CASH FINANCIAL SERVICES GROUP LIMITED
時富金融服務集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 510)

ANNOUNCEMENT

OF

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The audited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the year ended 31 December 2015 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2015** **HK$'000**	2014 HK$'000
Revenue	(3)	**252,290**	198,063
Other income		**3,807**	6,238
Other gains and losses		**130,533**	84,706
Salaries, commission and related benefits		**(231,983)**	(174,622)
Depreciation		**(11,955)**	(11,702)
Finance costs		**(8,630)**	(13,579)
Other operating and administrative expenses		**(120,676)**	(115,695)
Change in fair value of investment properties		**(1,726)**	37,088
Share of profit of an associate		**95**	60,463
Profit before taxation		**11,755**	70,960
Income tax credit (expense)	(5)	**1,655**	(16,633)
Profit for the year		**13,410**	54,327

	Note	**2015** **HK$'000**	2014 HK$'000
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,665)**	(2,772)
Reclassification of translation reserve upon disposal of subsidiaries		**(10,941)**	-
Other comprehensive expense for the year		**(14,606)**	(2,772)
Total comprehensive (expense) income for the year		**(1,196)**	51,555
Profit (loss) for the year attributable to:			
Owners of the Company		**13,606**	32,675
Non-controlling interests		**(196)**	21,652
		13,410	54,327
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,000)**	30,770
Non-controlling interests		**(196)**	20,785
		(1,196)	51,555
Earnings per share for profit attributable to the owners of the Company during the year	(6)		
- Basic (HK cents)		**0.33**	0.83
- Diluted (HK cents)		**0.33**	0.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December **2015** **HK$'000**	 2014 HK$'000
Non-current assets			
Property and equipment		**19,445**	38,136
Investment properties		**188,583**	213,666
Intangible assets		**9,752**	9,752
Other assets		**5,039**	4,792
Rental and utility deposits		**612**	2,088
Available-for-sale financial assets		**8,415**	21,031
Interest in an associate		**-**	1,434
		231,846	290,899
Current assets			
Accounts receivable	(7)	**696,502**	706,440
Loans receivable		**1,831**	42,561
Other assets		**5,240**	7,317
Prepayments, deposits and other receivables		**17,930**	13,579
Tax recoverable		**29**	16
Investments held for trading		**18,872**	44,545
Financial asset designated at fair value through profit or loss		**13,161**	-
Bank deposits subject to conditions		**-**	17,155
Bank balances - trust and segregated accounts		**946,810**	792,117
Bank balances (general accounts) and cash		**370,467**	172,100
		2,070,842	1,795,830
Current liabilities			
Accounts payable	(8)	**1,429,827**	1,108,306
Accrued liabilities and other payables		**53,719**	67,103
Taxation payable		**3,039**	16,478
Bank borrowings - amount due within one year		**121,340**	171,734
Amount due to a fellow subsidiary		**1,829**	26,350
Financial liabilities held for trading		**-**	1,055
Financial liabilities designated at fair value through profit or loss		**13,161**	-
		1,622,915	1,391,026
Net current assets		**447,927**	404,804
Total assets less current liabilities		**679,773**	695,703

	At 31 December	
	2015	2014
	HK$'000	HK$'000
Non-current liabilities		
Deferred tax liabilities	**5,786**	7,860
Bank borrowings - amount due after one year	**78,412**	91,516
	84,198	99,376
Net assets	**595,575**	596,327
Capital and reserves		
Share capital	**82,687**	81,437
Reserves	**512,888**	509,304
Equity attributable to owners of the Company	**595,575**	590,741
Non-controlling interests	**-**	5,586
Total equity	**595,575**	596,327

Notes:

(1) Basis of preparation

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

Apart from (2) below, the accounting policies and judgements applied by the Group in these 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 2014.

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

(2) Application of new and revised HKFRSs

The Group has applied a number of amendments to HKFRSs issued by the HKICPA for the first time in the current year.

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

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective, which may be related to the Group.

HKFRS 9	Financial instruments [1]
HKFRS 15	Revenue from contracts with customers [1]
Amendments to HKAS 1	Disclosure initiative [2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation [2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and associate or joint venture [3]
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment entities: Applying the consolidation exception [2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations [2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle [1]

1 *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*
2 *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*
3 *Effective for annual periods beginning on or after a date to be determined.*

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

The directors of the Company anticipate that the application of HKFRS 9 in the future may affect the classification and measurement of the Group's financial assets and financial liabilities (e.g. the Group's unlisted investments in equity securities that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company do not expect to early adopt HKFRS 9 before its effective date.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except for the above, the directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the consolidated financial statements of the Group.

(3) Revenue

	2015 **HK$'000**	2014 HK$'000
Fees and commission income	**225,651**	169,891
Interest income	**26,639**	28,172
	252,290	198,063

(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 mutual funds and insurance-linked investment products;
- principal investments of securities and options;
- provision of margin financing and money lending services; and
- provision of corporate finance 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 financial performance of the financial services business as a whole to make decisions about resources allocation. Accordingly, the Group has only one operating segment.

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) incurred by the segment before gain on disposal of available-for-sale financial assets, gain on disposal of subsidiaries, gain on disposal of an investment property/ a commercial property, change in fair value of investment properties, share of result of an associate and unallocated 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 2015

	Financial services HK$'000	**Total HK$'000**
Revenue	**252,290**	**252,290**
RESULT		
Segment profit	**18,088**	**18,088**
Gain on disposal of available-for-sale financial assets		**14,381**
Change in fair value of investment properties		**(1,726)**
Share of profit of an associate		**95**
Gain on disposal of an investment property		**1,881**
Gain on disposal of subsidiaries		**11,909**
Unallocated expenses		**(32,873)**
Profit before taxation		**11,755**

For the year ended 31 December 2014

	Financial services HK$'000	Total HK$'000
Revenue	198,063	198,063
RESULT		
Segment loss	(15,040)	(15,040)
Gain on disposal of a commercial property		18,002
Change in fair value of investment properties		37,088
Share of profit of an associate		60,463
Unallocated expenses		(29,553)
Profit before taxation		70,960

All the segment revenue is derived from external customers.

Segment assets and liabilities

All assets are allocated to the operating segment other than interest in an associate, investment properties and other unallocated property and equipment and other assets. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All liabilities are allocated to the operating segment other than deferred tax liabilities, amount due to a fellow subsidiary and unallocated bank borrowings and accrued liabilities. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

As at 31 December 2015

	Financial services HK$'000	**Total HK$'000**
ASSETS		
Segment assets	**2,074,530**	**2,074,530**
Other assets		**10,279**
Investment properties		**188,583**
Other unallocated assets		**29,296**
Consolidated total assets		**2,302,688**
LIABILITIES		
Segment liabilities	**1,615,678**	**1,615,678**
Deferred tax liabilities		**5,786**
Amount due to a fellow subsidiary		**1,829**
Other unallocated liabilities		**83,820**
Consolidated total liabilities		**1,707,113**

As at 31 December 2014

	Financial services HK$'000	Total HK$'000
ASSETS		
Segment assets	1,828,848	1,828,848
Interest in an associate		1,434
Other assets		12,109
Investment properties		213,666
Other unallocated assets		30,672
Consolidated total assets		2,086,729
LIABILITIES		
Segment liabilities	1,378,308	1,378,308
Deferred tax liabilities		7,860
Amount due to a fellow subsidiary		26,350
Other unallocated liabilities		77,884
Consolidated total liabilities		1,490,402

Other information

For the year ended 31 December 2015

	Financial services 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	**5,411**	**-**	**5,411**
Interest income	**26,639**	**-**	**26,639**
Depreciation	**(11,951)**	**(4)**	**(11,955)**
Finance costs	**(6,765)**	**(1,865)**	**(8,630)**
Net gain on investments held for trading	**105,392**	**-**	**105,392**
Allowance for bad and doubtful accounts receivable, net	**(1,431)**	**-**	**(1,431)**
Write back of bad and doubtful loan receivables, net	**4,519**	**-**	**4,519**
Net foreign exchange loss	**(2,324)**	**(3,794)**	**(6,118)**

For the year ended 31 December 2014

	Financial services 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	16,547	119,932	136,479
Interest income	28,172	-	28,172
Depreciation	(11,471)	(231)	(11,702)
Finance costs	(10,960)	(2,619)	(13,579)
Net gain on investments held for trading	66,174	-	66,174
Write back of bad debt on accounts receivable, net	2,631	-	2,631
Write back of bad debt on loan receivables, net	2,700	-	2,700
Net foreign exchange (loss) gain	(1,795)	122	(1,673)
Impairment on goodwill	(2,661)	-	(2,661)

<u>Entity-wide disclosures</u>

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

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

	Revenue from external customers		**Non-current assets**	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Hong Kong (Place of domicile)	**252,290**	198,063	**189,845**	209,421
PRC	**-**	-	**33,586**	60,447
Total	**252,290**	198,063	**223,431**	269,868

There were no customers for the years ended 31 December 2015 and 2014, contributing over 10% of the Group's total revenue.

(5) Income tax (credit) expense

	2015 HK$'000	2014 HK$'000
Current tax:		
- Hong Kong Profits Tax	**441**	7,665
(Over) under provision in prior years	**(22)**	1,677
Deferred tax	**(2,074)**	7,291
	(1,655)	16,633

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

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. No provision for the PRC income tax has been made as they incurred tax losses in both years.

(6) Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the year is based on the following data:

	2015	2014
	HK$'000	HK$'000
Profit for the purposes of basic and diluted earnings per share	**13,606**	32,675

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,122,544,520**	3,946,226,711
Effect of dilutive potential ordinary shares:		
Share options of the Company	**13,024,510**	137,408,543
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,135,569,030**	4,083,635,254

Note: The computation of dilutive earnings per share assumed the exercise of the Company's outstanding share options with the exercise price lower than the average market price during the years ended 31 December 2015 and 31 December 2014.

(7) Accounts receivable

	2015	2014
	HK$'000	HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**270,173**	84,844
Cash clients	**55,373**	57,949
Margin clients	**170,624**	283,423
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**159**	139
Clearing houses, brokers and dealers	**196,880**	274,998
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**2,247**	4,697
Accounts receivable arising from the business of provision of corporate finance services	**1,046**	390
	696,502	706,440

The 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 clearing houses, brokers and dealers, and accounts receivable arising from the business of dealing in futures and options are one day after trade date or at specific terms agreed with clearing houses, brokers and dealers.

Accounts receivable from margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No ageing analysis is disclosed as in the opinion of directors, the ageing analysis does not give additional value in view of the nature of broking business.

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

As at 31 December 2015, in connection with the business of dealing in futures and options, an amount of HK$6,147,000 (2014: HK$6,147,000) is held with MF Global Hong Kong Limited ("MFG HK") on behalf of a client. The directors of the Company have been in contact with the liquidators of MFG HK, appointed since 2 November 2011 following the filing for bankruptcy protection by MF Global UK Limited (its ultimate parent company) in the United States of America on 31 October 2011, for the return of the account balance to the Group with subsequent partial settlement of HK$Nil (2014: HK$9,221,000) during the year ended 31 December 2015. The Group expects to recover the remaining amount within the next 12 months from the end of the reporting period. Therefore, the directors of the Company believe no allowance for bad and doubtful debts is necessary.

(8) Accounts payable

	2015 **HK$'000**	2014 HK$'000
Accounts payable arising from the business of dealing in securities :		
Clearing houses	**9,432**	34,418
Cash clients	**947,082**	640,349
Margin clients	**160,949**	140,309
Accounts payable to clients arising from the business of dealing in futures and options	**312,364**	293,230
	1,429,827	1,108,306

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses. Accounts payable to margin clients and cash clients are repayable on demand. 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 business of share margin financing.

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. At 31 December 2015, an account payable to a client of HK$38,578,000 (2014: HK$63,532,000) includes an amount of HK$6,147,000 (2014: HK$6,147,000) maintained with MFG HK as mentioned in note (7). 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. 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 these businesses.

Accounts payable amounting to HK$946,810,000 (2014: HK$792,117,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

(9) Capital risk management

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: Nil).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2015, the Group recorded revenue of HK$252.3 million, an increase of 27.4% as compared with HK$198.1 million in 2014.

The local security market of 2015 was pretty much like riding on a roller-coaster. During the first half of the year, Hang Seng Index kept going upwards as the southbound flow of money from the mainland investors was put into Hong Kong stocks, putting up trading turnover to recent highs. Investors were optimistic with the market and expected the trend could maintain throughout the year. The local stock market saw a twofold increase in turnover for the first six months of 2015 to HK$15,166.1 million from HK$7,614.8 million during the same period in 2014.

However, China's economy seemed losing its momentum soon after the mainland stock market rose to its peak in mid-June as negative news and disappointing economic indicators then prevailing on the mainland triggered investors' concerns that recession of China economy had started off. One of the most prominent indicators showing the tough economic environments was the 6.9% GDP growth rate which had for the first time dropped below 7% since 1990. In addition, the collapse of China's security markets since June as well as the decision of the People's Bank of China to devalue RMB by 4.4% in August further weakened the confidence of investors in China's economy. The Group's brokerage business was inevitably affected by this global market rout and posted less desirable results with revenue dropped by 29.7% in the second half of 2015 when compared to the performance in first half of the same year.

Overall, due to the sharp increase in trading turnovers in both local and global markets over this extremely turbulent year under review, the Group's brokerage business recorded a yearly growth of 32.8%. This aligned with the local market turnover increment trend.

In order to lessen investors' liquidity concerns and to stabilise the existing equity tumbling market, the PRC Government temporarily suspended the listing of IPOs in China since July 2015. The measure drove a portion of the mainland enterprises to Hong Kong for their equity fund-raising activities. The Group was able to chase the opportunities under this circumstance to further grow its IPO sponsoring business and therefore obtained an adorable income growth for more than 1.5 times.

As a result of the above, the Group recorded a net profit attributable to owners of the Company of HK$13.6 million (after taking account of (1) a gain on disposal of certain subsidiaries of approximately HK$11.9 million ; and (2) a gain on disposal of available-for-sale financial assets of approximately HK$14.4 million) during the year as compared with HK$32.7 million in 2014 (which had already included (1) a gain on disposal of a commercial property in Hong Kong of approximately HK$18.0 million; (2) an increase in fair value on its investment properties amounting to HK$37.1 million; and (3) a share of profit of an associate of HK$60.5 million on the disposal of its entire registered shares of its subsidiary which owned and managed an investment property in the PRC).

Liquidity and Financial Resources

The Group's total equity amounted to HK$595.6 million as at 31 December 2015 as compared to HK$596.3 million as at 31 December 2014. The minor decrease in the total equity was mainly due to the combined result of (1) the reported profit for the year under review; (2) the issue of shares upon exercise of share options; and (3) the purchase of non-controlling interest of a non-wholly owned subsidiary during the year.

As at 31 December 2015, the Group had total outstanding bank borrowings of approximately HK$199.8 million, comprising bank loans and overdraft of HK$132.1 million and mortgage loans of HK$67.7 million. The aggregate amount of bank loans and overdrafts of HK$75.0 million was collateralised by its margin clients' securities pledged to the Group. Mortgage loans in total of HK$67.7 million were secured by the Group's investment properties with a total carrying amount of approximately HK$188.6 million. The remaining bank loans and overdrafts in total of HK$57.1 million were secured by corporate guarantees from the Company. All of the Group's borrowings are made in Hong Kong dollars. Bank borrowings were variable-rate borrowings which carry interest with reference to HIBOR or Hong Kong Prime Rate.

In previous years, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Upon the expiration of such facility during the year, the bank deposit was no longer held for this purpose.

As at 31 December 2015, our cash and bank balances including the trust and segregated accounts totalled HK$1,317.3 million which had significantly increased as compared to HK$981.4 million as at 31 December 2014. The increase in cash and bank balances was mainly due to the decrease in margin loans granted to our clients for their investment needs amid the weak investor sentiment at the year-end date. For the same reason, the balances of our clients' money which were kept in the trust and segregated accounts had also increased on the same day. The Group derives its revenue and maintains its house fund mainly in HK dollars. Bank balances in our house accounts amounting to HK$305.1 million and HK$65.4 million as at 31 December 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 are denominated in the same currencies as the outstanding amounts in the corresponding accounts payable.

The liquidity ratio as at 31 December 2015 remained healthy at 1.28 times as compared with 1.29 times as at 31 December 2014.

The gearing ratio as at 31 December 2015, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 33.5% from 44.1% as at 31 December 2014. The drop in gearing ratio was mainly due to the significant reduction in the borrowings 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 to comply with all relevant financial regulations.

Foreign Exchange Risks

A foreign currency financial asset designated at fair value through profit or loss of approximately CNY11.2 million (equivalent to approximately HK$13.2 million) was held as at 31 December 2015 which had been hedged by a return swap contract of the same amount issued by the Group to an independent third party during the year.

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

Material Acquisitions and Disposals

In March 2015, Celestial Asia Securities Holdings Limited ("CASH", the holding company of the Company) signed a sale and purchase agreement with an independent third party relating to the proposed disposal of around 40% shareholding interest in the Company at a purchase price of HK$0.37 per share, which triggered a possible mandatory conditional cash offers for shares in the Company. The resolution for approving the agreement was not passed at the special general meeting of the Company held in May 2015, and the transaction was terminated on 15 May 2015.

In June 2015, the algorithmic trading and alternative trading business was disposed of by the Company to CASH at a consideration of HK$1.55 million as determined based on the unaudited net asset value of the business unit as at 30 April 2015.

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

There is no important event affecting the Group which has occurred since the end of the financial year.

Capital Commitments

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

Material Investments

As at 31 December 2015, the market values of a portfolio of investments held for trading amounted to approximately HK$18.9 million. The net gain derived from investments held for trading of HK$105.4 million was recorded for the year. In addition, a gain on disposal of an available-for-sale financial assets amounted to approximately HK$14.4 million during the year.

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

Industry and Business Review

Industry Review

World economy continued to slow from 2.6% in 2014 to 2.4% in 2015. Chronic deflation, financial markets catching in a tail-spin, together with Mainland China's record cooling economy have all been worrying investors. Locally, Hong Kong's economy remained resilient at 2.4%, but downward pressure was intensifying as the investment atmosphere became warier, and inbound tourism and retail sales slackened.

The Hong Kong stock market experienced a remarkable increase in trading volume in the second quarter of 2015, followed by a plummet in the second half of the year as concerns over global and Mainland China's economic prospects were mounting. Market capitalisation was HK$24.7 trillion at the end of 2015, a 2% decrease over the same period last year, with Hang Seng Index (HSI) closing 7% lower than the previous year. The robust market movement in the first half of the year resulted in an upsurge in average market daily turnover by 52%.

Business Review

With RMB's inclusion in IMF's Special Drawing Rights basket, the "One Belt One Road" initiative and the imminent QDII2 scheme launch, the China and world markets integration will further gather momentum, accelerating two-way capital flows and the RMB internationalization plan. CFSG, as a financial technology (FinTech) pioneer in Hong Kong, is building on the strong foundations in our trading platforms and capabilities to reap the opportunities ahead. 2015 has been a year when we gained further strength in pursuing our well-defined strategy in the technology-driven financial services market.

Broking

Thanks to the strong market turnover in the first half of 2015, our broking income increased by 27% to HK$215.8 million as compared to the same period last year, while interest income from margin financing remained resilient.

As the financial market remains challenging, CFSG will continue to lead the technology-based innovations to bring new products and services to institutional, corporate and individual clients via our direct market access (DMA) and mobile trading platforms.

Investment Banking

Our Investment Banking Group offers premier corporate finance and capital markets services, and is dedicated to providing innovative and customised financial solutions to our clients. During the year, we continued our strategy to maintain a balanced focus on IPOs and corporate transactions.

In IPO markets, we have positioned ourselves as a specialist of small-to-medium sized offerings of growth companies with unique market positioning. Our clients mainly comprise Hong Kong, Mainland China and Asian enterprises across different industries. In particular, we acted as the Sole Sponsor, Sole Bookrunner and Sole Lead Manager of the new listings of Top Dynamic International Holdings Limited, a discrete semiconductor manufacturer focusing on smart products applications, and Feishang Non-metal Materials Technology Limited, a bentonite mining company in the PRC. We also acted as the Sole Bookrunner and Sole Lead Manager of the new listing of Guru Online (Holdings) Limited, an integrated digital marketing service provider. All these new listings on the Hong Kong Stock Exchange (HKEX) received favourable market responses and were successfully completed during the year. In addition, we participated in several capital raising transactions, including IPO syndication, follow-on placement and underwriting, rights issue.

For corporate advisory services, we are a transaction expert possessing profound knowledge and experience in handling a wide variety of corporate deals. During the year, we advised a number of sizeable listed companies on various corporate finance transactions, including issue of securities, whitewash applications and proposed connected transactions. We have also been acting as a long-term financial adviser or compliance adviser to several Hong Kong listed companies.

Leveraging on our fund raising capability as well as financial advisory expertise, we will continue to provide full-fledged investment banking services to assist our clients to capture different capital markets and corporate finance opportunities.

Asset Management

Despite market setbacks, the amount of Asset Under Management (AUM) remained fairly unabated and our performance outrun the HSI and the H-share index. Looking forward, Mainland China is gradually transforming from an export-led economy to a more self-sustaining growth driven by domestic consumption, with 2016 GDP to be around 6.5% growth. The continuous downward trend of RMB will make investors avoid investing in China’s stocks. The Hong Kong stock market may have a chance to test a lower supporting level in the first half of 2016. However, the current valuation is undemanding for long-term investors. Shenzhen-Hong Kong Stock Connect is expected to commence in the second half of 2016 and the potential inclusion of A-share in MSCI index may improve market sentiment in the second half of the year. We anticipate a tough year ahead amidst such a challenging environment, but we are confident in our performance benchmarked against the general market especially when the stock market sentiment improves.

Wealth Management

The traditional independent financial advisory market has been facing tough challenges in 2015. The Investment Linked Assurance Scheme (ILAS) market has seen drastic changes in its fundamental business model against the backdrop of the more stringent disclosure requirements. As such, suppliers delayed launching new products while frontline staff opted for working with insurance companies. In light of the changes, we had proactively taken business diversification strategies and to further expand our business exposure. We strengthened the co-operation with our business partners in Mainland China and Asia Pacific. All these have been driving our growth momentum.

In Mainland China, due to the increase in personal wealth and improvement in living quality, the consumer behaviour of high-net-worth individuals has been changing, which was best manifested in making investment decisions. Given the restricted range of traditional wealth management products, investors have limited means to compare and invest in different investment markets and diversify their asset classes. Professional financial advisory institutions which can provide customised services and products are strongly sought after. CFSG, taking advantage of our competitive edges in DMA and algo trading, will further enhance our wealth management business by developing a technology-based financial services platform to develop fund products that address the mounting wealth management needs for genuine products offering stable risk-adjusted returns, and achieving investors’ goal of preserving capital with growth.

Direct Market Access (DMA)

Leveraging on the Group’s unmatched information and communications technology (ICT) capabilities and backed by a team of world-class professionals, CFSG brings extra values to professional traders, proprietary firms and hedge funds with customised DMA services and tailored solutions. With the real-time market and portfolio information, clients can monitor execution quality and improve trading decisions and performance from pre-trade through post-trade. To date, CFSG is the first and only Hong Kong FinTech house that offers direct connectivity to CME, Börse Frankfurt, SGX and HKEX. We aim to aggressively capture the business opportunities in this aspect. The opening of the new branch office in Seoul in the first quarter of 2016 with an experienced DMA team will further strengthen our development of DMA services.

Mobile Trading

In 2015, we continued to enhance our mobile trading platform with more innovative features catering for the technology-focused needs of our clients. In addition to Hong Kong securities and futures trading, we are also adding Shanghai A-share trading and bond quotes in our mobile portfolio. On the other hand, we are expanding our mobile infrastructure to include wealth management products, offering our clients the ease in buying and selling fund product on mobile devices. We expect to launch this new feature in the second half of 2016.

Outlook and Corporate Strategy

The 2016 world economy is precariously balanced between continued recovery and a third leg of the global financial crisis. Uncertainties amid fears of a slowdown in Mainland China's economy, plunging commodity prices and the pace of the US interest rate-hike cycle are all clouding the global economic outlook. Nevertheless, the world economy is likely to stay on rails, albeit with some difficulties. Asia will continue to lead the growth. Despite a slowing Mainland China economy, its fundamental remains strong and it is rebalancing towards consumer spending. This sustainable model will continue to power Mainland's growth at 6.5-7% in the coming years, making it a key contributor to the world economy.

Looking ahead, CFSG will take a cautious yet proactive approach in developing our technology-driven financial services business. Quantitative-easing measures adopted by major central banks have been flooding global markets with cash and driving asset bubbles. The asset allocation function of the market has also been crippled by the long-term low interest rate environment. While central banks in major economies are further driving rates below zero, the risk pricing is even blurred. Coupled with the fact that currencies are under increasing devaluation pressure, investors are becoming more wary about preserving their capital while looking for disciplinary opportunities to grow their assets on a risk-adjusted basis. On the other hand, disruptive technological changes are gradually altering the financial landscape. CFSG as a pioneer in financial technology (FinTech) has been among the first in Asia to develop the FinTech investment platform. Taking advantage of the global boom in FinTech, we offer our clients direct market access (DMA) in world major exchanges with speedy execution, big data analysis, and real time and rigorous risk management tools. Our aim is to provide our clients with a suite of FinTech investment and wealth management solutions amidst the ever-changing global economy.

Taking the first mover advantage and building on our heritage to develop a multi-product and multi-channel trading platform, we aim to expand our business model across equities, commodities, and wealth management products - becoming a truly multi-asset and multi-channel platform that connects Mainland China and the world major markets via Hong Kong as a hub.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had 197 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$146.8 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 staffs. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management, listing rules and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/ comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code.

During the financial year ended 31 December 2015, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations 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.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2015 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 17 March 2016

As at the date hereof, the directors of the Company are:-

Executive directors:

Mr Kwan Pak Hoo Bankee, JP
Mr Law Ping Wah Bernard
Ms Cheng Pui Lai Majone
Mr Ng Kung Chit Raymond
Mr Lam Man Michael

Independent non-executive directors:

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

* *for identification purpose only*