intangible assets		9,092	9,092
Club debentures		660	660
Other assets		7,443	6,401
Rental and utility deposits		2,230	2,764
Financial assets at fair value through other comprehensive income		45,059	39,512
Loans receivable	(9)	—	19,129
		97,665	116,400
Current assets			
Accounts receivable	(8)	311,197	308,999
Contract assets		1,760	1,760
Contract costs		2,444	2,444
Loans receivable	(9)	28,585	8,093
Prepayments, deposits and other receivables		5,405	6,659
Financial assets at fair value through profit or loss		29,012	101,357
Bank deposits subject to conditions		25,161	25,161
Bank balances – trust and segregated accounts		726,836	644,542
Bank balances (general accounts) and cash		248,033	288,192
		1,378,433	1,387,207

	Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Current liabilities			
Accounts payable	(10)	784,320	794,220
Contract liabilities		4,330	4,330
Accrued liabilities and other payables		16,426	20,570
Taxation payable		3,000	3,000
Lease liabilities		8,773	9,085
Bank borrowings – amount due within one year		169,612	149,090
Amount due to related companies		—	198
		986,461	980,493
Net current assets		391,972	406,714
Total assets less current liabilities		489,637	523,114
Non-current liabilities			
Deferred tax liabilities		40	40
Lease liabilities		12,790	17,836
Bank borrowings – amount due after one year		—	307
Provision for restoration		1,133	1,133
		13,963	19,316
Net assets		475,674	503,798
Capital and reserves			
Share capital		99,115	99,115
Reserves		368,058	396,182
Equity attributable to owners of the Company		467,173	495,297
Non-controlling interests		8,501	8,501
Total equity		475,674	503,798

Condensed Consolidated Statement of Changes in Equity

Unaudited
Six months ended 30 June 2020

	Attributable to equity holders of the Company										
	Share capital	Share premium	Other reserve	Contributed surplus	Investments			Accumulated losses	Total	Non-controlling interests	Total
					revaluation reserve	Translation reserve	reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2020	99,115	604,542	29,209	117,788	(103)	(1,508)	(353,746)	495,297	8,501	503,798	
Loss for the period	—	—	—	—	—	—	(28,124)	(28,124)	—	(28,124)	
Other comprehensive expense for the period	—	—	—	—	—	—	—	—	—	—	
Total comprehensive expense for the period	—	—	—	—	—	—	(28,124)	(28,124)	—	(28,124)	
At 30 June 2020	99,115	604,542	29,209	117,788	(103)	(1,508)	(381,870)	467,173	8,501	475,674	

Unaudited
Six months ended 30 June 2019

	Attributable to equity holders of the Company										
	Share capital	Share premium	Other reserve	Contributed surplus	Investments			Accumulated losses	Total	Non-controlling interests	Total
					revaluation reserve	Translation reserve	reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2019	99,115	604,542	29,209	117,788	2,225	(1,324)	(238,989)	612,566	11,343	623,909	
Adjustment on adoption of HKFRS 16	—	—	—	—	—	—	(661)	(661)	—	(661)	
Loss for the period	—	—	—	—	—	—	(26,479)	(26,479)	(539)	(27,018)	
Total comprehensive expense for the period	—	—	—	—	—	—	(27,140)	(27,140)	(539)	(27,679)	
At 30 June 2019	99,115	604,542	29,209	117,788	2,225	(1,324)	(266,129)	585,426	10,804	596,230	

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Net cash used in operating activities	(49,780)	(210,265)
Net cash used in investing activities	(1,251)	(25,690)
Net cash generated from (used in) financing activities	10,872	(1,815)
Net decrease in cash and cash equivalents	(40,159)	(237,770)
Cash and cash equivalents at beginning of period	288,192	376,831
Cash and cash equivalents at end of period	248,033	139,061
Bank balances (general accounts) and cash	248,033	139,061

Notes:

(1) Basis of preparation

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

Apart from (2) below, the accounting policies and judgements applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2019.

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

(2) Application of new and amendments to HKFRSs

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The directors of the Company consider that the adoption of these revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in the Group's unaudited consolidated financial statements.

(3) Revenue

Fee and commission income

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Type of services		
Broking services	29,123	36,640
Investment banking services	3,601	7,536
Wealth management services	3,150	2,608
Asset management services	480	479
Handling and other services	2,304	3,015
Total	38,658	50,278

Interest income

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest income arising from financial assets at amortised cost	11,844	9,679

(4) Segment information

The Group is 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.

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. The Group previously presented proprietary trading segment as a reportable segment. Due to inactive operation, management considered that this segment was no longer identified as reportable segment. Accordingly, the segment information for the period ended 30 June 2019 has been re-presented to align with current period presentation.

Segment revenue and result

The accounting policy of the operating segment is the same as the Group's accounting policies. 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 period ended 30 June 2020, 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 six months ended 30 June 2020

	Financial services HK\$'000	Total HK\$'000
Revenue	50,502	50,502
RESULT		
Segment loss	(26,318)	(26,318)
Unallocated expenses		(1,806)
Loss before taxation		(28,124)

For the six months ended 30 June 2019

	Financial services HK\$'000	Total HK\$'000
Revenue	59,957	59,957
RESULT		
Segment profit	10,496	10,496
Unallocated expenses		(37,514)
Loss before taxation		(27,018)

All the segment revenue is derived from external customers.

(5) Other expenses

	Unaudited	
	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Handling expenses:		
— dealing in securities	1,595	1,502
— dealing in futures and options	871	877
Advertising and promotions expenses	1,213	2,130
Telecommunications expenses	7,303	9,152
Auditor's remuneration	960	960
Printing and stationery expenses	876	968
Repair and maintenance expenses	646	765
Travelling and transportation expenses	202	228
Water and electricity expenses	276	500
Legal and professional fees	2,448	1,233
Other operating expenses	4,977	12,491
	21,367	30,806

(6) Income tax expense

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Income tax expense	—	—

Starting from the year ended 31 December 2018, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

(7) Loss per share

The calculation of basic and diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2020 is based on the following data:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share	(28,124)	(27,018)

	Unaudited	
	Six months ended 30 June	
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	4,955,764,000	4,955,764,000

For the periods ended 30 June 2020 and 30 June 2019, 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.

(8) Accounts receivable

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	40,990	30,402
Cash clients	54,969	62,665
	95,959	93,067
Accounts receivable arising from the business of margin financing:	160,952	170,226
Less: allowance for impairment	(24,224)	(23,646)
	136,728	146,580
Accounts receivable arising from the business of dealing in futures and options:		
Cash clients	—	7
Clearing houses, brokers and dealers	78,310	69,283
	78,310	69,290
Commission receivable from brokerage of life insurance, mutual funds and MPF products	—	62
Accounts receivable arising from the provision of investment banking services	200	—
	311,197	308,999

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 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.

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 2020 HK\$'000	Balance at 30 June 2020 HK\$'000	Maximum amount outstanding during the period HK\$'000	Market value of pledged securities at fair value at 30 June 2020 HK\$'000
Directors of the Company				
Dr Kwan Pak Hoo Bankee	—	—	9,775	—
Mr Cheung Wai Ching Anthony	—	—	19,549	—
Mr Li Shing Wai Lewis	—	—	2,793	—
Mr Kwan Teng Hin Jeffrey	—	—	12,567	—
Mr Ng Hin Sing Derek (note 1)	N/A	—	10,656	—
Subsidiary of Celestial Asia Securities Holdings Limited ("CASH")				
Libra Capital Management (HK) Limited (note 2)	—	—	22,909	—

Notes:

- (1) Mr Ng Hin Sing Derek was appointed as executive director of the Company during the period under review. The amount represented the margin financing facility granted to him since his appointment on 27 March 2020.
- (2) Libra Capital Management (HK) Limited is 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.

(9) Loans receivable

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Revolving loans receivable denominated in:		
Hong Kong dollars	23,331	22,199
Renminbi	4,747	4,514
United State dollars	507	509
	28,585	27,222

The loans receivable are variable-rate loans receivable which bear interest at Hong Kong Prime Rate plus a spread for both periods. As at 30 June 2020, the loans receivable included a total carrying amount of HK\$2,376,000 (2019: HK\$2,259,000) and HK\$2,371,000 (2019: HK\$2,255,000) which are loans to a director and a staff respectively, of a subsidiary of the Company.

(10) Accounts payable

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	11,060	12,404
Cash clients	567,800	524,608
Margin clients	78,965	112,166
Accounts payable to clients arising from the business of dealing in futures and options	126,495	145,042
	784,320	794,220

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\$726,836,000 (2019: HK\$644,542,000) 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.

(11) Related party transactions

In addition to the transactions and balances detailed in notes (8) and (9), the Group had the following transactions with related parties:

	Notes	Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Commission, handling fee and interest income received from the related company			
Libra Capital Management (HK) Limited	(a)	33	—
Commission and interest income received from the following directors of the Company			
Dr Kwan Pak Hoo Bankee		28	66
Mr Cheung Wai Ching Anthony		32	—
Mr Li Shing Wai Lewis		4	N/A
Mr Kwan Teng Hin Jeffrey		16	6
Mr Ng Hin Sing Derek	(b)	19	N/A
Mr Chan Chi Ming Benson	(c)	2	1
Mr Law Ping Wah Bernard	(d)	N/A	59
Mr Ho Tsz Cheung Jack	(d)	N/A	61
		101	193

Notes:

- (a) Libra Capital Management (HK) Limited is subsidiary of CASH, the substantial shareholder of the Company.
- (b) Mr Ng Hin Sing Derek was appointed as executive director of the Company during the period under review.
- (c) Mr Chan Chi Ming Benson resigned as executive director of the Company during the period under review.
- (d) Mr Law Ping Wah Bernard and Mr Ho Tsz Cheung Jack resigned as executive directors of the Company with effect from 1 July 2019 and 2 September 2019 respectively subsequent to the period ended 30 June 2019.

(12) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings and lease liabilities, and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and other reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the 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 period.

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

(13) Event after the reporting period

On 23 July 2020, the Company proposed that every 20 existing shares of HK\$0.02 each be consolidated into 1 consolidated share of HK\$0.40 each. Subject to conditions precedent including the passing of an ordinary resolution by shareholders at a special general meeting to be held on 3 September 2020, the share consolidation will become effective on 7 September 2020.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2020 (2019: nil).

Review and Outlook

Financial Review

For the six months ended 30 June 2020, the Group recorded revenue of HK\$50.5 million, representing a decrease of 15.8% as compared with HK\$60.0 million for the same corresponding period last year.

Hong Kong's securities market endured a barren first half of 2020, with the Hang Seng Index plunging sharply from 28,189 at the end of 2019 to 21,696 in March, only recovering to 24,427 at the end of June 2020. Investor sentiment was battered by the unprecedented global COVID-19 pandemic, triggering the most severe economic recession in nearly a century. With the high possibility of a new wave of infections in the second half of the year, a big hit to the economy is probable – and its recovery is highly uncertain. Overall investor sentiment is therefore understandably cautious. Against this backdrop, the US Federal Reserve is committed to enlisting its full range of monetary policy tools to support the US economy. With the pandemic posing considerable risk to economic outlook over the medium term, the Federal interest rate will remain near zero until the economy is back on track. China and other countries are following suit to ease money supply amid a global economic recession. Investors taking a more defensive stance bring extra downside risk to stock markets. In the light of these factors our clients – who are mostly retail investors – generally chose not to bet on the highly volatile markets. As our clients took a more conservative approach, trading volumes were lower than last year, and as a result, our brokerage commission income decreased by 20.5% compared with the same period last year. On the other hand, we saw increasing demand for our wealth management business from clients seeking better investment returns during this low interest rate environment. In response we promoted this side of our business, recruiting professional teams and introducing various wealth management products supported by one-stop services to clients in both Hong Kong and Mainland China, in particular the Greater Bay Area and Yangtze River Area. This brought us a considerable increase in revenue in wealth management. However, severely restricted cross-border travel inevitably caused cancellation of business meetings, seriously disrupting and reducing investment banking revenue in the first half of this year.

Overall, the Group recorded a net loss of HK\$28.1 million for the six months ended 30 June 2020 as compared to a net loss of HK\$27.0 million in the same period last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK\$475.7 million as at 30 June 2020 as compared to HK\$503.8 million as at 31 December 2019. The decrease in the total equity was mainly due to the reported loss for the period under review.

As at 30 June 2020, the Group had total outstanding bank borrowings of approximately HK\$169.6 million, which were solely bank loans. Bank borrowings of HK\$125.0 million were collateralised by its margin clients' securities pledged to the Group and a bank loan of HK\$44.6 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 30 June 2020, our cash and bank balances including the trust and segregated accounts had increased to HK\$1,000.0 million from HK\$957.9 million as at 31 December 2019. The increase in cash and bank balances was mainly due to the increases in the segregated accounts because of IPO activities during the period.

The Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK\$172.1 million and HK\$101.1 million as at 30 June 2020 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 30 June 2020 slightly decreased to 1.40 times from 1.41 times as at 31 December 2019. The gearing ratio as at 30 June 2020, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 35.7% from 29.7% as at 31 December 2019. The increase in gearing ratio was mainly due to the increase in bank borrowings and decrease in total equity for the period under review. On the other hand, we have no material contingent liabilities at the end of the period.

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

Foreign Exchange Risks

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

Material Acquisitions and Disposals

In January 2020, 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 RMB5 million (equivalent to approximately HK\$5.55 million) in cash by the Group was completed. Details of the transaction were disclosed in the announcements of the Company dated 20 December 2019 and 12 May 2020.

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

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

Fund Raising Activities

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

Capital Commitments

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

Material Investments

As at 30 June 2020, the market values of a portfolio of investments held for trading amounted to approximately HK\$29.0 million. A net loss on investments held for trading of HK\$7.9 million was recorded for the period.

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

Financial and Operational Highlights

Revenue

(HK\$'m)	Unaudited Six months ended 30 June		% change
	2020	2019	
Broking income	29.1	36.6	(20.5%)
Non broking income	9.6	15.5	(38.1%)
Group total	38.7	50.3	(23.1%)

Key Financial Metrics

	Unaudited Six months ended 30 June		% change
	2020	2019	
Net loss (HK\$'m)	(28.1)	(27.0)	4.1%
Loss per share (HK cents)	(0.6)	(0.6)	—
Total assets (HK\$'m)	1,476.1	1,635.4	(9.7%)
Cash on hand (HK\$'m)	273.2	112.5	142.8%
Bank borrowings (HK\$'m)	169.6	104.6	62.1%
Annualised average fee income from broking per active client (HK\$'000)	3.3	8.4	(60.7%)

Industry and Business Review

Industry Review

The devastating COVID-19 pandemic and Hong Kong's unsettled social issues drove the Hang Seng Index down by 13.35% to 24,427.19 on 30 June 2020, compared with the end of 2019. However average daily turnover of the Hong Kong stock market for the first six months of 2020 increased by 20% as various governments kicked-off rounds of quantitative easing measures to curb the recession from further depression.

Despite the market turnover surge, the Hong Kong brokerage market has been lacklustre. A total of 35 brokerages closed down over the 12 months ending March 2020, a record high since the abolition of minimum brokerage commission in 2003.

Business Review

During the period, retail investors continued to shy away from the market amid heightened volatility from unsettled social unrest and the COVID-19 pandemic.

Brokerages also faced higher investment costs, competing in a market driven on a technology race. On top, soaring compliance costs and tightened margin-financing rules required by various securities authorities have also been eroding the brokerage business.

The stringent compliance requirements by regulators amidst cut-throat competition, together with the drastic deterioration of the brokerage market, have made the operating environment unprecedentedly difficult. During the period, our brokerage business recorded an average commission decline of 20.5%. Experienced investment advisors like us have started to turn to fee-based business to broaden the income stream.

On the client side, a low interest rate environment has correspondingly stimulated growing interest in wealth management services so as to improve their investment returns and preserve assets for the next generation.

In response, the Group is committed to a gradual transformation into a full-fledged financial services company specialising in providing integrated wealth management services. Supported by a fully-digitalised trading platform, our professional, committed investment and wealth consultants will provide "one-stop" wealth management to our clients in Hong Kong and Mainland China, especially focused on the Greater Bay Area and Yangtze River Area.

While the COVID-19 outbreak somewhat affected our business development in the review period, our corporate development plan has also been impeded. In the meantime, while we will fully utilise our resources in our Shenzhen, Guangzhou, Dongguan offices to grow our presence in the Greater Bay Area, we will continue to look for opportunities to further develop in other parts of the region.

In tandem with expanding our consultant team, we are striving to establish and expand business partnership with various financial institutions, in particular in Mainland China, to extend our services to high net-worth clients in the Greater Bay Area and Yangtze Delta Area. We successfully established new business relationships with a number of mainland financial institutions in the Greater Bay Area during the period – and expect to deepen these business co-operations in the second half of the year.

In the months ahead, we will explore more business partnerships in the mainland regions, capturing the ever-increasing wealth management demand from the emerging middle-class families in Mainland China.

To cope with the fast-growing wealth management business, the Group has also scaled-up its FinTech operating platform to enhance operating efficiency.

CFSG is committed to gearing-up digitalisation, automation and systemisation of the platform. This includes deploying robotic process automation to facilitate leads generation, capturing AI-based signals to generate new leads, streamlining operations between front and back office, and engaging clients through various social media channels and product presentations. All these help to enhance operating and sales efficiency.

In the first half of 2020, we also introduced a new online sales management system via a social media platform to enhance real-time client communication of our wealth management products and services. The integrated management system provides seamless connection between business development, sales and operational teams. Providing comprehensive customer service while facilitating cross-sell and up-sell opportunities, the platform will be enhanced in the second half of 2020, integrating a Customer Relationship Management system for a complete view of customers and prospects.

We will also continue developing a new integrated Wealth Management Platform in the second half of 2020. Propelled by our professional teams with this further enhanced FinTech, this new digitalised and personalised wealth management platform not only embraces clients' all-round investment needs but also opens a whole new horizon for comprehensive investment and financial planning.

In addition, to improve customer experience we will launch an “almost instant” and easier fund deposit service, Electronic Direct Debit Authorisation, in the third quarter of 2020.

Asset under Management (AUM) meanwhile rose 14.5% over the first six months of 2020, compared with the end of 2019. We focus on leading blue chips and new economy stocks with highly visible and promising outlook for our clients. To this end, we will recruit more investment managers for serving potential new clients. We expect our revenue and AUM to pick up in the second half of this year.

Under Investment Banking, in our capacity as financial advisors and underwriters we assisted our clients in raising funds from the capital market through rights issues and open offers in the first half of 2020.

We also advised listed companies on a broad range of corporate finance transactions, including the application of whitewash waiver pursuant to the Takeovers Code. We were appointed as compliance adviser for a listed company upon initial listing of its shares on the Main Board of the Stock Exchange in March 2020. Our clients mainly include companies from Hong Kong and Mainland China.

Despite current market doldrums, we will continue to focus our financial advisory expertise and fine-tune 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.

Outlook

Hong Kong is now facing unprecedented disruptions and challenges as a result of the global COVID-19 pandemic and potential “New Cold War” between US and China. Besides, revocation of Hong Kong’s Special Status by the US Government also casts numerous uncertainties over Hong Kong’s future business environment. As a result of this substantial deterioration in business environment, we will implement a cost leadership strategy for our transformation.

Under cross-border and global travel restrictions, many Hong Kong business meetings have been cancelled or delayed. In particular, many physical financial due diligences are prohibited. As a result, our investment banking and asset management business in Mainland China is for now drastically slowed-down.

However, our mission to deploy latest technology to serve customers most effectively is going ahead. Our transformation programme, including establishing strong presence in the Greater Bay Area for our wealth management business and further investment in digitalising our operating platform are still moving forward despite current difficult times.

We will accelerate our adoption of various technology enhancements, such as Robotic Process Automation, AI Client Management Score System and Real-Time Automation of Back and Front Office. Full implementation of our digitalisation programme over the next two years aims to increase operating efficiency and client stickiness.

We anticipate further tests of the economy's resilience in the latter part of 2020. In addition, consolidation of Hong Kong's brokerage market as a result of cut-throat competition will continue in the medium-term.

During the second half of 2020, we will continue to closely monitor the impact of the COVID-19 crisis and review our financial position and business plan accordingly. We will assess the appropriateness of our medium-term cost effectiveness and financial returns to weather these difficult times.

Strategically, we will adopt a differential approach to building our competitive advantages of strong client bonding.

With our solid financial health and fruition of our digitalisation plan in the medium term, we are confident that CFSG will emerge as a leading Hong Kong-based technology driven financial services company specialising in wealth management and investment products in Hong Kong and Mainland China.

Employee Information

As at 30 June 2020, the Group had 154 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the period under review was HK\$28.7 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 Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

Directors' Interests in Securities

As at 30 June 2020, the interests or short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

The Company

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

Name	Capacity	Personal <i>(Number of shares)</i>	Corporate Interest <i>(Number of shares)</i>	Shareholding <i>(%)</i>
Kwan Pak Hoo Bankee	Interest in a controlled corporation	—	1,667,821,069*	33.65
Lo Kwok Hung John	Beneficial owner	1,255,500	—	0.02
		1,255,500	1,667,821,069	33.67

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

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options			Percentage to issued shares	
					outstanding as at 1 January 2020	lapsed during the period (Note (3))	granted during the period (Notes (4)&(5))	outstanding as at 30 June 2020	as at 30 June 2020 (%)
Kwan Pak Hoo Bankee	31/08/2017	01/01/2018–31/12/2020	0.253	(1)	49,000,000	—	—	49,000,000	0.98
	29/03/2019	01/05/2019–30/04/2022	0.071	(2)&(3)	48,000,000	(12,000,000)	—	36,000,000	0.72
	29/04/2020	01/05/2020–30/04/2022	0.024	(1)	—	—	49,500,000	49,500,000	0.99
Cheung Wai Ching Anthony	31/08/2017	01/01/2018–31/12/2020	0.253	(1)	24,000,000	—	—	24,000,000	0.48
	29/03/2019	01/05/2019–30/04/2022	0.071	(2)&(3)	24,000,000	(6,000,000)	—	18,000,000	0.36
	29/04/2020	01/05/2020–30/04/2022	0.024	(1)	—	—	49,500,000	49,500,000	0.99
Li Shing Wai Lewis	29/03/2019	01/05/2019–30/04/2022	0.071	(2)&(3)	12,000,000	(3,000,000)	—	9,000,000	0.18
	29/04/2020	01/05/2020–30/04/2022	0.024	(1)	—	—	49,500,000	49,500,000	0.99
Kwan Teng Hin Jeffrey	31/08/2017	01/01/2018–31/12/2020	0.253	(1)	24,000,000	—	—	24,000,000	0.48
	29/03/2019	01/05/2019–30/04/2022	0.071	(2)&(3)	48,000,000	(12,000,000)	—	36,000,000	0.72
	29/04/2020	01/05/2020–30/04/2022	0.024	(1)	—	—	49,500,000	49,500,000	0.99
Ng Hin Sing Derek (Note (6))	29/04/2020	01/05/2020–30/04/2022	0.024	(1)	N/A	—	49,500,000	49,500,000	0.99
Chan Chi Ming Benson (Note (7))	31/08/2017	01/01/2018–31/12/2020	0.253	(1)	49,000,000	(49,000,000)	N/A	N/A	N/A
	29/03/2019	01/05/2019–30/04/2022	0.071	(2)&(3)	48,000,000	(48,000,000)	N/A	N/A	N/A
					326,000,000	(130,000,000)	247,500,000	443,500,000	8.87

Notes:

- (1) 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.
- (2) 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.
- (3) The lapsed options were due to expiry of the options in accordance with the terms of the share options and/or cessation of employment of participants with members of the Group.
- (4) The closing price of the share immediately before the date of grant of options on 29 April 2020 was HK\$0.023.
- (5) The value of the options granted during the period ended 30 June 2020 was zero as the performance targets set for the options had not been achieved by the end of the period under review.
- (6) Mr Ng Hin Sing Derek was appointed as director of the Company during the period.
- (7) Mr Chan Chi Ming Benson resigned as director of the Company during the period.
- (8) No option was exercised or cancelled during the period.
- (9) The options were held by the directors of the Company in the capacity of beneficial owners.

Save as disclosed above, as at 30 June 2020, 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 (“New Share Option Scheme”) was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8 June 2018 to replace the old share option scheme (“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.

Details of share options to subscribe for shares in the Company granted to participants under the New Share Option Scheme and the Old Share Option Scheme during the six months ended 30 June 2020 were as follows:

Name of scheme	Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options			outstanding as at 30 June 2020
					outstanding as at 1 January 2020	lapsed during the period (Note (5))	granted during the period (Notes (6)&(7))	
Directors								
<i>The Old Share Option Scheme</i>								
	31/08/2017	01/01/2018–31/12/2020	0.253	(1)	146,000,000	(49,000,000)	—	97,000,000
<i>The New Share Option Scheme</i>								
	29/03/2019	01/05/2019–30/04/2022	0.071	(1)	180,000,000	(81,000,000)	—	99,000,000
	29/04/2020	01/05/2020–30/04/2022	0.024	(1)	—	—	247,500,000	247,500,000
					326,000,000	(130,000,000)	247,500,000	443,500,000
Employees and other grantees								
<i>The Old Share Option Scheme</i>								
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	73,000,000	—	—	73,000,000
	31/08/2017	01/01/2018–31/12/2020	0.253	(3)	194,400,000	—	—	194,400,000
<i>The New Share Option Scheme</i>								
	29/03/2019	01/05/2019–30/04/2022	0.071	(4)	243,000,000	(70,500,000)	—	172,500,000
	04/06/2019	04/06/2019–03/06/2022	0.052	(3)	56,000,000	—	—	56,000,000
	29/04/2020	01/05/2020–30/04/2022	0.024	(2)	—	—	148,000,000	148,000,000
	29/04/2020	01/05/2020–30/04/2022	0.024	(3)	—	—	99,000,000	99,000,000
					566,400,000	(70,500,000)	247,000,000	742,900,000
					892,400,000	(200,500,000)	494,500,000	1,186,400,000

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 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 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.
- (4) 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.
- (5) The lapsed options were due to expiry of the options in accordance with the terms of the share options and/or cessation of employment of participants with members of the Group.
- (6) The closing price of the share immediately before the date of grant of options on 29 April 2020 was HK\$0.023.
- (7) The value of the options granted during the period ended 30 June 2020 was zero as the performance targets set for the options had not been achieved by the end of the period under review.
- (8) No option was exercised or cancelled during the period.

Substantial Shareholders

As at 30 June 2020, 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 Limited (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 of the Company)). CASH was owned as to a total of approximately 34.41% by Dr Kwan, being approximately 33.90% by Cash Guardian Limited (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan) and approximately 0.51% by Dr Kwan in his personal name. Pursuant to the SFO, Dr Kwan, Hobart Assets Limited and Cash Guardian Limited were deemed to be interested in all the shares held by CIGL through CASH. The above interest has already been disclosed as corporate interest of Dr Kwan in the section headed "Directors' interests in securities" above.
- (2) Ever Billion is a wholly-owned subsidiary of Sunbase International (Holdings) Limited, which is in turn owned as to 66.67% by Mr Gao Gunter and 33.33% by Ms Yang Linda. Pursuant to the SFO, Mr Gao Gunter, Ms Yang Linda and Sunbase International (Holdings) Limited were deemed to be interested in all these shares held by Ever Billion.

Save as disclosed above, as at 30 June 2020, 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.

Corporate Governance

During the accounting period from 1 January 2020 to 30 June 2020, the Company had duly complied with the code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, except for the deviations summarised as follows:

- (i) The Company does not have a nomination committee as provided for in code provision A.5.1 as its function has been performed by the board as a whole. The board under the leadership of the chairman is responsible for reviewing the structure, size and composition of the board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the board as a whole is also responsible for reviewing the succession plan for the directors; and
- (ii) Dr Kwan (chairman of the board) also acted as CEO of the Company during the underlying period. According to code provision A.2.1, the roles of chairman and CEO of the Company should be separate. The dual role of Dr Kwan provides a strong and consistent leadership to the board and is critical for efficient business planning and decisions of the Group. The respective CEOs of each business units of the Group assisted Dr Kwan in performing the CEO's responsibilities. The balance of power and authorities is also ensured by the operation of the board and the senior management, which comprise experienced and high calibre individuals.

Compliance with the Model Code

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

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

There are no changes to the directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review of Results

The Group's unaudited consolidated results for the six months ended 30 June 2020 have not been reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company.

Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Bankee P. Kwan
Chairman & CEO

Hong Kong, 28 August 2020

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

Executive directors:

Dr Kwan Pak Hoo Bankee, JP
Mr Cheung Wai Ching Anthony
Mr Li Shing Wai Lewis
Mr Kwan Teng Hin Jeffrey
Mr Ng Hin Sing Derek

Independent non-executive directors:

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