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 2019

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 2019 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	(3)		
Fee and commission income		**82,916**	102,332
Interest income		**24,576**	21,113
Total revenue		**107,492**	123,445
Other income		**818**	83
Other gains (losses)		**3,649**	(55,989)
Salaries and related benefits		**(82,155)**	(75,594)
Commission expenses		**(23,798)**	(34,298)
Depreciation		**(23,654)**	(3,968)
Finance costs		**(6,644)**	(6,536)
Impairment net of reversal, losses under expected credit loss model		**3,211**	(6,245)
Impairment losses on property and equipment		**(20,000)**	-
Other expenses		**(76,253)**	(85,250)
Change in fair value of investment property		**444**	(118)
Loss before taxation		**(116,890)**	(144,470)
Income tax expense	(5)	**-**	-
Loss for the year		**(116,890)**	(144,470)

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value gain on financial assets at fair value through other comprehensive income ("FVTOCI")		**(2,328)**	1,056
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(184)**	(776)
Other comprehensive (expense) income for the year		**(2,512)**	280
Total comprehensive expense for the year		**(119,402)**	(144,190)
Loss attributable to:			
Owners of the Company		**(114,048)**	(144,132)
Non-controlling interests		**(2,842)**	(338)
		(116,890)	(144,470)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(116,560)**	(143,852)
Non-controlling interests		**(2,842)**	(338)
		(119,402)	(144,190)
Loss per share	(6)		
- Basic (HK cents)		**(2.30)**	(2.91)
- Diluted (HK cents)		**(2.30)**	(2.91)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December **2019** **HK$'000**	 2018 HK$'000
Non-current assets			
Property and equipment		**21,748**	9,246
Investment property		**17,094**	17,025
Intangible assets		**9,092**	9,092
Club debentures		**660**	660
Other assets		**6,401**	6,002
Rental and utility deposits		**2,764**	690
Financial assets at fair value through other comprehensive income		**39,512**	26,240
Loans receivable		**19,129**	-
		116,400	68,955
Current assets			
Accounts receivable	(7)	**308,999**	283,404
Contract assets		**1,760**	684
Contract costs		**2,444**	-
Loans receivable		**8,093**	1,576
Prepayments, deposits and other receivables		**6,659**	12,465
Financial assets at fair value through profit or loss ("FVTPL")		**101,357**	143,200
Bank deposits subject to conditions		**25,161**	25,127
Bank balances - trust and segregated accounts		**644,542**	837,705
Bank balances (general accounts) and cash		**288,192**	376,831
		1,387,207	1,680,992
Current liabilities			
Accounts payable	(8)	**794,220**	986,497
Contract liabilities		**4,330**	2,260
Accrued liabilities and other payables		**20,570**	25,906
Taxation payable		**3,000**	3,000
Lease liabilities		**9,085**	-
Bank borrowings - amount due within one year		**149,090**	102,539
Amounts due to related companies		**198**	1,904
		980,493	1,122,106
Net current assets		**406,714**	558,886
Total assets less current liabilities		**523,114**	627,841

	At 31 December	
	2019	2018
	HK$'000	HK$'000
Non-current liabilities		
Deferred tax liabilities	**40**	40
Lease liability	**17,836**	-
Bank borrowings - amount due after one year	**307**	3,892
Provision of restoration	**1,133**	-
	19,316	3,932
Net assets	**503,798**	623,909
Capital and reserves		
Share capital	**99,115**	99,115
Reserves	**396,182**	513,451
Equity attributable to owners of the Company	**495,297**	612,566
Non-controlling interests	**8,501**	11,343
Total equity	**503,798**	623,909

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 note (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 2018.

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 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 in the current year:

HKFRS 16	Lease
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

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

HKFRS 16 "Leases"

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

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$19.3 million and right-of-use assets of HK$18.9 million at 1 January 2019. The current lease liabilities were HK$16.5 million and non-current lease liabilities were HK$2.8 million at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 4% to 4.125%.

The Group has not early adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

(3) Revenue

Fee and commission income

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

Interest income

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

(4) Segment information

The Group is principally engaged in the following activities:

- provision of online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund 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.

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 measurement of segment assets and results, right-of-use assets are not allocated to segments while their corresponding depreciation and impairment losses are included in segment results.

For the year ended 31 December 2019

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

For the year ended 31 December 2018

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

All the segment revenue is derived from external customers.

Segment assets and liabilities

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

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

As at 31 December 2019

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

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

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

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

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

(5) Income tax expense

	2019	2018
	HK$'000	HK$'000
Current tax	-	-

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 ("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:

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

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

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

(7) Accounts receivable

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

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 life insurance, mutual funds and mandatory provident fund 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:

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

(8) Accounts payable

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

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

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

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

Accounts payable amounting to HK$644,542,000 (2018: HK$837,705,000) are payable to external clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

(9) Capital commitment

On 20 December 2019, a wholly-owned subsidiary of the Company entered into the letter of commitment and the partnership agreement with the Beijing Eagles Investment Fund Management Company Limited in relation to the subscription of limited partner interests in the Wuhan Eagles Innovation Investment Centre, L.P. ("Fund") with a capital commitment of RMB10,000,000 (equivalent to approximately HK$11,100,000). In January 2020, the Group made a payment in the amount of RMB5,000,000 (equivalent to approximately HK$5,550,000) in the Fund and the remaining balance was expected to be paid on or before the end of March 2020 in accordance with the terms of the letter of commitment.

(10) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings and lease liabilities, and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and other reserves. 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.

(11) Events after the reporting period

Since January 2020, the outbreak of Novel Coronavirus ("Covid-19") has impacted the global business environment, series of precautionary and control measures have been implemented globally. Travel between countries has been severely restricted and the annual economic forecasts in terms of GDP for countries worldwide have been downward adjusted significantly. The outlook for the Hong Kong and the global economy and financial market remain uncertain and subject to both systematic and systemic risks. The Group had implemented home office arrangement to the greatest extent preserve health of staff and sustainability of business operation and also executed a salary saving scheme from February to June 2020 to minimise operating costs. As at 20 March 2020, the income from broking services after the reporting period has not been significantly impacted by the outbreak of Covid-19. The global stock markets have been extremely volatile since the outbreak of Covid-19. Most market indexes had dropped to a historical low level, which may have negative effect on the Group's investment portfolio and margin book. Our risk control team had carried out a set of predefined measures and procedures to minimise the downside risk. Furthermore, even though the investment results from the proprietary trading were not in satisfactory performance, the results fared better than the broad Hong Kong market performance.

The management will continue to monitor the development of Covid-19 and react actively to its impact on the financial position and operating results of the Group. Given the dynamic nature of these circumstances, management considers that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue. The related financial effects, if any, will be reflected in the Group's 2020 financial statements.

DIVIDEND

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

REVIEW AND OUTLOOK

Financial Review

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

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

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

Liquidity and Financial Resources

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

As at 31 December 2019, the Group had total outstanding bank borrowings of approximately HK$149.4 million, which were solely bank loans. Bank borrowings of HK$98.0 million were collateralised by its margin clients' securities pledged to the Group and a bank loan of HK$51.4 million was secured by a pledged Hong Kong dollar deposit of HK$25.2 million. All of the Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR or Hong Kong Prime Rate.

As at 31 December 2019, our cash and bank balances including the trust and segregated accounts had slightly decreased to HK$957.9 million from HK$1,239.7 million as at 31 December 2018.

The Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK$225.2 million and HK$88.2 million as at 31 December 2019 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

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

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

Foreign Exchange Risks

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

Material Acquisitions and Disposals

Upon implementation of HKFRS 16 effective from 1 January 2019, the Group if entering into lease transaction as a lessee should recognise the right-of-use asset and will be regarded as an acquisition of asset under the Listing Rules. During the year, the Group as tenant entered into new lease dated 23 May 2019 regarding the lease for the premises at "22nd Floor, Manhattan Place, Kowloon Bay" for 3 years and 5 months from 15 July 2019 to 14 December 2022 at an aggregate consideration of approximately HK$24.9 million for use as office premises of the Group. The above lease transaction constituted a discloseable transaction of the Company, and details of the transaction were disclosed in the announcement of the Company dated 23 May 2019.

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

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

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

Save as disclosed in note (11) above, there is no important event affecting the Group which has occurred since the end of the financial year.

Capital Commitments

Save as disclosed in note (9) above, the Group did not have any other material outstanding capital commitments at the end of the year.

Material Investments

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

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

Financial and Operation highlights

Revenue

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

Key Financial Metrics

	2019	2018	% change
Net loss (HK$'m)	**(116.9)**	(144.5)	19.1%
Loss per share (HK cents)	**(2.30)**	(2.91)	21.0%
Total assets (HK$'m)	**1,503.6**	1,749.9	(14.1%)
Cash on hand (HK$'m)	**313.4**	402.0	(22.0%)
Bank borrowings (HK$'m)	**149.4**	106.4	40.4%
Annualised average fee income from broking per active client (HK$'000)	**5.0**	6.8	(26.5%)

Industry and Business Review

Industry Review

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

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

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

But overall, investment sentiment in 2019 was subdued, with the Hang Seng Index closing at 28,189.8 at year-end and average daily turnover dropping by 18.86%.

Business Review

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

Despite an active IPO market led by the launch of several mega-IPOs, high bank financing costs dampened our overall margin financing business, leading to a moderate drop of 6% in interest income.

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

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

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

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

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

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

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

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

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

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

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

EMPLOYEE INFORMATION

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

Benefits

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

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as language proficiency, products knowledge, operational techniques, security awareness, risk and compliance, graduate development, leadership transformation, and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the 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 2019, 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 2019 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 2019 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 2019, 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, 20 March 2020

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 Cheung Wai Ching Anthony
Mr Li Shing Wai Lewis
Mr Kwan Teng Hin Jeffrey

Independent non-executive directors:

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

* *For identification purpose onlys*