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 2018

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 2018 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	(3)		
Fee and commission income		**102,332**	109,399
Interest income		**21,113**	24,208
Total revenue		**123,445**	133,607
Other income		**83**	2,170
Other (losses) gains		**(55,989)**	27,279
Salaries and related benefits		**(75,594)**	(68,319)
Commission expenses		**(34,298)**	(42,358)
Depreciation		**(3,968)**	(6,033)
Finance costs		**(6,536)**	(5,523)
Impairment losses, net of reversal		**(6,245)**	(18,184)
Other expenses		**(85,250)**	(69,121)
Change in fair value of investment property		**(118)**	449
Loss before taxation		**(144,470)**	(46,033)
Income tax expense	(5)	**-**	(49)
Loss for the year		**(144,470)**	(46,082)

	Note	**2018 HK$'000**	2017 HK$'000
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Fair value gain on financial assets at fair value through other comprehensive income ("FVTOCI")		**1,056**	-
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(776)**	651
Other comprehensive income for the year		**280**	651
Total comprehensive expense for the year		**(144,190)**	(45,431)
Loss attributable to:			
Owners of the Company		**(144,132)**	(46,082)
Non-controlling interests		**(338)**	-
		(144,470)	(46,082)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(143,852)**	(45,431)
Non-controlling interests		**(338)**	-
		(144,190)	(45,431)
Loss per share	(6)		
- Basic (HK cents)		**(2.91)**	(1.01)
- Diluted (HK cents)		**(2.91)**	(1.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2018 HK$'000	2017 HK$'000
Non-current assets			
Property and equipment		**9,246**	8,420
Investment property		**17,025**	17,818
Intangible assets		**9,092**	9,092
Club debentures		**660**	660
Other assets		**6,002**	11,486
Rental and utility deposits		**690**	5,272
Available-for-sale ("AFS") financial assets		**-**	8,415
Financial assets at fair value through other comprehensive income		**26,240**	-
		68,955	61,163
Current assets			
Accounts receivable	(7)	**283,404**	392,069
Contract assets		**684**	-
Loans receivable		**1,576**	1,600
Prepayments, deposits and other receivables		**12,465**	11,685
Investments held for trading		**-**	194,403
Financial assets at fair value through profit or loss ("FVTPL")		**143,200**	-
Bank deposits subject to conditions		**25,127**	25,076
Bank balances - trust and segregated accounts		**837,705**	909,411
Bank balances (general accounts) and cash		**376,831**	270,658
		1,680,992	1,804,902
Current liabilities			
Accounts payable	(8)	**986,497**	979,608
Contract liabilities		**2,260**	-
Accrued liabilities and other payables		**25,906**	21,061
Taxation payable		**3,000**	3,000
Bank borrowings - amount due within one year		**102,539**	124,253
Amounts due to related companies		**1,904**	1,764
		1,122,106	1,129,686
Net current assets		**558,886**	675,216
Total assets less current liabilities		**627,841**	736,379

	At 31 December	
	2018	2017
	HK$'000	HK$'000
Non-current liabilities		
Deferred tax liabilities	**40**	40
Bank borrowings - amount due after one year	**3,892**	7,311
	3,932	7,351
Net assets	**623,909**	729,028
Capital and reserves		
Share capital	**99,115**	99,207
Reserves	**513,451**	629,821
Equity attributable to owners of the Company	**612,566**	729,028
Non-controlling interests	**11,343**	-
Total equity	**623,909**	729,028

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 consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017.

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

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

(2) Application of new and amendments to HKFRSs

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Commission income from broking services
- Fee income from investment banking services
- Commission and fee income from wealth management services
- Fee income from asset management services
- Handling and other services fee income arising from securities brokerage business

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of transition of HKFRS 15 on accumulated losses at 1 January 2018.

	Increase HK$'000
Accumulated losses	
Sponsor and financial advisory fee income from investment banking services recognised at a point in time	1,150
Impact at 1 January 2018	1,150

The following adjustment was made to amount recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017 HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1 January 2018 * HK$'000
Current liabilities				
Contract liabilities	(a)	-	1,150	1,150

* The amounts in this column are before the adjustments from the application of HKFRS 9.

(a) For sponsor or financial advisory services, the Group considers that all the services promised in a particular contract of being a sponsor or financial advisor are interdependent and interrelated and should be therefore accounted for as a single performance obligation. As it is unlikely that a customer can obtain benefit before the Group completes all its services up to listing or the completion of the underlying transaction and according to the contract terms of the agreements signed with customers of sponsor and financial advisory services, the contracts do not provide the Group enforceable right to payment for performance completed to date. Accordingly, the sponsor or financial advisory fees are recognised at a point in time when the relevant services are completed upon application of HKFRS 15. As at 1 January 2018, revenue of HK$1,150,000 recognised based on the stage of completion in respect of these services were adjusted to contract liabilities.

<u>HKFRS 9 "Financial Instruments"</u>

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The differences between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	AFS financial assets HK$'000	Financial assets at FVTOCI HK$'000	Investments revaluation reserve HK$'000	Accounts receivable HK$'000	Investments held for trading HK$'000	Financial assets at FVTPL HK$'000	Accumulated losses HK$'000
Closing balance at 31 December 2017								
- HKAS 39		8,415	-	-	392,069	194,403	-	92,281
Effect arising from initial application HKFRS 9:								
Reclassification								
From AFS financial assets	(a)	(8,415)	8,415	-	-	-	-	-
From investments held for trading	(b)	-	-	-	-	(194,403)	194,403	-
Remeasurement								
Impairment under ECL model	(c)	-	-	-	(1,426)	-	-	1,426
From cost less impairment to fair value	(a)	-	1,169	(1,169)	-	-	-	-
Opening balance at 1 January 2018 - HKFRS 9		-	9,584	(1,169)	390,643	-	194,403	93,707

The financial liabilities of the Group continued to be classified as financial liabilities at amortised cost.

(a) AFS financial assets

From AFS financial assets to financial assets at FVTOCI

The Group elected to present in other comprehensive income the fair value changes of its unlisted equity investment previously classified as AFS measured at cost less impairment. The investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$8,415,000 was reclassified from AFS financial assets to financial assets at FVTOCI. The fair value gain of HK$1,169,000 relating to the unlisted investments previously carried at cost less impairment was adjusted to investments revaluation reserve as at 1 January 2018.

(b) Financial assets at FVTPL

The Group has reassessed its investments in equity and debt securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$194,403,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

(c) Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for contract assets and accounts receivable other than accounts receivable from margin clients. The contract assets relate to unbilled amount and have substantially the same risk characteristics as accounts receivable for the same type of contract. The Group has therefore estimated the expected loss rates for the other accounts receivable and contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including accounts receivable from margin clients, loans receivable, bank deposits, bank balances, deposits and other receivables are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition, except for accounts receivable from margin clients which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, additional credit loss allowance of HK$1,426,000 has been recognised against accumulated losses. The additional loss allowance is charged against accounts receivable and other receivables as set out below:

	Accounts receivable HK$'000	Other receivables HK$'000
At 31 December 2017 - HKAS 39	18,277	1,980
Amounts remeasured through opening accumulated losses	1,426	-
At 1 January 2018	19,703	1,980

(3) Revenue

Fee and commission income

	2018 **HK$'000**	2017 HK$'000
Types of services		
Broking services	**71,730**	84,306
Investment banking services	**6,765**	3,532
Wealth management services	**6,959**	8,187
Asset management services	**9,969**	6,397
Handling and other services	**6,909**	6,977
	102,332	109,399

Interest income

	2018 **HK$'000**	2017 HK$'000
Interest income arising from financial assets at amortised cost	**21,113**	24,208

(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;
- proprietary trading of debt and equity securities and derivatives;
- provision of margin financing and money lending services;
- provision of investment banking services; and
- provision of asset management services.

Reportable and operating segment

The Chief Executive Officer of the Company, who is also the chief executive of the brokerage business, being the chief operating decision maker ("CODM"), regularly reviews the income from broking, investment banking, asset management, wealth management and proprietary trading activities for the purposes of resource allocation and performance assessment. During the year, proprietary trading previously included under financial services segment are separately assessed by the CODM and it is considered as a new operating and reportable segment. Prior year segment information has been represented.

Segment revenue and result

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

For the year ended 31 December 2018

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

For the year ended 31 December 2017

	Financial services HK$'000	Proprietary trading HK$'000	Total HK$'000
Revenue	133,534	73	133,607
RESULT			
Segment (loss) profit	(48,987)	12,228	(36,759)
Change in fair value of investment property			449
Unallocated expenses			(9,723)
Loss before taxation			(46,033)

All the segment revenue is derived from external customers.

Segment assets and liabilities

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

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

As at 31 December 2018

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

As at 31 December 2017

	Financial services HK$'000	Proprietary trading HK$'000	Total HK$'000
ASSETS			
Segment assets	1,800,168	29,921	1,830,089
Investment property			17,818
AFS financial assets			8,415
Other unallocated assets			9,743
Consolidated total assets			1,866,065
LIABILITIES			
Segment liabilities	1,068,591	63,642	1,132,233
Deferred tax liabilities			40
Amounts due to related companies			1,764
Taxation payable			3,000
Consolidated total liabilities			1,137,037

Other information

For the year ended 31 December 2018

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

For the year ended 31 December 2017

	Financial services HK$'000	Proprietary trading HK$'000	Unallocated amount HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	1,239	-	3	1,242
Interest income	24,208	-	-	24,208
Depreciation	(6,014)	-	(19)	(6,033)
Write-off of property and equipment	(370)	-	-	(370)
Loss on early redemption of redeemable convertible bonds	(9,920)	-	-	(9,920)
Finance costs	(2,818)	(2,705)	-	(5,523)
Net gain on investments held for trading	-	36,184	-	36,184
Impairment on other receivables				
- other receivables	-	-	(1,980)	(1,980)
- accounts receivable	(16,156)	-	-	(16,156)
Net foreign exchange gain (loss)	478	890	(31)	1,337

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) by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Hong Kong (Place of domicile)	**123,445**	133,607	**23,781**	34,858
PRC	**-**	-	**18,934**	17,890
Total	**123,445**	133,607	**42,715**	52,748

There were no customers for the years ended 31 December 2018 and 2017, contributing over 10% of the Group's total revenue.

(5) Income tax expense

	2018	2017
	HK$'000	HK$'000
Current tax:		
- Hong Kong Profits Tax	**-**	-
- PRC Profits Tax	**-**	(49)
Underprovision in prior years	**-**	-
Deferred tax	**-**	-
	-	(49)

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 ("Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

(6) Loss per share

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

	2018	2017
	HK$'000	HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	**(144,132)**	(46,082)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,958,948,322**	4,575,647,259
Effect of dilutive potential ordinary shares: Share options of the Company	-	**-**
Weighted average number of ordinary shares for the purpose of diluted loss per share	**4,958,948,322**	4,575,647,259

For the years ended 31 December 2018 and 2017, 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.

(7) Accounts receivable

	Notes	**2018 HK$'000**	2017 HK$'000
Accounts receivable arising from the business of dealing in securities:	(a)		
Clearing houses, brokers and dealers		**22,401**	62,285
Cash clients		**26,648**	26,535
		49,049	88,820
Accounts receivable arising from the business of margin financing	(a)	**151,127**	247,174
Less: allowance for impairment		**(21,457)**	(17,377)
		129,670	229,797
Accounts receivable arising from the business of dealing in futures and options:	(a)		
Cash clients		**53**	134
Clearing houses, brokers and dealers		**104,218**	72,673
		104,271	72,807
Commission receivable from brokerage of mutual funds and insurance-linked investment products	(b)	**274**	515
Accounts receivable arising from the provision of investment banking services	(b)	**140**	1,030
Less: allowance for impairment		**-**	(900)
		140	130
		283,404	392,069

Notes:

(a) Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clients, brokers, dealers and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

The Group 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.

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

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

	2018 HK$'000	2017 HK$'000
0 - 30 days	**369**	640
31 - 60 days	**-**	-
61 - 90 days	**-**	-
Over 90 days	**45**	5
	414	645

(8) Accounts payable

	2018 HK$'000	2017 HK$'000
Accounts payable arising from the business of dealing in securities :		
Clearing houses	**21,768**	10,468
Cash clients	**617,180**	604,368
Margin clients	**152,601**	203,468
Accounts payable to clients arising from the business of dealing in futures and options	**194,948**	161,304
	986,497	979,608

The settlement terms of accounts payable from the business of dealing in securities are two days after trade date, and accounts payable arising from the business of dealing in futures and options contracts are one day after trade date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

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

Except for the accounts payable to clients arising from the business of dealing in securities which bear interest at a fixed rate, all the accounts payable are non-interest bearing.

Accounts payable amounting to HK$837,705,000 (2017: HK$909,411,000) are payable to external clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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(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.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2018, the Group recorded revenue of HK$123.4 million, representing a decrease of 7.6% as compared with HK$133.6 million in 2017.

The global economic conditions and markets in 2018 were quite unpredictable. The promising economic outlook and stronger than expected corporate earnings growth in the US after the tax cut campaign were the drivers for the global stock markets to rise and made a new record in the beginning of the year under review. The Hang Seng Index rose to new record high at 33,484 in January 2018. However, the unexpectedly strong employment figures in the US raised the concern of inflation upcoming. The concern of interest rate hike by the Federal Reserve pushed up the yield of US Treasury Bond, leading to a small scale of financial crisis in the global stock markets in February 2018. Strong US Dollar encouraged investors to park their capital to the US market from the emerging market. The US Federal Reserve raised the interest rate four times by 25 basis points each during 2018, together with the adoption of Quantitative Tightening (QT) caused the amount of liquidity decreased within the US economy. These measures dragged down the global stock market as well as property market. Meanwhile, the US-China trade war kicked off at the beginning of July 2018 deteriorated the export and the overall economic situation in China and the Renminbi against USD depreciated close to the key supporting level. The subsequent capital outflow from Hong Kong, the intensified trade tension relationship between the US and China as well as the depreciation of the Renminbi against USD triggered a downside momentum to the local stock market and the Hang Seng Index fell to 24,541 in October, the lowest of the year and it closed at 25,846 at the end of December 2018, down by 13.61% compared with the end of December 2017 while the H-share index closed at 10,125 at the end of December 2018, down by 13.46% compared with the end of December 2017. Due to such a tremendous downturn in local stock market, our brokerage business clients who are mostly retail investors had suffered huge losses when making their investment strategies and trading activities in securities and commodities. These losses discouraged our clients to further invested in the market and the trading volume then reduced drastically. As they had taken a very cautious view to the market, our margin loan book had decreased substantially in the second half of 2018. Our brokerage business commission and interest incomes in securities and commodities trading therefore had dropped significantly. Furthermore, advanced technologies had been utilised by many leading financial institutions, corporate investors and hedge-fund managers to execute sophisticated investment strategies in trading activities, retail investors are more difficult to take profit by engaging in high volume trading activities in the market and therefore had adopted more conservative attitude in securities dealings. These changes in trading mechanism also hindered the performance of our brokerage business which mainly targeted on retail investors. Owing to the decline of investment sentiment and change in trading mechanism, the Group's brokerage business recorded a drop of 14.9% in income for 2018. On the other hand, despite the downhill of Hong Kong's stock market and uncertain economic outlook for the second half of 2018, the Group's asset management business recorded a 55.8% growth in revenue compared with 2017 through the provision of high quality tailor-made investment strategies to its clients to cope with market changes. In addition, the Group's investment banking team had secured a number of sponsor and advisory contracts to achieve a satisfactory revenue growth in 2018. To embrace the ever-changing capital market in the FinTech area, we had launched "Alpha i" - a new mobile trading application which integrated and utilised artificial intelligence, Big Data and cloud computing technologies, to bring a speedy, convenient and cost-effective investing experience to millennial generation investors. Moreover, in order to further explore and expand the types of products and service we are able to offer to our clients, we had submitted an application for a virtual banking licence to the Hong Kong Monetary Authority. The Group had incurred some upfront costs to invest for these two initiatives. Apart from brokerage, asset management and investment banking business operations, for treasury function, the Group recorded a net loss of HK$54.1 million on its portfolio of investment securities held for trading due to the downturn of Hong Kong stock market in 2018.

Taking into account the aforesaid net loss on portfolio of investment securities held for trading, the Group recorded a net loss of HK$144.5 million for the year ended 31 December 2018 as compared to a net loss of HK$46.1 million last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$623.9 million as at 31 December 2018 as compared to HK$729.0 million as at 31 December 2017. The decrease in the total equity was mainly to the reported loss for the year under review.

As at 31 December 2018, the Group had total outstanding bank borrowings of approximately HK$106.4 million, which were solely bank loans of HK$106.4 million. Bank borrowings of HK$49.0 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$25.1 million. The remaining bank loans of HK$7.4 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 2018, our cash and bank balances including the trust and segregated accounts had slightly increased to HK$1,239.7 million from HK$1,205.1 million as at 31 December 2017.

The Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK$263.2 million and HK$88.2 million as at 31 December 2018 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2018 slightly decreased to 1.50 times from 1.60 times as at 31 December 2017. The gearing ratio as at 31 December 2018, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 17.1% from 18.0% as at 31 December 2017. The decrease in gearing ratio was mainly due to the decrease in bank 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

On 21 December 2018, the Group issued 500,000 new subscription shares (representing 5% of enlarged share capital) in Weever FinTech Limited (a subsidiary of the Group engaged in brokerage services business for digital assets trading) at total cash consideration of US$5,000,000 (equivalent to approximately HK$39,000,000) to an independent investor. Since then, Weever FinTech Limited became a 76.1%-owned subsidiary of the Group.

During the year under review, Celestial Asia Securities Holdings Limited ("CASH", the substantial shareholder of the Company) did not make any disposal of shares in the Company under and subject to the terms of disposal mandate as announced by the Company and CASH dated 7 November 2017. Such disposal mandate was expired on 17 December 2018.

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

As at 31 December 2018, the market values of a portfolio of investments held for trading amounted to approximately HK$143.2 million. A net loss on investments held for trading of HK$54.1 million was recorded for the year.

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

Financial and Operation highlights

Revenue

(HK$'m)	**2018**	2017	% change
Broking income	**102.3**	109.4	(6.5%)
Non broking income	**21.1**	24.2	(12.8%)
Group total	**123.4**	133.6	(7.6%)

Key Financial Metrics

	2018	2017	% change
Net loss (HK$'m)	**(144.5)**	(46.1)	(213.4%)
Loss per share (HK cents)	**(2.91)**	(1.01)	(188.1%)
Total assets (HK$'m)	**1,749.9**	1,866.1	(6.2%)
Cash on hand (HK$'m)	**351.4**	295.7	18.8%
Bank borrowings (HK$'m)	**106.4**	131.6	(19.1%)
Annualised average fee income from broking per active client (HK$'000)	**6.8**	7.3	(6.8%)

Industry and Business Review

Industry Review

Despite starting strongly from a robust second half of 2017, global growth softened in the latter half of 2018 - most notably in Europe and Asia. Mainland China's GDP slowed to 6.6% while euro-zone growth eased from a 10-year high of 2.4% in 2017 to 1.8% in 2018.

In the US, the Trump administration's drastic corporate tax rate cut from 35% to 21% boosted the economy to its record high growth since 2005. Nonetheless, the lasting effect of US fiscal policy remains in doubt, with GDP growth on a declining trend, from 4.2% in Q2, 3.4% in Q3, to 2.6% in Q4 - ending the year with a 2.9% real economic growth.

In Hong Kong, domestic consumption and commodity exports weakened with Sino-US trade tensions and a gloomy global economic outlook conspiring to weigh on both investor and consumer confidence. Coupled with rising interest rates and quantitative tightening measures of US, UK and euro-zone central banks, Hong Kong's economy grew at its slowest pace in two years amid this challenging external environment - reaching only the low-end of the government's forecast at 3%.

In tandem, the Hang Seng Index (HSI) experienced a roller-coaster ride; peaking at 33,154 in January before slumping to 24,585 in October. The HSI ended 2018 at 25,845, down 13.61% from 2017's year-end.

Business Review and Outlook

Broking

From a solid start following strong 2017 performance, investor sentiment weakened in the second half of 2018 from Sino-US trade uncertainty and global political turmoil. Our securities brokerage business was affected, with overall results down 14.9% from 2017.

Commodities trading, which was more active in market uncertainty and volatility, recorded a 10.78% increase. Due to lower turnover arising from clients' risk aversion on gloomy economic outlook and increasing market volatility, overall financing income dropped by 20.9%.

Looking forward, we continue to strengthen our sales efforts, expanding product offerings for sustainable business and revenue growth. Leveraging our margin loan book to offer quality securities-backed financing - along with a strengthening sales culture and more proactive engagement with our premium clients - should further enhance secure, trusted business partnerships with our clients.

To counter stiff price competition in the local brokerage business, we are deploying more resources to expand our mobile apps and internet electronic trading platform, enhancing our on-line and off-line value-added execution and research services. We will continue to identify new business opportunities in various markets to grow our business, while aligning with various client segment needs and market trends.

Investment Banking

Hong Kong's IPO market grew substantially in terms of both number of IPOs - with 218 new listings in 2018, up 25% from 174 in 2017 - and also funds raised, up 123% to HK$286.5 billion, from HK$128.5 billion in 2017.

In this buoyant market, we continued advising listing companies on a range of corporate finance transactions, including acquisition and disposal of assets and businesses, M&As, establishing joint ventures and various connected transactions.

We assisted one client in raising funds from the capital market through placing; acted as joint global coordinator for a mainboard IPO with shares significantly over-subscribed by around 1,000 times; and were appointed as sponsors in a number of IPO applications.

Our clients included Hong Kong companies, Mainland China enterprises (including one listing on both the Hong Kong Stock Exchange (H shares) and Shanghai Stock Exchange (A shares), as well as Taiwan and South-East Asia-based companies, among others.

Leveraging our fund-raising capabilities and financial advisory expertise, we will continue to provide fully-fledged investment banking services to help our clients capture various capital market and corporate finance opportunities - maintaining our balanced focus on IPO sponsorship and fund-raisings, corporate finance transactions, and secondary market fund-raising,

Asset Management

Due to the weak market sentiment, our Asset Under Management (AUM) for external customers fell around 28% by year-end compared to 2017. In 2019 we focus on defensive players and recruiting more new potential clients. Compared to global stock markets, HSI valuations are not demanding for long term investors; currently trading at around 10.5 x prospective PER, 1.22 x P/B and 3.4% prospective dividend yield. Amid this mixed investment environment, we expect slower revenue and AUM growth in 2019.

Wealth Management

Overall wealth management business achieved steady growth in 2018. We not only broadened our client base with more new clients, but also responded to various wealth management enquiries bringing new business from our existing clients. Our strategy in developing the B2C market is receiving positive feedback and our brand messaging – providing "fully-fledged wealth management services" - is reaching a wider market.

Apart from broadening our product offerings, we are also actively establishing local business development partnerships with various parties to capture the fast-growing wealth management market in Greater China. Pursuing these goals, we continue to strengthen our consultant team to provide customised wealth management solutions for our clients' asset preservation, allocation and appreciation.

Financial Technology (FinTech)

2018 was fruitful for CFSG in the FinTech arena. We led the market focusing on our 'Millennial Finance' business - aiming to bring a speedy, convenient and cost-effective investing experience to a new generation of millennial investors. On this course, we launched 'Alpha i' in June 2018 - a new 'first-of-its-kind' mobile application powered by Artificial Intelligence (A.I.), big data and cloud computing technologies.

In tandem, we adopted a 10G highway-ring connect providing an ultra-low latency network linked to the Hong Kong Stock Exchange for processing trade orders as fast as 0.8 milliseconds.

Bringing a new asset class to investors, we also introduced Weever Fintech, Hong Kong's first commission-free cryptocurrency trading platform, with value-added services of higher convenience and security - coming into official operation in November 2018.

We also instigated the Group's application procedure to the Hong Kong Monetary Authority ("HKMA") for a virtual banking licence. Despite the fact that we have not been shortlisted in the first round of the application, we will continue monitoring the market development and consider entering the virtual bank market again when opportunity arises.

With continued disruption of the financial services industry amid the advent of new and maturing technologies, we will continue integrating these with innovative products and services for clients. Plans for 2019 include providing them personalised news recommendations and more investment strategies through an A.I. advisory service on 'Alpha i'.

Outlook and Corporate Strategy

Looking ahead, the volatile external environment is bringing uncertainties to the market and challenges to the business environment. In 2019 we anticipate a more sceptical market, wary of a number of confounding factors in the global economy - from corporate and private debt levels to US-China trade talks, Brexit and the budgetary position of Italy.

On a positive note, the US Federal Reserve, recognising a global economic slowdown, became more “patient” over raising interest rates and ending reduction in asset holdings in late 2019.

Meanwhile China, despite a mild economic slowdown, continues to maintain relatively strong growth in a global context, while accelerating pace of reform in its structural and financial systems.

Notwithstanding the market volatility, Hong Kong’s financial services industry and related businesses are well-positioned to benefit from China’s visionary Belt-and-Road Initiative, economic integration in the Guangdong-Hong Kong-Macau Greater Bay Area, and continuing RMB internationalisation.

In particular, Hong Kong’s unique positioning in the Greater Bay Area as the international financial centre and global hub for Renminbi clearing and settlement enables professional services providers such as CFSG to offer unparalleled services and investment products to serve a combined population of some 70 million in the world’s largest bay area economy. Success in building a loyal and appreciative customer-base hinges on our ability to provide precise and moment-capturing investment information, tools and products.

Going forward, the landscape of financial market will continue to be changing rapidly and evolving towards digitalisation, mobilisation, automation and disintermediation. To continue sharpening our competitive edge, we are formulating our corporate plan towards this direction with an aim to becoming the trusted investment advisor of clients.

With our meticulous blend of human talent and advanced technologies, CFSG is already assembling a team of professional investment and wealth management advisors. We are also exploring further FinTech solutions to augment our AI-enabled Alpha i app, which is now providing a stable and reliable source of filtered and highly-relevant financial materials for clients to make informed investment decisions. The momentous development of EMD Candlesticks in Alpha i, that helps investors detect price trends with higher predictability, has already won the ‘Award of the Year in Start-up 2018’ in the prestigious ET Net FinTech awards; along with ‘Outstanding Big Data Application and Analytics Solution’ award. We believe these accolades enhance client recognition of and their stickiness for CFSG’s investment platform, scalable enough to further expand into a regional investment tool.

As Hong Kong’s innovation and technology initiatives also accelerate towards a ‘Smart City’, CFSG continues to ride the new technology wave in tandem - transforming from traditional brokerage into providing customer-centric, technology-driven wealth management services.

Our 2019 focus is enhancing our business platform and refining our operations in this exciting new direction. At the same time we will continue exercising prudent cost measures for sustainable growth in the coming years.

Our goal is to position CFSG as a leading Hong Kong-based investment advisory group in China - continuing to diversify our revenue mix through strengthening existing businesses, enriching product offerings and sourcing new income streams.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 183 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$75.6 million.

Benefits

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staff. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as language proficiency, products knowledge, operational techniques, security awareness, risk and compliance, quality management, graduate development, leadership transformation, and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/ comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, 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 2018, 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 2018 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 2018 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 2018, the Company bought back a total of 4,596,000 shares of HK$0.02 par value each in its own issued share capital on the Stock Exchange and such shares were then subsequently cancelled. The directors of the Company believe that such buy-backs would help enhancing the assets per share of the Company and would benefit the Company and the shareholders as a whole. Details of the buy-back of shares are summarised as follows:

Month/Year	Number of shares bought back	Buy-back price per share		Approximate aggregate consideration paid (excluding expenses)
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
September 2018	3,972,000	0.096	0.080	367,566
October 2018	528,000	0.085	0.064	38,496
November 2018	96,000	0.066	0.065	6,288
Total	4,596,000			412,350

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 22 March 2019

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

Executive directors:

Dr Kwan Pak Hoo Bankee, JP
Mr Chan Chi Ming Benson
Mr Law Ping Wah Bernard
Mr Cheung Wai Ching Anthony
Mr Kwan Teng Hin Jeffrey
Mr Ho Tsz Cheung Jack

Independent non-executive directors:

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

* *For identification purpose only*