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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The unaudited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the six months ended 30 June 2019 together with the comparative figures for the last corresponding period are as follows:

		Unaudited Six months ended 30 June	
		2019	2018
	Notes	**HK$'000**	HK$'000
Revenue	(3)		
Fee and commission income		**57,981**	72,156
Interest income		**3,544**	2,775
Total revenue		**61,525**	74,931
Other income		**2,157**	931
Salaries, commission and related benefits		**(59,122)**	(55,862)
Depreciation of property and equipment and right-of-use assets		**(11,051)**	(2,130)
Finance costs		**(2,814)**	(3,897)
Other operating and administrative expenses		**(28,425)**	(40,434)
Provision for bad debts		**-**	(1,006)
Other gains (losses)		**10,712**	(24,715)
Loss before taxation		**(27,018)**	(52,182)
Income tax expense	(5)	**-**	(5)
Loss for the period		**(27,018)**	(52,187)

	Note	Unaudited Six months ended 30 June **2019** **HK$'000**	 2018 HK$'000
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**-**	666
Other comprehensive income for the period		**-**	666
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(26,479)**	(51,521)
Non-controlling interests		**(539)**	-
		(27,018)	(51,521)
Loss per share	(6)		
- Basic (HK cents)		**(0.6)**	(1.1)
- Diluted (HK cents)		**(0.6)**	(1.1)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 (Unaudited) HK$'000**	31 December 2018 (Audited) HK$'000
Non-current assets			
Property and equipment		**8,574**	9,246
Right-of-use assets		**12,003**	-
Investment properties		**17,025**	17,025
Intangible assets		**9,092**	9,092
Club debentures		**660**	660
Other assets		**8,278**	6,002
Rental and utility deposits		**304**	690
Financial assets at fair value through other comprehensive income		**26,237**	26,240
		82,173	68,955
Current assets			
Accounts receivable	(7)	**347,358**	283,404
Contract assets		**2,206**	684
Loans receivable		**32,838**	1,576
Prepayments, deposits and other receivables		**21,216**	12,465
Financial assets at fair value through profit or loss		**168,893**	143,200
Bank deposits subject to conditions		**25,127**	25,127
Bank balances - trust and segregated accounts		**816,565**	837,705
Bank balances (general accounts) and cash		**139,061**	376,831
		1,553,264	1,680,992
Current liabilities			
Accounts payable	(8)	**907,666**	986,497
Contract liabilities		**3,327**	2,260
Accrued liabilities and other payables		**8,033**	25,906
Taxation payable		**3,000**	3,000
Lease liabilities		**9,170**	-
Bank borrowings - amount due within one year		**101,119**	102,539
Amount due to fellow subsidiaries		**-**	1,904
		1,032,315	1,122,106
Net current assets		**520,949**	558,886
Total assets less current liabilities		**603,122**	627,841

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Non-current liabilities		
Deferred tax liabilities	**40**	40
Lease liability	**3,355**	-
Bank borrowings - amount due after one year	**3,497**	3,892
	6,892	3,932
Net assets	**596,230**	623,909
Capital and reserves		
Share capital	**99,115**	99,115
Reserves	**486,311**	513,451
Equity attributable to owners of the Company	**585,426**	612,566
Non-controlling interests	**10,804**	11,343
Total equity	**596,230**	623,909

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
Six months ended 30 June 2019

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

Unaudited
Six months ended 30 June 2018

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	99,207	604,862	117,788	(548)	(92,281)	729,028	-	729,028
Adjustment on adoption of HKFRS9	-	-	-	-	(2,100)	(2,100)	-	(2,100)
Loss for the period	-	-	-	-	(52,187)	(52,187)	-	(52,187)
Exchange differences arising on translation of foreign operations	-	-	-	666	-	666	-	666
Other comprehensive income for the period (net of tax)	-	-	-	666	-	666	-	666
Total comprehensive income (expense) for the period	-	-	-	666	(54,287)	(53,621)	-	(53,621)
Issue of ordinary shares by a subsidiary	-	-	-	-	-	-	1,965	1,965
At 30 June 2018	99,207	604,862	117,788	118	(146,568)	675,407	1,965	677,372

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Net cash used in operating activities	**(210,265)**	(202,772)
Net cash used in investing activities	**(25,690)**	(1,059)
Net cash (used in) generated from financing activities	**(1,815)**	74,686
Net decrease in cash and cash equivalents	**(237,770)**	(129,145)
Cash and cash equivalents at beginning of period	**376,831**	270,658
Cash and cash equivalents at end of period	**139,061**	141,513
Bank balances (general accounts) and cash	**139,061**	141,513

Notes:

(1) Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the unaudited consolidated accounts include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("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 2018.

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

(2) Application of new and amendments to HKFRSs

<u>New and amendments to HKFRSs that are mandatorily effective for the current period</u>

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

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

Except as described below, the application of the above amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior period 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 interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after 1 January 2019, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Transition and summary of effects arising from initial application of HKFRS 16

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 standards 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. Any difference at the date of initial application is recognised in the opening retained profits 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. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

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;

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$19,626,000 and right-of-use assets of HK$18,965,000 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 weighted average lessee's incremental borrowing rate applied is 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

	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Types of services		
Broking services	**44,497**	51,677
Investment banking services	**7,536**	4,580
Wealth management services	**2,608**	5,775
Asset management services	**479**	6,823
Handling and other services	**2,861**	3,301
Total	**57,981**	72,156

Interest income

	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Interest income arising from financial assets at amortised cost	**3,544**	2,775

(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 segments

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 period, proprietary trading previously included under financial services segment is separately assessed by the CODM and considered as a new operating and reportable segment. Prior period 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 profit (loss) represents the profit (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 six months ended 30 June 2019

	Financial services HK$'000	**Proprietary trading HK$'000**	**Total HK$'000**
Revenue	**57,981**	**3,544**	**61,525**
RESULT			
Segment profit	**341**	**10,155**	**10,496**
Unallocated expenses			**(37,514)**
Loss before taxation			**(27,018)**

For the six months ended 30 June 2018

	Financial services HK$'000	Proprietary trading HK$'000	Total HK$'000
Revenue	72,156	2,775	74,931
RESULT			
Segment loss	(9,347)	(25,495)	(34,842)
Unallocated expenses			(17,340)
Loss before taxation			(52,182)

All the segment revenue is derived from external customers.

(5) Income tax expense

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current tax:		
- Hong Kong Profits Tax	**-**	-
- PRC Profits Tax	**-**	(5)
Deferred tax	**-**	-
	-	(5)

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 six months ended 30 June 2019 is based on the following data:

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	**(27,018)**	(52,187)

	Unaudited Six months ended 30 June	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,955,764,000**	4,960,360,000

For the periods ended 30 June 2019 and 30 June 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

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**148,509**	22,401
Cash clients	**1,855**	26,648
	150,364	49,049
Accounts receivable arising from the business of margin financing:	**175,852**	151,127
Less: allowance for impairment	**(21,457)**	(21,457)
	154,395	129,670
Accounts receivable arising from the business of dealing in futures and options:		
Cash clients	**9**	53
Clearing houses, brokers and dealers	**41,096**	104,218
	41,105	104,271
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**269**	274
Accounts receivable arising from the provision of investment banking services	**1,225**	140
	347,358	283,404

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

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

Included in accounts receivable from margin clients arising from the business of dealing in securities are amounts due from certain related parties, details of which are as follows:

Name	Balance at 1 January 2019 HK$'000	Balance at 30 June 2019 HK$'000	Maximum amount outstanding during the period HK$'000	Market value of pledged securities at fair value at 30 June 2019 HK$'000
Directors of the Company				
Dr Kwan Pak Hoo Bankee	-	-	199	-
Mr Kwan Teng Hin Jeffrey	-	-	273	-
Mr Ho Tsz Cheung Jack	-	-	226	-

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

(8) Accounts payable

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses and brokers	**35,573**	21,768
Cash clients	**535,498**	617,180
Margin clients	**188,081**	152,601
Accounts payable to clients arising from the business of dealing in futures and options	**148,514**	194,948
	907,666	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$816,565,000 (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) Related party transactions

In addition to the transactions and balances detailed in note (7), the Group had the following transactions with related parties:

	Notes	Unaudited Six months ended 30 June **2019** **HK$'000**	 2018 HK$'000
Management fee paid to CASH	(a)	**1,380**	-
Commission and interest income received from the following directors of the Company			
Dr Kwan Pak Hoo Bankee		**66**	46
Mr Chan Chi Ming Benson		**1**	9
Mr Cheung Wai Ching Anthony		**-**	26
Mr Kwan Teng Hin Jeffrey		**6**	7
Mr Ho Tsz Cheung Jack		**61**	7
Mr Law Ping Wah Bernard	(b)	**59**	6
		193	101

Notes:

(a) Amount represented the management fee paid to a company with significant influence over the Company.

(b) Mr Law Ping Wah Bernard resigned as executive director of the Company with effect from 1 July 2019 (subsequent to the reporting period).

(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 equity attributable to owners of the Company which comprises issued share capital, accumulated losses and other reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the issue of new shares and share options as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the period.

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

DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2019 (2018: nil).

REVIEW AND OUTLOOK

Financial Review

For the six months ended 30 June 2019, the Group recorded revenue of HK$61.5 million, representing a decrease of 17.9% as compared with HK$74.9 million for the same corresponding period last year.

Trading in the Hong Kong securities market continued to languish in the first half of 2019, the Hang Seng Index only reached to 28,542.62 at the end of June 2019 whereas the Index was above 30,000 most of the time during last corresponding period. Investor sentiment had been fragile since the Trump administration to use trade barriers as a tool of foreign policy, Brexit and others geopolitical tensions have heightened macro uncertainty, leading to a wider range of potential economic and market outcomes ahead. Consequently, more rate cuts by the Federal Reserve are expected in the second half of the year and other central banks will likely to follow suit, and the reduction of the Quantitative Tightening as well as the expected further economic stimulus taken by the Chinese government would potentially indicate that economic growth is slower than predicted, this may cause investors to take a more defensive investing stance and gave extra downside risk to the stock markets in the second half of the year. Affected by the overall investor sentiment the average daily trading volume of the Hong Kong stock market for the period under review recorded a significant decrease over the corresponding period 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 huge investment and trading losses during this deteriorating financial environment, as a result the Group's brokerage income recorded a decrease of 13.9% for the first half of the year. On the other hand, the Group's asset management business, owing to the poorer market sentiments and uncertain economic outlook compared with the first half of 2018, had recorded a drop in revenue compared with the last corresponding period. Notwithstanding the market doldrums, the Group's investment banking team had secured a number of sponsor, advisory and placing contracts and achieved a good revenue growth in the first half of this year. Furthermore, owing to the upside momentum of the Hong Kong stock market in the second quarter, the Group recorded a net gain of HK$10.2 million on its portfolio of investment securities held for trading for in the period under review.

Overall, the Group recorded a net loss of HK$27.0 million for the six months ended 30 June 2019 as compared to a net loss of HK$52.2 million in the same period last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$596.2 million as at 30 June 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 period under review.

As at 30 June 2019, the Group had total outstanding bank borrowings of approximately HK$104.6 million, which were solely bank loans. 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$5.6 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 30 June 2019, our cash and bank balances including the trust and segregated accounts had decreased to HK$980.8 million from HK$1,239.7 million as at 31 December 2018. The decrease in cash and bank balances was mainly due to the reported loss, an increase in receivables and a decrease in payables for the period under review.

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$88.2 million and HK$76.0 million as at 30 June 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 30 June 2019 maintained at 1.50 times as at 31 December 2018. The gearing ratio as at 30 June 2019, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, slightly increased to 17.5% from 17.1% as at 31 December 2018. The increase in gearing ratio was mainly due to the net loss reported for the period under review. On the other hand, we have no material contingent liabilities at the end of the period.

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

Foreign Exchange Risks

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

Material Acquisitions and Disposals

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 period, 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, subsequent to the reporting period, 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.

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

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

Fund Raising Activities

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

Capital Commitments

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

Material Investments

As at 30 June 2019, the market values of a portfolio of investments held for trading amounted to approximately HK$168.9 million. A net gain on investments held for trading of HK$10.2 million was recorded for the period.

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

Financial and Operational highlights

Revenue

(HK$'m)	Unaudited Six months ended 30 June **2019**	2018	% change
Broking income	**44.5**	51.7	(13.9%)
Non broking income	**13.5**	20.4	(33.8%)
Bond interest income	**3.5**	2.8	25.0%
Group total	**61.5**	74.9	(17.9%)

Key Financial Metrics

	Unaudited Six months ended 30 June **2019**	2018	% change
Net loss (HK$'m)	**(27.0)**	(52.2)	(48.3%)
Loss per share (HK cents)	**(0.6)**	(1.1)	(45.5%)
Total assets (HK$'m)	**1,635.4**	1,941.3	(15.8%)
Cash on hand (HK$'m)	**112.5**	166.6	(32.5%)
Bank borrowings (HK$'m)	**104.6**	207.1	(49.5%)
Annualised average fee income from broking per active client (HK$'000)	**8.4**	9.2	(8.7%)

Industry and Business Review

Industry Review

In the first half of 2019, international trade disputes extending to currency and technology wars remained the single largest source of global downside risk. Coupled with unresolved Brexit and heightened geopolitical risks, global growth outlook for the second half was downgraded.

In the US, the economy is slowing, dragged down by trade tensions and weak overseas growth. Preliminary data shows that GDP rose at year-on-year 2.1% in the second quarter - significantly lower than the 3.1% in the first quarter, and falling far short of the 3% target that President Trump promised. All of these signals indicate that decade-long economic expansion is on the verge of stalling.

The ongoing trade dispute between China and the US also weighs on the mainland China and Hong Kong economies. In China, despite a slowdown, the economy remained resilient with GDP growing solidly at 6.3% in the first half of 2019, which was still within the growth target. In Hong Kong, the economy was also hard-hit by the China-US trade war and the uncertain external environment, creating much market volatility. The Hang Seng index (HSI) closed at 25,130.35 on the first trading day of 2019 and reached its 30,157.49 high in April, ending the first half of 2019 at 28,542.62, a minor 1.4% drop over a year earlier, with a 24% decrease in average daily market turnover.

Business Review

During the period, we remain focused on the key importance of preserving our financial strength in the face of challenging global and local economic times - consistently maintaining cost-conscious leadership and retaining our capital strength. Due to the poor market environment, we took several cost rationalisation measures, including reducing headcount and planning for moving to a new office location in up-and-coming East Kowloon district where the rental is much cheaper. Rationalisation was inevitable and necessary for the Group to weather prevailing market conditions and forthcoming challenges.

Against the current economic backdrop, the Hong Kong stock market will likely face a period of uncertainty, with high market volatility and extremely keen competition. It is expected that retail investors will divest their stock holdings into other wealth management tools, cautious to preserve their capital and avoid undue market risk.

As the broking industry landscape changes, worsened by recent regulatory and market changes, it is imperative that we seek to revamp our business model, to achieve the agility essential to prevail in the currently austere market environment. As such, apart from maintaining a highly robust and cost-effective operating structure, among other rationalisation moves, we will constrain our resources in the brokerage business, which is forecast to be lacklustre amid the global uncertainty.

While seeking to become leaner, we will also continue our strategy of developing comprehensive and diversifying financial services to reduce reliance on brokerage income.

Under the framework agreement of development of the Greater Bay Area, more cross-boundary transactions of investment products and financial services are expected. This opens new horizons, bringing new momentum for sustainable development of the financial services industry. After months of careful study and detailed assessment, CFSG is determined to develop its foothold in the "Greater Bay Area", augmenting O2O (integration of online and offline) wealth management solutions, recruiting sales professionals and broadening our domestic and international financial product offerings.

During the second half, as a first move, we will focus on building a new wealth management platform, integrating various financial products and services into a single platform. This "All-in-One" solution aims to address the wide range of financial needs of both millennial investors and the Greater Bay Area market.

In the first half of 2019, our investment banking division continued to advise listed companies on a range of corporate finance transactions, including acquisition and disposals of assets, M&As and various connected transactions. We also continued working in our capacity as sponsor relating to a number of IPO applications and placing activities.

Our Asset Under Management (AUM) for clients rose around 10.62% by the end of the first half of 2019 compared with the end of December 2018, which was in line with market performance. We focus on leading blue chips with high visible outlook for our clients and will acquire more new potential clients. The HSI is currently trading at around 10.2x prospective PER, 1.22x P/B and 3.4% prospective dividend yield. Compared with historic track record, the index valuation is not demanding for long-term investors. For the remainder of this year, we expect our revenue and AUM to perform in line with the market.

Outlook

Economic growth in both the U.S and Eurozone slowed with dramatic swings in the second quarter of 2019. Against this backdrop of subdued global growth, various countries are easing monetary policies to support their economies. Yet still, the global economic outlook continues to lack clarity. Over the past few months, China and the U.S have been swaying between trade wars and fragile truces, making an eventual resolution to remove tariffs on both sides seem far-off.

In the middle of this unsettled issue, Hong Kong's economy will inevitably be dragged down. Coupled with the tendency of global central banks to boost the fragile economic growth with monetary stimulus measures, and the unprecedented local social unrest in Hong Kong that hard hit almost every sector in the city, economic outlook for the latter half of 2019 may look gloomier than expected.

Despite current market volatility, Hong Kong's financial services and related industries are well-positioned to contribute to Greater China's visionary "Greater Bay Area" economic integration, global "Belt-and-Road" initiative and continuing Renminbi (RMB) internationalisation. Against this encouraging long-term backdrop, CFSG is cautiously formulating business planning towards these strategic directions. Despite the fact that it takes time and resources to build up sales momentum, we are confident that our experience in the international financial market provides strong foundation for future development.

EMPLOYEE INFORMATION

As at 30 June 2019, the Group had 165 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the period under review was HK$40.7 million.

Benefits

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

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as language proficiency, products knowledge, operational techniques, security awareness, risk and compliance, 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2019, the interests or short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

The Company

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

Name	Capacity	Personal *(Number of shares)*	Corporate Interest *(Number of shares)*	Shareholding (%)
Kwan Pak Hoo Bankee	Interest in a controlled corporation	-	1,667,821,069*	33.65
Chan Chi Ming Benson	Beneficial owner	10,924,000	-	0.22
Lo Kwok Hung John	Beneficial owner	1,255,500	-	0.02
		12,179,500	1,667,821,069	33.89

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

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

					Number of options			
Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2019	granted during the period (Notes (4)&(5))	outstanding as at 30 June 2019	Percentage to issued shares as at 30 June 2019 (%)
Kwan Pak Hoo Bankee	03/12/2015	03/12/2015 - 31/12/2019	0.315	(1)	40,000,000	-	40,000,000	0.80
	31/08/2017	01/01/2018 - 31/12/2020	0.253	(2)	49,000,000	-	49,000,000	0.98
	29/03/2019	01/05/2019 - 30/04/2022	0.071	(3)	-	48,000,000	48,000,000	0.96
Chan Chi Ming Benson	31/08/2017	01/01/2018 - 31/12/2020	0.253	(2)	49,000,000	-	49,000,000	0.98
	29/03/2019	01/05/2019 - 30/04/2022	0.071	(3)	-	48,000,000	48,000,000	0.96
Cheung Wai Ching Anthony	31/08/2017	01/01/2018 - 31/12/2020	0.253	(2)	24,000,000	-	24,000,000	0.48
	29/03/2019	01/05/2019 - 30/04/2022	0.071	(3)	-	24,000,000	24,000,000	0.48
Kwan Teng Hin Jeffrey	03/12/2015	03/12/2015 - 31/12/2019	0.315	(1)	40,000,000	-	40,000,000	0.80
	31/08/2017	01/01/2018 - 31/12/2020	0.253	(2)	24,000,000	-	24,000,000	0.48
	29/03/2019	01/05/2019 - 30/04/2022	0.071	(3)	-	48,000,000	48,000,000	0.96
Ho Tsz Cheung Jack	03/12/2015	03/12/2015 - 31/12/2019	0.315	(1)	2,000,000	-	2,000,000	0.04
	31/08/2017	01/01/2018 - 31/12/2020	0.253	(2)	24,000,000	-	24,000,000	0.48
	29/03/2019	01/05/2019 - 30/04/2022	0.071	(3)	-	24,000,000	24,000,000	0.48
Law Ping Wah Bernard	03/12/2015	03/12/2015 - 31/12/2019	0.315	(1)	40,000,000	-	40,000,000	0.80
(Note (6))	31/08/2017	01/01/2018 - 31/12/2020	0.253	(2)	49,000,000	-	49,000,000	0.98
	29/03/2019	01/05/2019 - 30/04/2022	0.071	(3)	-	48,000,000	48,000,000	0.96
					341,000,000	240,000,000	581,000,000	11.62

Notes:

(1) The options are vested in 4 tranches as to 25% each exercisable from 3 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively, and is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the board of directors of the Company. The options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(2) The options are subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the chairman of the board and/or the board determined at their sole discretion. The options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(3) The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively, and is subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the chairman of the board and/or the board determined at their sole discretion. Any option that is not vested before the expiry date of each tranche period shall lapse automatically. The options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(4) The closing price of the share immediately before the date of grant of options on 29 March 2019 was HK$0.066.

(5) The value of the options granted during the period ended 30 June 2019 was zero as the performance targets set for the options had not been achieved by the end of the period under review.

(6) Mr Law Ping Wah Bernard resigned as executive director of the Company with effect from 1 July 2019 (subsequent to the reporting period).

(7) No option was exercised, cancelled or lapsed during the period.

(8) The options were held by the directors of the Company in the capacity of beneficial owners.

Save as disclosed above, as at 30 June 2019, none of the directors, chief executive or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

The new share option scheme ("New Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 8 June 2018 to replace the old share option scheme ("Old Share Option Scheme") dated 22 February 2008. The options granted under the Old Share Option Scheme before expiry and remained outstanding shall continue to be valid and exercisable in accordance with the terms of the options.

Details of share options to subscribe for shares in the Company granted to participants under the New Share Option Scheme and the Old Share Option Scheme during the six months ended 30 June 2019 were as follows:

					Number of options			
Name of scheme	**Date of grant**	**Exercise period**	**Exercise price per share** (HK$)	**Notes**	**outstanding as at 1 January 2019**	**lapsed during the period** (Notes (6))	**granted during the period** (Notes (7)&(8))	**outstanding as at 30 June 2019**
Directors								
The Old Share Option Scheme								
	03/12/2015	03/12/2015 - 31/12/2019	0.315	(1)	122,000,000	-	-	122,000,000
	31/08/2017	01/01/2018 - 31/12/2020	0.253	(1)	219,000,000	-	-	219,000,000
The New Share Option Scheme								
	29/03/2019	01/05/2019 - 30/04/2022	0.071	(1)	-	-	240,000,000	240,000,000
					341,000,000	-	240,000,000	581,000,000
Employees and other grantees								
The Old Share Option Scheme								
	03/12/2015	03/12/2015 - 31/12/2019	0.315	(2)&(3)	58,000,000	(4,000,000)	-	54,000,000
	31/08/2017	01/01/2018 - 31/12/2020	0.253	(4)	194,400,000	-	-	194,400,000
The New Share Option Scheme								
	29/03/2019	01/05/2019 - 30/04/2022	0.071	(5)	-	-	200,000,000	200,000,000
	04/06/2019	04/06/2019 - 03/06/2022	0.052	(4)	-	-	56,000,000	56,000,000
					252,400,000	(4,000,000)	256,000,000	504,400,000
					593,400,000	(4,000,000)	496,000,000	1,085,400,000

Notes:

(1) Details of the options granted to the directors are set out in the section headed "directors' interests in securities" above.

(2) The options are vested in 4 tranches as to 25% each exercisable from 3 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively and is subject to vesting conditions as set out in (3) below.

(3) The vesting of the options is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the board and the options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(4) The vesting of the options is subject to the satisfactory delivery of services to members of the Group as approved by the Chairman of the board and/or the board determined at their sole discretion. The options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(5) The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively, and is subject to the achievement of agreed milestones/performance indicators and/or business budget plan for the relevant year during the option period as approved by the chairman of the board and/or the board determined at their sole discretion. Any option that is not vested before the expiry date of each tranche period shall lapse automatically. The options must be exercised within one month from the date on which the board's approval of the vesting of the options.

(6) The lapsed options were due to cessation of employment of participants with members of the Group.

(7) The closing price of the share immediately before the date of grant of options on 29 March 2019 and 4 June 2019 respectively were HK$0.066 and HK$0.053.

(8) The value of the options granted during the period ended 30 June 2019 was zero as the performance targets set for the options had not been achieved by the end of the period under review.

(9) No option was exercised or cancelled during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, so far as is known to the directors and chief executive of the Company, the persons/companies (other than a director or chief executive of the Company) who had, or were deemed or taken to have an interest or short positions in the shares or underlying shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Hobart Assets Limited *(Note (1))*	Interest in a controlled corporation	1,667,821,069	33.65
Cash Guardian Limited *(Note (1))*	Interest in a controlled corporation	1,667,821,069	33.65
CASH *(Note (1))*	Interest in a controlled corporation	1,667,821,069	33.65
Praise Joy Limited *(Note (1))*	Interest in a controlled corporation	1,667,821,069	33.65
CIGL *(Note (1))*	Beneficial owner	1,667,821,069	33.65
Ever Billion Group Limited (“Ever Billion”) *(Note (2))*	Beneficial owner	826,000,000	16.66

Notes:

(1) This refers to the same number of 1,667,821,069 shares held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the substantial shareholder of the Company)). CASH was owned as to a total of approximately 34.41% by Dr Kwan, being approximately 33.90% by Cash Guardian Limited (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan) and approximately 0.51% by Dr Kwan in his personal name. Pursuant to the SFO, Dr Kwan, Hobart Assets Limited and Cash Guardian Limited were deemed to be interested in all the shares held by CIGL through CASH. The above interest has already been disclosed as corporate interest of Dr Kwan in the section headed “Directors’ interests in securities” above.

(2) Ever Billion is a wholly-owned subsidiary of Sunbase International (Holdings) Limited, which is in turn owned as to 66.67% by Mr Gao Gunter and 33.33% by Ms Yang Linda. Pursuant to the SFO, Mr Gao Gunter, Ms Yang Linda and Sunbase International (Holdings) Limited were deemed to be interested in all these shares held by Ever Billion.

Save as disclosed above, as at 30 June 2019, the directors and chief executive of the Company were not aware of any other parties or corporation (other than a director or chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in the shares or underlying shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

CORPORATE GOVERNANCE

During the accounting period from 1 January 2019 to 30 June 2019, the Company had duly complied with the code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, except for the deviation 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.

COMPLIANCE WITH THE MODEL CODE

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

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

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

REVIEW OF RESULTS

The Group's unaudited consolidated results for the six months ended 30 June 2019 have not been reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 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, 23 August 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 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 purposes only*