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 2016

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 2016 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	(3)	**166,830**	252,290
Other income		**3,267**	3,807
Other (losses) gains		**(3,078)**	128,652
Salaries and related benefits		**(62,104)**	(146,820)
Commission expenses		**(51,373)**	(85,163)
Depreciation		**(9,544)**	(11,955)
Finance costs		**(5,044)**	(8,630)
Other operating and administrative expenses		**(78,761)**	(120,676)
Change in fair value of investment properties		**(13,593)**	155
Share of profit of an associate		**-**	95
(Loss) profit before taxation		**(53,400)**	11,755
Income tax credit	(5)	**2,202**	1,655
(Loss) profit for the year		**(51,198)**	13,410

	Note	**2016** **HK$'000**	2015 HK$'000
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,199)**	(3,665)
Reclassification of translation reserve upon disposal of subsidiaries		**-**	(10,941)
Other comprehensive expense for the year		**(1,199)**	(14,606)
Total comprehensive expense for the year		**(52,397)**	(1,196)
(Loss) profit for the year attributable to:			
Owners of the Company		**(51,198)**	13,606
Non-controlling interests		**-**	(196)
		(51,198)	13,410
Total comprehensive expense attributable to:			
Owners of the Company		**(52,397)**	(1,000)
Non-controlling interests		**-**	(196)
		(52,397)	(1,196)
(Loss) earnings per share for (loss) profit attributable to the owners of the Company during the year	(6)		
- Basic (HK cents)		**(1.24)**	0.33
- Diluted (HK cents)		**(1.24)**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2016 HK$'000	2015 HK$'000
Non-current assets			
Property and equipment		**13,577**	19,445
Investment properties		**16,508**	188,583
Intangible assets		**9,752**	9,752
Other assets		**5,039**	5,039
Rental and utility deposits		**5,514**	612
Available-for-sale financial assets		**8,415**	8,415
Interest in an associate		**-**	-
		58,805	231,846
Current assets			
Accounts receivable	(7)	**432,300**	696,502
Loans receivable		**1,863**	1,831
Other assets		**3,528**	5,240
Prepayments, deposits and other receivables		**11,957**	17,930
Tax recoverable		**1,286**	29
Investments held for trading		**21,725**	18,872
Financial asset designated at fair value through profit or loss		**-**	13,161
Bank deposits subject to conditions		**25,025**	-
Bank balances - trust and segregated accounts		**819,803**	946,810
Bank balances (general accounts) and cash		**334,631**	370,467
		1,652,118	2,070,842
Current liabilities			
Accounts payable	(8)	**968,466**	1,429,827
Accrued liabilities and other payables		**30,100**	53,719
Taxation payable		**3,000**	3,039
Bank borrowings - amount due within one year		**153,687**	121,340
Amounts due to fellow subsidiaries		**1,807**	1,829
Financial liabilities designated at fair value through profit or loss		**-**	13,161
		1,157,060	1,622,915
Net current assets		**495,058**	447,927
Total assets less current liabilities		**553,863**	679,773

	At 31 December	
	2016	2015
	HK$'000	HK$'000
Non-current liabilities		
Deferred tax liabilities	**40**	5,786
Bank borrowings - amount due after one year	**10,645**	78,412
	10,685	84,198
Net assets	**543,178**	595,575
Capital and reserves		
Share capital	**82,687**	82,687
Reserves	**460,491**	512,888
Equity attributable to owners of the Company and total equity	**543,178**	595,575

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 2015.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle

Except as described below, 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.

Amendments to HKAS 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The Group has applied these amendments retrospectively. Certain disclosure notes are recorded following the order of the line items in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position.

Other than the above disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group on the consolidated financial statements.

New and amendments to HKFRSs in issue but not effective

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

HKFRS 9	Financial instruments [1]
HKFRS 15	Revenue from contracts with customers and the related amendments [1]
HKFRS 16	Leases [2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments, with HKFRS 4 Insurance contracts [1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture [3]
Amendments to HKAS 7	Disclosure initiative [4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses [4]

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for annual periods beginning on or after 1 January 2019*
3 *Effective for annual periods beginning on or after a date to be determined*
4 *Effective for annual periods beginning on or after 1 January 2017*

HKFRS 9 Financial instruments

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

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

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other 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.

- 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments of carrying amount of HK$8,415,000, which are currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

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.

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may not have a material impact on the amounts reported. However, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$52,217,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

(3) Revenue

	2016	2015
	HK$'000	HK$'000
Fees and commission income	**148,605**	225,651
Interest income	**18,225**	26,639
	166,830	252,290

(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.

<u>Reportable and operating segment</u>

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 segment are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit incurred by the segment before gain on disposal of available-for-sale financial assets, gain on disposal of subsidiaries, 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 2016

	Financial services HK$'000	**Total HK$'000**
Revenue	**166,830**	**166,830**
RESULT		
Segment loss	**(35,715)**	**(35,715)**
Change in fair value of investment properties		**(13,593)**
Gain on disposal of subsidiaries		**2,623**
Unallocated expenses		**(6,715)**
Loss before taxation		**(53,400)**

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		155
Share of profit of an associate		95
Gain on disposal of subsidiaries		11,909
Unallocated expenses		(32,873)
Profit before taxation		11,755

All the segment revenue is derived from external customers.

Segment assets and liabilities

All assets are allocated to the operating segment other than investment properties, available-for-sale financial assets, 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, amounts due to fellow subsidiaries 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 2016

	Financial services HK$'000	**Total HK$'000**
ASSETS		
Segment assets	**1,680,666**	**1,680,666**
Investment properties		**16,508**
Other unallocated assets		**13,749**
Consolidated total assets		**1,710,923**
LIABILITIES		
Segment liabilities	**1,162,898**	**1,162,898**
Deferred tax liabilities		**40**
Amounts due to fellow subsidiaries		**1,807**
Other unallocated liabilities		**3,000**
Consolidated total liabilities		**1,167,745**

As at 31 December 2015

	Financial services HK$'000	Total HK$'000
ASSETS		
Segment assets	2,074,530	2,074,530
Investment properties		188,583
Other unallocated assets		39,575
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

Other information

For the year ended 31 December 2016

	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	**4,280**	**100**	**4,380**
Interest income	**18,225**	**-**	**18,225**
Depreciation	**(9,529)**	**(15)**	**(9,544)**
Write-off of property and equipment	**-**	**(699)**	**(699)**
Finance costs	**(4,385)**	**(659)**	**(5,044)**
Impairment on other receivables	**(1,632)**	**-**	**(1,632)**
Net loss on investments held for trading	**(693)**	**-**	**(693)**
Allowance for impaired accounts receivable, net	**(1,553)**	**-**	**(1,553)**
Net foreign exchange loss	**(452)**	**(672)**	**(1,124)**

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 impaired accounts receivable, net	(1,431)	-	(1,431)
Write back of impaired loan receivables, net	4,519	-	4,519
Net foreign exchange loss	(2,324)	(3,794)	(6,118)

Entity-wide disclosures

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**	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Hong Kong (Place of domicile)	**166,830**	252,290	**33,173**	189,845
PRC	**-**	-	**17,217**	33,586
Total	**166,830**	252,290	**50,390**	223,431

There were no customers for the years ended 31 December 2016 and 2015, contributing over 10% of the Group's total revenue.

(5) Income tax credit

	2016 **HK$'000**	2015 HK$'000
Current tax:		
- Hong Kong Profits Tax	**-**	441
Under (over) provision in prior years	**167**	(22)
Deferred tax	**(2,369)**	(2,074)
	(2,202)	(1,655)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit 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) (Loss) earnings per share

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

	2016 **HK$'000**	2015 HK$'000
(Loss) earnings		
(Loss) profit for the purposes of basic and diluted (loss) earnings per share	**(51,198)**	13,606

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,134,359,588**	4,122,544,520
Effect of dilutive potential ordinary shares:		
Share options of the Company	**-**	13,024,510
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**4,134,359,588**	4,135,569,030

For the year ended 31 December 2016, 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.

For the year ended 31 December 2015, the computation of diluted 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 year.

(7) Accounts receivable

	2016	2015
	HK$'000	HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**42,107**	270,173
Cash clients	**42,336**	55,373
Margin clients	**233,271**	170,624
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**150**	159
Clearing houses, brokers and dealers	**112,375**	196,880
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**1,521**	2,247
Accounts receivable arising from the business of provision of corporate finance services	**540**	1,046
	432,300	696,502

The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

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 balances 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 was held with MF Global Hong Kong Limited ("MFG HK") (which was in liquidation) on behalf of a client. The amount was fully settled by the liquidator of MFG HK in 2016.

(8) Accounts payable

	2016 HK$'000	2015 HK$'000
Accounts payable arising from the business of dealing in securities :		
Clearing houses	**7,370**	9,432
Cash clients	**582,997**	947,082
Margin clients	**117,853**	160,949
Accounts payable to clients arising from the business of dealing in futures and options	**260,246**	312,364
	968,466	1,429,827

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

Accounts payable amounting to HK$819,803,000 (2015: HK$946,810,000) were payable to external clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

(9) Capital risk management

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

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

(10) Reclassification

Certain comparative figures have been reclassified to conform to the current year's presentation.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2016, the Group recorded revenue of HK$166.8 million, a decrease of 33.9% as compared with HK$252.3 million in 2015.

Trading in the Hong Kong securities market continued to languish in the first half of 2016 in the aftermath of June 2015's great corrections in both the mainland and local stock markets. The Hang Seng Index posted the worst loss to start the Year of Monkey in February. On the first and second trading days after returning from the long Lunar New Year holiday, the Hang Seng Index plunged sharply to the lowest close since June 2012 at 18,319. Investor sentiment had been fragile since then as there were concerns over subdued global growth and uncertainties associated with the timing of US interest rate hikes. Additionally the worries over industrial overcapacity in the Mainland, heightened RMB depreciation risks, high bad debts and rising credit default risks also hindered the recovery of domestic stock market. As a result, both local and Mainland investors became more cautious in their stock investments as RMB continued to depreciate against the US dollar which in turn had caused more capital outflows from China. These all exerted downward pressure on the performance of the Hong Kong stock market. In June, the already weakened investment sentiment had been further hit hard by the political and economic uncertainties brought about by the outcome of the United Kingdom's referendum which voted to leave the European Union. Fortunately, these Brexit-related worries and concerns were quickly relieved due to the stimulus measures by various governments envisaged by the investors. In the second half of 2016, the investor sentiment gradually improved as the market expected the pace of US interest rate hikes would slow down but the optimism began to fade later in the year as the Federal Reserve raised the first and last interest rate in 2016 and hinted that more interest hikes would be on the way for 2017. With the adverse factors weighted on the local stock market throughout the year, the average daily turnover in 2016 dropped 37% from the previous year. Our clients who are mostly retail investors had chosen to flee the highly volatile stock markets to avoid suffering huge trading and investment losses during this deteriorating financial environment. Even though, for years, our Group has dedicated its resources to developing its in-house direct market access platform through which its corporate clients place and execute their complex investment strategies and high frequency trading activities, but the growth in this business could not help much to recoup the loss in reduced commission income earned from dealing in securities by its individual clients during the year under review. The Group's broking business recorded a drop of 34.2% in revenue for 2016 as compared with the performance of last year, which was more or less in line with the drop in the average daily turnover in the local stock market for the same year.

During the year under review, the Group recorded a decrease in fair value on its investment property in Hong Kong amounting to HK$13.6 million. Pursuant to a memorandum of understanding dated 4 May 2016 and a formal sale and purchase agreement dated 10 June 2016 entered into with a third party, the Group disposed of the entire share capital of a wholly-owned subsidiary which owns the aforesaid investment property for HK$140.5 million. The disposal of the property was subsequently completed in July 2016. Taking into account the aforesaid decrease in fair value on the investment property, the Group recorded a net loss attributable to the owners of the Company of HK$51.2 million for 2016 as compared to a net profit attributable to the owners of the Company of HK$13.6 million for the previous year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$543.2 million as at 31 December 2016 as compared to HK$595.6 million as at 31 December 2015. The decrease in the total equity was mainly due to the reported loss for the year under review.

As at 31 December 2016, the Group had total outstanding bank borrowings of approximately HK$164.3 million, comprising bank loans of HK$163.9 million and overdraft of HK$0.4 million respectively. Bank borrowings of HK$70.0 million were collateralised by its margin clients' securities pledged to the Group and a bank loan of HK$50.0 million was secured by a pledged Hong Kong dollar deposit of HK$25.0 million. The remaining bank loans and overdrafts in a total of HK$44.3 million were secured by corporate guarantees from the Company. All of the Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR or Hong Kong Prime Rate.

As at 31 December 2016, our cash and bank balances including the trust and segregated accounts had decreased to HK$1,179.5 million from HK$1,317.3 million as at 31 December 2015. The decrease was mainly due to the reduction of our clients' money which had been kept in the trust and segregated accounts.

The Group derives its revenue and maintains its house funds mainly in Hong Kong dollars. Bank balances in our house accounts amounting to HK$287.8 million and HK$71.9 million as at 31 December 2016 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 those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2016 remained healthy at 1.43 times as compared with 1.28 times as at 31 December 2015. The gearing ratio as at 31 December 2016, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 30.3% from 33.5% as at 31 December 2015. The decrease in gearing ratio was mainly due to the decrease 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 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 year.

Material Acquisitions and Disposals

In May 2016, the Group signed a formal sale and purchase agreement for disposal of a property in Shanghai to an independent third party at a consideration of RMB 7.3 million (equivalent to approximately HK$8.76 million). The transaction was completed in October 2016.

As set out in the above paragraph under financial review, in May 2016, the Group signed a legally binding memorandum of understanding with an independent third party relating to the proposed disposal of entire equity capital in Cheer Wise Investments Limited ("Cheer Wise", a wholly-owned subsidiary of the Company) and the loans due by Cheer Wise to the Group at an aggregate consideration of HK$140.5 million. The sole asset of Cheer Wise is an investment property, including car parks in Kwun Tong. The transaction was completed on 15 July 2016. Details of the transaction were disclosed in the joint announcement of the Company and Celestial Asia Securities Holdings Limited ("CASH") dated 4 May 2016.

In July 2016, the Group signed a formal sale and purchase agreement relating to disposal of another property in Shanghai to an independent third party at a consideration of RMB 7.5 million (equivalent to approximately HK$8.8 million). The transaction was completed in September 2016.

In September 2016, CIGL (a wholly-owned subsidiary of CASH) (as seller), Ever Billion Group Limited ("Ever Billion") (as purchaser) and CASH (the holding company of the Company) (as guarantor) entered into the sale and purchase agreement whereby CIGL conditionally agreed to sell, and Ever Billion conditionally agreed to purchase from CIGL, approximately 36.28% shareholding interest in the Company at the consideration of HK$765 million (representing a purchase price of HK$0.51 per Share). The transaction triggered a possible mandatory general offer for the shares in the Company. The long stop date of the sale and purchase agreement has been extended to 31 March 2017 and the transaction has not yet been completed pending the condition relating to approval of the SFC for substantial shareholder of CFSG and its licensed corporation and the conditions which are to be satisfied on the completion date to be fulfilled. Details of the transaction were disclosed in the various announcements of the Company and CASH relating to the transaction from September 2016 to March 2017.

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

Save as disclosed in this announcement, 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

The market values of a portfolio of investments held for trading increased from HK$18.9 million as at 31 December 2015 to approximately HK$21.7 million as at 31 December 2016 mainly due to the acquisition of trading investments. A net loss derived from investments held for trading of HK$0.7 million was recorded for the year. Such securities investments were not material which represented around 1.3% of the total assets of the Group as at 31 December 2016.

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

Financial and Operation highlights

Revenue

(HK$'m)	**2016**	2015	% change
Broking income	**148.6**	225.7	(34.2%)
Non broking income	**18.2**	26.6	(31.6%)
Group total	**166.8**	252.3	(33.9%)

Key Financial Metrics

	2016	2015	% change
Net (loss) profit attributable to shareholders (HK$'m)	**(51.2)**	13.6	(476.5%)
(Loss) earnings per share (HK cents)	**(1.24)**	0.33	(475.8%)
Total assets (HK$'m)	**1,710.9**	2,302.7	(25.7%)
Cash on hand (HK$'m)	**359.7**	370.5	(2.9%)
Bank borrowings (HK$'m)	**164.3**	199.8	(17.8%)
Annualised average fee income from broking per active client (HK$'000)	**10.2**	16.3	(37.4%)

Industry and Business Review

Industry Review

In 2016, the Hong Kong stock market experienced mixed fortunes. Stock prices faced pressure at the start of the year but enjoyed brighter days in the last two quarters of 2016 as US interest rate rises failed to materialise, less fallout occurred from the Brexit referendum than initially expected, and approval was given for the implementation of the Shenzhen-Hong Kong Stock Connect initiative. Following Donald Trump's win in the US presidential election in November, sentiment remained upbeat. The prospect that the Trump administration was likely to cut corporate tax and increase infrastructure investment to create more job opportunities buoyed optimism despite the possibility that higher inflation might also be in store due to greater government spending.

The Hang Seng Index ended 2016 at 22,000.56. This represented a year-on-year increase of 0.4%, as the prospect of hikes to the US interest rate re-emerged and president-elect Trump's unconventional approach to politics began to weigh on the market mood. The average daily turnover in 2016 was HK$66.9 billion, a decrease of 37% compared with HK$105.6 billion the previous year.

Business Review

Broking

While the Dow Jones Industrial Average index in the US reached record highs, the Hong Kong stock market hovered at much less exciting levels. The strict monitoring of the outflow of funds from Mainland China had a negative impact and even the debut of Shenzhen-Hong Kong Stock Connect in December failed to boost the mood of the Hong Kong market. CFSG recorded a decline of 43% in securities commission income and a relatively mild drop of 21% in commodities commission income. There was a 30% decrease in interest income due to diminished IPO activity.

Investment Banking

During the year, our investment banking group assisted potential IPO clients in planning and preparation for listings. Among these, we acted as Sole Sponsor for Gudou Holdings Limited's listing on the Hong Kong Stock Exchange's Growth Enterprise Market. Gudou is the first Mainland China hot spring resort operator and tourism property developer to list in Hong Kong and received a favourable market response.

On the financial advisory front, CFSG continued to serve as a long-term financial adviser or compliance adviser to listed companies. We also provided services on corporate finance transactions, including acquisitions and disposals and general offers, among others.

Asset Management

The level of our assets under management (AUM) was approximately in line with the benchmark index during the year. CFSG focuses on sectors with fast corporate earnings' growth, such as technology shares and Macau gaming.

Wealth Management

2016 saw fast-paced development and fierce competition in the wealth management market. Despite these testing conditions, CFSG achieved moderate growth. In addition to traditional products, we introduced a general insurance business, gaining positive feedback from clients. With demand growing for comprehensive wealth management services, we strengthened consultant and operation teams, and encouraged consultants to acquire asset management capabilities to provide all-round support to clients.

Technology and Innovation

CFSG successfully launched our Sector Trading Platform and Fintech Investment Platform during the year. The systems offer diverse and timely investment information to clients through big data analytics. In addition, we added Shenzhen A-share trading and A-share quotation services on both online trading platforms and as a mobile app.

Outlook and Corporate Strategy

Given the clouds shrouding the times ahead in the global, political and economic arenas, local investment sentiment is likely to face on-going mood swings and pressure. More positively, the Mainland China economy expanded by 6.7% in 2016. Together with internationalisation of the RMB, Mainland China's launch of the "One Belt One Road" initiative and closer ties between Mainland and Hong Kong financial markets, Hong Kong's financial system and experience should still foster opportunities for the city to serve as a fund-raising and international asset management platform.

With the Hong Kong stock market trading at around 12 times prospective 2017 P/E, around 1.18 times P/B and around a 3.4% dividend yield for the Hang Seng Index, valuation is undemanding for long-term investors. However, the regulator's tightening of rules is expected to further dampen IPO activity and the stock market faces another tough year in 2017.

In the year ahead, CFSG will leverage our proven strategy to focus on both IPOs and corporate transactions and services to take us and our clients forward. CFSG will seek to extend our wealth management business by deepening relationships with existing partners in both Mainland China and Japan while building our product offerings and geographical reach. Meanwhile, FinTech continues to offer exciting possibilities for an innovative company such as ours. In 2017, our FinTech Investment Platform will be further enhanced to provide a new user interface delivering advanced strategies and other enhanced function. More customisation (such as allotment of investment capital for each strategy and setting risk control criteria) will be made available and we will seek to expand market share in the China region.

In volatile times, a balance between expansion and external risks alongside effective and leading-edge cost management are crucial and will be rigorously pursued. It is also part of the Group's long-term strategy to bring in synergistic value investors to develop our business further in Mainland China and Hong Kong.

EMPLOYEE INFORMATION

As at 31 December 2016, the Group had 186 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$62.1 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 product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management, listing rules and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/ comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

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 2016, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations that:-

1. 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

2. the Company does not have an internal audit function as provided for in code provision C.2.5 but the Board and the Credit and Risk Management Committee (comprises members from the Board and the senior management of the Group) are responsible to review the adequacy and effectiveness of the Group's risk management and internal control systems and to provide recommendations for improvement. In addition, there is regular dialogue with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work. The Board will review the need to set up an internal audit function on an annual basis.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2016 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 2016 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 2016, 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 2017

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 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*