AT THE FOREFRONT OF FINTECH

時富金融 CFSG

ANNUAL REPORT

CASH Financial Services Group Limited
(Stock code: 510)

2016

Contents

Company Profile

COMPANY PROFILE

CASH Financial Services Group Limited ("CFSG", stock code: 510) is a leading financial services conglomerate in Hong Kong. Established in 1972, CFSG provides a comprehensive range of financial products and quality investment services that include mobile and premium trading, investment banking and corporate finance advisory, wealth and asset management, FinTech platform, etc, for the versatile investment and wealth management needs of our broad-based clients.

As a leading technology-focused financial services provider, coupled with our professional talents, CFSG is committed to operating the state-of-the-art internet finance trading platform to meet the investment needs of clients in today's borderless world. In 1998, CFSG was the first in Hong Kong to develop and launch investment trading via the Internet, demonstrating our innovation and dedication to integrating technology into daily life. As technologies advance, CFSG is dedicated to enhancing the trading experience of our clients. We further developed the mobile trading services by introducing various stock and futures trading apps on iPhone, iPad and Android operating systems, enabling institutional, corporate, commercial and individual clients to obtain instant market information while at the same time trade anytime, anywhere, and borderless.

Our mission is to be a "Total Caring Organisation": creating values for stakeholders, delivering superior shareholder returns, caring for employees' welfare, being a trusted partner to clients we serve and a responsible corporate citizen in the communities and environment we operate.

Leveraging our advanced electronic trading platform, CFSG has developed an extensive distribution network to reach our institutional, corporate and individual clients across China. Along with our headquarters in Hong Kong, we have established a Mainland head office in Shanghai, with offices strategically located in other provinces.

Known for our innovation and quality services, CFSG has been widely recognised in the industry. In 2008, CFSG was the first organisation in Hong Kong to obtain the stringent ISO 9001:2008 certification, with zero non-conformity. Other accolades include a Top Service Brand award from the Hong Kong Brand Development Council, Internet Finance Bronze Award from Internet Professional Association, Distinguished Salespersons Awards from the Hong Kong Management Association, a Certificate of Merit of the Hong Kong Awards for Industries in Technological Achievement from the Hong Kong Productivity Council, a Certificate of Merit of the Hong Kong Awards for Industries in Innovation and Creativity from the Hong Kong General Chamber of Commerce, a Wastewi$e Certificate (Excellence Level) from Environmental Campaign Committee, a Certificate of Merit in the Best Brand Enterprise Award from the Hong Kong Productivity Council, etc.

For further information, please visit www.cashon-line.com.

Corporate Information

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	(Chairman)
LAW Ping Wah Bernard	(CFO)
CHENG Pui Lai Majone	(CEO)
HO Tsz Cheung Jack	

Independent Non-executive:

CHENG Shu Shing Raymond
LO Kwok Hung John
LO Ming Chi Charles

AUDIT COMMITTEE

CHENG Shu Shing Raymond (committee chairman)
LO Kwok Hung John
LO Ming Chi Charles

REMUNERATION COMMITTEE

CHENG Shu Shing Raymond (committee chairman)
LO Ming Chi Charles
KWAN Pak Hoo Bankee

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, *FCIS, FCS*

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee (alternate: LAW Ping Wah Bernard)
CHENG Pui Lai Majone (alternate: LUKE Wing Sheung Suzanne)

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
OCBC Wing Hang Bank, Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hong Kong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.cashon-line.com

STOCK CODE ON MAIN BOARD

510

CONTACTS

Telephone	:	(852) 2287 8788
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Financial Review

FINANCIAL REVIEW

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

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

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

Liquidity and Financial Resources

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

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

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

The Group derives its revenue and maintains its house funds mainly in Hong Kong dollars. Bank balances in our house accounts amounting to HK$287.8 million and HK$71.9 million as at 31 December 2016 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts are denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

FINANCIAL REVIEW

The liquidity ratio as at 31 December 2016 remained healthy at 1.43 times as compared with 1.28 times as at 31 December 2015. The gearing ratio as at 31 December 2016, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 30.3% from 33.5% as at 31 December 2015. The decrease in gearing ratio was mainly due to the decrease in the borrowings during the year under review. On the other hand, we have no material contingent liabilities at the end of the year.

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

Foreign Exchange Risks

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

Material Acquisitions and Disposals

In May 2016, the Group signed a formal sale and purchase agreement for disposal of a property in Shanghai to an independent third party at a consideration of RMB7.3 million (equivalent to approximately HK$8.76 million). The transaction was completed in October 2016.

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

In July 2016, the Group signed a formal sale and purchase agreement relating to disposal of another property in Shanghai to an independent third party at a consideration of RMB7.5 million (equivalent to approximately HK$8.8 million). The transaction was completed in September 2016.

In September 2016, CIGL (a wholly-owned subsidiary of CASH) (as seller), Ever Billion Group Limited ("Ever Billion") (as purchaser) and CASH (the holding company of the Company) (as guarantor) entered into the sale and purchase agreement whereby CIGL conditionally agreed to sell, and Ever Billion conditionally agreed to purchase from CIGL, approximately 36.28% shareholding interest in the Company at the consideration of HK$765 million (representing a purchase price of HK$0.51 per Share). The transaction triggered a possible mandatory general offer for the Shares. The long stop date of the sale and purchase agreement has been extended to 31 March 2017. As at the publication date of this report, the condition relating to approval of the SFC for substantial shareholder of the Company and its licensed corporation and the conditions which are to be satisfied on the completion date have not been fulfilled, and the transaction has been terminated on 29 March 2017. Details of the transaction were disclosed in the various announcements of the Company and CASH relating to the transaction from September 2016 to March 2017.

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

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

Capital Commitments

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

Material Investments

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

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

FINANCIAL AND OPERATION HIGHLIGHTS

Revenue

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

Key Financial Metrics

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

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

Industry Review

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

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

Business Review

Broking

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

Investment Banking

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

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

Asset Management

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

Wealth Management

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

Technology and Innovation

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

Outlook and Corporate Strategy

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

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

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

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

Employee Information

EMPLOYEE INFORMATION

As at 31 December 2016, the Group had 186 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK$62.1 million.

BENEFITS

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

TRAINING

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management, listing rules and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the 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.

Board of Directors and Senior Management

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN, JP

Chairman

MBA, BBA, FFA, FHKSI, CPM(HK), MHKIM

Mr Kwan, aged 57, joined the Board on 11 August 2000. He is responsible for the overall business strategy of the Group. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Mr Kwan is also a fellow of the Institute of Financial Accountants, UK and the Hong Kong Securities and Investment Institute, a Certified Professional Marketer (HK) and a member of the Hong Kong Institute of Marketing.

Mr Kwan is a firm believer in youth education and development. He is a John Harvard fellow of the Harvard University, US; a member of the Harvard University Asia Center Advisory Committee; a member of the Court of City University of Hong Kong; an honorary fellow of The Open University of Hong Kong; a trustee of New Asia College of The Chinese University of Hong Kong; and an advisory professor of Nanjing University. Mr Kwan is also an honorary advisor of several higher education institutions, including the LiPACE of The Open University of Hong Kong and the Academy of Oriental Studies of Peking University. Furthermore, Mr Kwan is appointed as an honorary advisor of the Fong Yun Wah Foundation and the China Charity Federation.

In addition to education, Mr Kwan is also active in serving the community. He is a member of the standing committee of the Chinese People's Political Consultative Conference (CPPCC), Shanghai Committee, and a Justice of Peace (JP) of the HKSAR; a member of the Election Committee for the Fourth and the Fifth Term of the Chief Executive Election of the HKSAR; and a board member, past chairman and honorary advisor of the Hong Kong Retail Management Association. Mr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR. Currently, he is a non-executive director of the Mandatory Provident Fund Schemes Authority, a member of the Minimum Wage Commission; the Small and Medium Enterprises Committee (SMEC), Trade and Industry Department; the Corporate Advisory Council of Hong Kong Securities Institute and the Business Facilitation Advisory Committee (BFAC). He is also the Convenor of the Wholesale and Retail Task Force (WRTF) of the BFAC. Mr Kwan is also an honorary advisor of the CEPA Business Opportunities Development Alliance and The Hong Kong Institute of Education Foundation, and a member of the Organising Committee of the HKMA/TVB awards for Marketing Excellence.

In December 2009, Mr Kwan was named "Entrepreneur of the Year 2009" in the Asia Pacific Entrepreneurship Awards as organised by Enterprise Asia, which recognised his outstanding entrepreneurial success and significant contributions to economic life and society. In April 2016, Mr Kwan was named "Man of the Year for Leadership in Asia" by IAIR, the world's leading financial magazine. The annual IAIR Awards recognise outstanding professionals who actively promote excellences in innovation and sustainability.

Mr Kwan is the chairman of CASH. He is a member of the Remuneration Committee, as well as a member of the remuneration committee of CASH.

Bernard Ping-wah LAW

CFO

MBA, FCCA, FCPA, FHKSI

Mr Law, aged 58, joined the Board on 11 August 2000. He is in charge of the Group's overall financial and accounting management. Mr Law has extensive experience in financial management and accountancy. He received a Master of Business Administration Degree from The University of Warwick, UK. He is a fellow member of The Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Securities and Investment Institute. Mr Law is also an executive director and chief financial officer of CASH.

Majone Pui-lai CHENG

CEO

MSc, BEcon, MHKSI

Ms Cheng, aged 44, joined the Board on 1 June 2011. She oversees the Group's business development and management of the Group. Ms Cheng has extensive relevant experiences in the financial services industry. She received a Master of Science Degree in Financial Management from The University of London, UK and a Bachelor of Economics Degree from The University of Hong Kong. She is a member of the Hong Kong Securities and Investment Institute. Ms Cheng is a responsible officer of Celestial Securities and Celestial Commodities.

Jack Tsz-cheung HO

Executive Director
BBA
Mr Ho, aged 35, joined the Board on 10 April 2017. He is in charge of corporate and business development of the Group. Mr Ho has extensive experience in the fields of business development, operations and management. He received a Bachelor Degree of Business Administration from The Chinese University of Hong Kong. He is also the Director of Corporate and Strategic Investment of CASH in charge of the corporate management of CASH.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

INED
Mr Cheng, aged 61, joined the Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. He is an honorary fellow of The Professional Validation Centre of Hong Kong Business Sector and a member of Young Industrialists Council Ltd. He is a committee member of The Hospital Authority New Territories West Cluster Hospitals Charitable Trust and was a member of the Medical Development Sub-committee of the Hospital Governing Committee of Tuen Mun Hospital. Mr Cheng was the winner of The Young Industrialist Awards for the year 1992, a member of The Watches and Clocks Advisory Committee of Hong Kong Trade Development Council, the president of the Lions Club of Tuen Mun and the President of Love U All Charitable Foundation. He was the chairman of The Federation of Hong Kong Watch Trades and Industries Limited and is currently an advisor of the Federation. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee.

John Kwok-hung LO

INED
MBA, LL.B, FCCA
Mr Lo, aged 58, joined the Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance field. He received a Master of Business Administration Degree from The Oklahoma City University, US and a Bachelor of Laws Degree (LLB) from The University of London, UK. Mr Lo is a fellow of The Association of Chartered Certified Accountants. Mr Lo is also a member of the Audit Committee.

Charles Ming-chi LO

INED
CPA, FFSI
Mr Lo, aged 67, joined the Board on 27 October 2008. Mr Lo has extensive professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He is a Certified Practising Accountant of the CPA, Australia, and a fellow member of the Financial Services Institute of Australasia. Mr Lo is also a member of the Audit Committee and the Remuneration Committee.

SENIOR MANAGEMENT

Connie Wai-yin SHUM

Chief Operating Officer
MAcc, BBA, MHKSI
Ms Shum, aged 42, joined the Group in March 1999. She is in charge of the Group's overall operations. She has extensive experience in compliance, risk management and credit control, and operations. Ms Shum received a Master of Professional Accounting Degree from the Hong Kong Polytechnic University and a Bachelor of Business Administration (Hons) Degree in Finance from the Hong Kong Baptist University. She is a member of the Hong Kong Securities and Investment Institute.

Wallace Hon-ming WONG

Financial Controller
BA, CPA
Mr Wong, aged 50, joined the Group in March 2000. He has extensive experiences in the field of accounting and auditing. Mr Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Wong received a Bachelor of Arts Degree in Accountancy from The City University of Hong Kong.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Susanna Siu-fei CHAN

Deputy Chief Operating Officer

BBS

Ms Chan, aged 44, joined the Group in February 1998. She assumes the overall responsibility for the operation of the retail brokerage services. She has extensive experience in business operations of the securities brokerage industry. Ms Chan received a Bachelor of Business Studies Degree in Management from the National University of Ireland. She is a responsible officer of Celestial Securities and Celestial Commodities. She is the spouse of Mr Kwan Pak Leung Horace (a senior management of the Group) and the sister-in-law of Mr Kwan Pak Hoo Bankee (the Chairman of the Group).

Suzanne Wing-sheung LUKE

Company Secretary

FCIS, FCS

Ms Luke, aged 48, joined the Group in May 2000. She has extensive listed company secretarial experience. She is a fellow of The Institute of Chartered Secretaries and Administrators, UK and The Hong Kong Institute of Chartered Secretaries. In addition to taking the role as company secretary of the Company, Ms Luke is also the company secretary of CASH.

Horace Pak-leung KWAN

Director

MHKSI

Mr Kwan, aged 53, joined the Group in March 1998. He is responsible for the management of the Group's brokerage business. He has extensive experience in equity dealings, operations and financial products. He is a member of Hong Kong Securities and Investment Institute. Mr Kwan is a responsible officer of Celestial Securities and Celestial Commodities. He is the brother of Mr Kwan Pak Hoo Bankee (the Chairman of the Group) and the spouse of Ms Chan Siu Fei Susanna (Deputy Chief Operating Officer of the Group).

Andy Siu-hang CHOW

Head of Investment Banking Group

BA, FCCA, FCPA

Mr Chow, aged 40, joined the Group in December 2016. He is in charge of the Group's investment banking business. He has extensive experience in the investment banking field. Mr Chow received a Bachelor of Arts (Hons) Degree in Accountancy from The City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr Chow is an IPO Sponsor Principal and also a responsible officer of Celestial Capital.

Winky Wing-hang YAN

Head of Information Technology

BEng

Mr Yan, aged 40, joined the Group in September 1998. He is responsible for all computer system and operation issues of the Group. He has extensive experience in computer and information technology in the financial services industry. Mr Yan received a Bachelor of Engineering Degree in Computer Science from The Hong Kong University of Science and Technology.

Roy King-yip LAU

Head of Legal and Compliance

BEng

Mr Lau, aged 36, joined the Group in January 2016. He is in charge of the legal and compliance issues of the Group. He has extensive experience in the compliance field. Mr Lau received a Bachelor of Engineering Degree in Electronic Engineering from The Hong Kong University of Science and Technology.

Rozina Lok-sze CHO

Head of Strategic Development

BCom

Ms Cho, aged 41, joined the Group in August 1997. She is responsible for the strategic businesses development and planning of the Group, who oversees the business units of direct market access, mobile trading and wealth management. She has extensive financial services experience in electronic trading, marketing, compliance and operations. Ms Cho received a Bachelor of Commerce Degree from McGill University in Canada majoring in marketing. She is a responsible officer of Celestial Securities and Celestial Commodities.

Cody Ka-ming LEUNG

Head of Broking Services

MA, BBA

Mr Leung, aged 40, joined the Group in August 2010. He is in charge of the Group's brokerage business. He has extensive experience in managing the brokerage business with premium services to all concerned parties. Mr Leung received a Master of Arts Degree in Chinese Studies and a Bachelor of Business Administration Degree in Finance from The Hong Kong University of Science and Technology. He is a responsible officer of CASH Asset Management and CASH Wealth Management.

Patrick Ho-yin YIU

Head of Asset Management

BEcon

Mr Yiu, aged 43, joined the Group in April 2006. He is in charge of the Group's asset management services. He has extensive relevant experience in the financial services field. Mr Yiu received a Bachelor of Economics Degree from The Chinese University of Hong Kong. He is a responsible officer of CASH Asset Management and CASH Wealth Management.

Hilda Ying-ying HUANG

Head of Mobile Trading Services

MSc, BSc

Ms Huang, aged 32, joined the Group in May 2011. She is responsible for the mobile trading platform and business of the Group. She has extensive experience in mobile trading and mobile technology. Ms Huang received a Master of Science Degree in Electronic Business Management from the University of Warwick and a Bachelor of Science Degree in Business Management and Business Information Technology from the University of Gloucestershire.

Elsa Pak-suet WONG

Head of Premium Investment Services

MA, BA

Ms Wong, aged 43, joined the Group in November 1998. She is in charge of the Group's Hong Kong brokerage business and investment services for premium clients. She has extensive experience in the financial services field. Ms Wong received a Master of Arts Degree and a Bachelor of Arts Degree in Economics from the University of Saskatchewan.

William Hon-kei CHAN

Head of Greater China Development

MBA, BSc

Mr Chan, aged 32, joined the Group in December 2007. He is in charge of the Group's overall development in the Greater China region. He has extensive experience in brokerage service and wealth management field. Mr Chan received a Master of Business Administration Degree from Cheung Kong Graduate School of Business and a Bachelor of Science Degree in Biochemistry from The Hong Kong University of Science and Technology. He is a responsible officer of CASH Asset Management, CASH Wealth Management, Celestial Securities and Celestial Commodities.

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The Directors of the Company have adopted various policies to ensure compliance with the code provisions of the CG Code under Appendix 14 of the Listing Rules. For the year ended 31 December 2016, the Company has complied with all the code provisions of the CG Code, except for the deviations that:

1. the Company does not have a nomination committee as provided for in code provision A.5.1 as its function has been performed by the Board as a whole. The Board under the leadership of the Chairman is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors; and

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

THE BOARD COMPOSITION

As at the date of this report, the Board comprised seven Directors (four EDs and three INEDs) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The INEDs will also share their valuable impartial view on matters to be discussed at the board meetings. The biographies of the Directors are set out from pages 15 to 17 of this annual report under the "Board of Directors and Senior Management" section.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr Kwan Pak Hoo Bankee served as the Chairman of the Board throughout the year and is responsible for formulating the strategies and policies of the business development of the Group, and overseeing the functioning of the Board. Ms Cheng Pui Lai Majone acted as the CEO and is responsible for the Group's overall business development and management and attending to the formulation and successful implementation of the Group's policies. The division of the responsibilities between the Chairman and the CEO has been established and set out clearly in writing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The INEDs are all professionals with well recognised experience and expertise in professional and/or accounting fields who provide valuable advice to the Board. They are appointed for a term of one year and are subject to retirement from office and re-election at the AGM every year. The Company has received a confirmation of independence from each of the INEDs. The Board considers each of them to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The INEDs have been expressly identified as such in all corporate communications of the Company that disclose the names of the Directors.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the Group and is responsible for promoting the success of the Group by directing and supervising the business operations of the Group in the interests of the Shareholders by formulating strategic directions and monitoring the financial and management performance of the Group.

DELEGATION TO THE MANAGEMENT

The Management is led by the EDs of the Board and has delegated powers and authorities to carry out the day-to-day management and operation of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The Management assumes full accountability to the Board for the operation of the Group.

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to the Management that certain matters (including the followings) must be reserved to the Board:

— Publication of final and interim results of the Company

— Dividend distribution or other distribution

— Major issues of treasury policy, accounting policy and remuneration policy

— Review on risk management and internal control systems

— Corporate governance functions

— Review on the succession plan and consideration of the appointment, re-election and removal of the Directors

— Changes to major group structure or board composition requiring notification by announcement

— Notifiable transaction and non-exempted connected transaction/continuing connected transaction

— Proposed transaction requiring the Shareholders' approval

— Capital restructuring

— Joint venture with outside party involving substantial capital commitment from the Group that requires notification by announcement

— Financial assistance to the Directors

RELATIONSHIP BETWEEN THE BOARD MEMBERS

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relations) between each other.

INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

All the Directors have been given a Directors' handbook containing relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and corporate information of the Group. The Directors' handbook will be regularly updated to reflect the updated corporate information and new rules and regulations.

All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. During the year, all the Directors have participated in continuous professional development by attending seminars/training and program/in-house briefing/reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Name of Directors	**Topics on training covered** *(Notes)*
Kwan Pak Hoo Bankee	(a) to (e)
Law Ping Wah Bernard	(a), (b), (c), (e)
Cheng Pui Lai Majone	(a), (b), (d), (e)
Cheng Shu Shing Raymond	(a), (b), (e)
Lo Kwok Hung John	(b)
Lo Ming Chi Charles	(a), (b), (e)
Lam Man Michael *(resigned on 10 April 2017)*	(b)
Ng Kung Chit Raymond *(resigned on 4 July 2016)*	(b), (d)

Notes:

(a) Global and local financial market, investment and business environment

(b) Regulatory and corporate governance

(c) Finance, law and taxation

(d) Leadership, management and language skills

(e) Other information relevant to the Company or its business

There is a procedure agreed by the Board to ensure the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code during the year.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

The attendance of the Directors at the following meetings during the year is set out below:

	Meetings attended/held				
Name of Directors	**Executive Committee Meeting**	**Full Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**
EDs					
Kwan Pak Hoo Bankee	9/9	3/4	N/A	1/1	1/1
Law Ping Wah Bernard	9/9	4/4	N/A	N/A	1/1
Cheng Pui Lai Majone	9/9	4/4	N/A	N/A	1/1
Lam Man Michael *(resigned on 10 April 2017)*	9/9	4/4	N/A	N/A	1/1
Ng Kung Chit Raymond *(resigned on 4 July 2016)*	4/4	2/2	N/A	N/A	1/1
INEDs					
Cheng Shu Shing Raymond	N/A	4/4	4/4	1/1	1/1
Lo Kwok Hung John	N/A	3/4	3/4	N/A	1/1
Lo Ming Chi Charles	N/A	3/4	3/4	1/1	1/1
Total number of meetings held:	9	4	4	1	1

During the year, the Chairman of the Board held a meeting with the INEDs without the presence of the EDs.

Upon reviewing (i) the annual confirmation of the time commitment given by each Director; (ii) the directorships and major commitments of each Director; and (iii) the attendance rate of each Director on full Board and their executive committee meetings with the Management on their respective functional duties and responsibilities, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the year.

BOARD MEETINGS AND PROCEEDINGS

Regular board meetings were held at approximately quarterly interval. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team for ensuring that the Board procedures, and all applicable rules and regulations, are followed.

All Directors are consulted as to whether they wish to include any matter in the meeting agenda before the agenda for each board meeting is issued. Board meeting notice is sent to the Directors at least 14 days prior to each regular board meeting. Originals of the minutes of board meetings will be kept by the Company Secretary and are opened for inspection at any reasonable time on reasonable notice by any Director.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant board resolution in which he/she or any of his/her associates have a material interest and that he/she shall not be counted in the quorum present at the board meeting.

AUDIT COMMITTEE *(SET UP ON 30 OCTOBER 2000)*

The Audit Committee comprises three INEDs, namely Mr Cheng Shu Shing Raymond (chairman of the committee), Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles.

The specific written terms of reference of the Audit Committee was revised on 17 November 2015 and is available on the Company's website.

The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, approving the remuneration and terms of engagement of external auditor, reviewing financial information and overseeing of the financial reporting system, risk management and internal control procedures. The Audit Committee held four meetings during the year.

A summary of work performed by the Audit Committee during the year is set out as follows:

i. reviewed the annual and interim financial statements, and the quarterly business operation and development of the Group;

ii. discussed/met with the external auditor on general accounting issues of the Group, and reviewed their work and findings relating to the annual audit and the effectiveness of the audit process;

iii. reviewed the effectiveness of the risk management and internal control systems of the Group;

iv. annual review of the non-exempt continuing connected transactions of the Group; and

v. reviewed the external auditor's independence, approved the engagement and remuneration of external auditor and recommended the Board on the re-appointment of external auditor.

REMUNERATION COMMITTEE *(SET UP ON 30 OCTOBER 2000)*

The Remuneration Committee comprises two INEDs, Mr Cheng Shu Shing Raymond (chairman of the committee) and Mr Lo Ming Chi Charles, as well as Mr Kwan Pak Hoo Bankee (Chairman of the Board).

The specific written terms of reference of the Remuneration Committee as re-adopted on 7 February 2012 is available on the Company's website. Pursuant to model B.1.2(c)(ii) and the terms of reference in the CG Code adopted by the Remuneration Committee, its primary duties are to make recommendation to the Board on the Company's policies and structure of the remuneration of Directors and senior management and the remuneration packages of individual EDs and senior management. Details of the remuneration of each of the Directors for the year are set out in note 10 to the consolidated financial statements. The Remuneration Committee held one meeting during the year.

A summary of the work performed by the Remuneration Committee during the year is set out as follows:

i. determined and endorsed to the remuneration policy and structure for the Directors and senior management; and

ii. assessed the performance of executive Directors and reviewed their current level and remuneration structure/package and approved their specific remuneration package of executive Directors.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY FOR THE DIRECTORS

Nomination of the Directors

The Company had adopted a nomination policy incorporating the diversity policy for the criteria, procedures, and process of the appointment and removal of the Directors. The criteria to select candidates for directorship is based on a range of diversity perspectives, including gender, age, culture and educational background, professional skill, experience in relevant areas, personal qualities, and whether the candidate can demonstrate his commitment, competence and integrity required for the position of the Director, and in case of INEDs, the independence requirements set out in the Listing Rules and their time commitment to the Company. Nomination of new Director(s) will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for our business model and specific needs from time to time. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

During the year, the Board as a whole regularly reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The independence of the INEDs was assessed according to the relevant rules and requirements under the Listing Rules.

During the year under review, 1 meeting was held by the executive Directors in resolving resignation of an ED of the Company.

Remuneration policy of the Directors

The Company adopted a remuneration policy providing guideline for the Directors' remuneration.

Under the remuneration policy, the Directors' remuneration should be based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance — which is set in accordance to the Director's duties, responsibilities, skills, experiences and market influences;
- pension — which is based on the local Mandatory Provident Fund Contribution Scheme;
- short term variable incentive — which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets; and
- long term variable incentive — which may include share options designed to encourage long-term commitment.

The remuneration of the NEDs (if any) and the INEDs will be a lump sum of Directors' remuneration made annually.

The remuneration paid to and/or entitled by each of the Directors for the year under review is set out in note 10 to the consolidated financial statements in this annual report.

The share options granted to and/or entitled by the Directors during the year under review are set out in the section headed "Directors' Interests in Securities" in the Directors' report of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions of the Group, the specific written terms of reference of the corporate governance functions is available on the Company's website. The primary duties of the corporate governance functions are (a) reviewing the policies and practices on (i) corporate governance and (ii) compliance with legal and regulations requirements of the Company; (b) reviewing and monitoring the training and continuous professional development of the Directors and senior management; and (c) reviewing the Company's compliance with code and disclosure in this report.

During the year, the Board reviewed the policies and practices on corporate governance, the training and continuous professional development of Directors and senior management and the Company's compliance with code and disclosure in this report.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions of Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to the Directors of the Company, all of them confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the financial statements of the Group and other financial disclosures required under the Listing Rules and the Management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the financial statements are prepared on a "going concern" basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor's Report.

The Management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

INTERNAL CONTROLS

The Board acknowledges its responsibilities for establishing and maintaining an appropriate and effective risk management and internal control systems, and for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Group has established a Credit and Risk Management Committee ("CRMC"), which comprises members from the Board and the senior management of the Group. CRMC is primarily responsible for the design, implementation and monitoring of the risk management and internal control systems.

Procedures have been designed for safeguarding the Group's assets against unauthorised use or disposal, maintaining proper accounting records, ensuring the reliability and usefulness of financial information for internal business use or for publication, and monitoring the compliance with applicable laws, rules and regulations. Furthermore, they are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The key risk management and internal control procedures include the following:

(i) Delegation of authority within limits set by the Board

The managements of business units and corporate head office departments have been delegated powers and authorities by the Board to carry out the day-to-day management, operation, and maintenance of the internal control system that are appropriate to their business or function. The Group has adopted a tailored governance structure with defined lines of responsibility and appropriate delegation of authority.

(ii) Risk identification and monitoring

CRMC has formulated and adopted the Credit and Risk Management Policy to regulate the setting up of system and procedures which are used to identify, evaluate, manage, and report on the material risk types facing the Group including financial, operational and compliance risks. Exposure to these risks is monitored by the CRMC. CRMC oversees and defines the Group overall risk management framework, determines the overall risk acceptance level, assesses the Group's risk profile, prioritises top risks for the Group and promotes risk awareness and management knowledge.

(iii) Changes in market condition/external environment

Processes are in place to identify new risks arising from changes in market conditions or external environment which could expose the Group to heightened risk of loss or reputational damage. CRMC is primarily accountable for measuring, monitoring, mitigating and managing the risks and controls in their areas of responsibility.

(iv) Financial reporting

The Management monitors the business activities closely and reviews monthly financial results of operations against budgets or forecast. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. In addition, statutory audit is performed by our external auditor, Deloitte Touche Tohmatsu to ensure that the preparation of the Group's financial statements are carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

(v) Inside information

There are internal procedures and controls for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcement or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

(vi) Anti-money laundering

The Group has policy and procedures in governing Know Your Clients (KYC) and Anti-Money Laundering (AML). To ensure the Group in compliance with all the regulatory rules, a robust review program on KYC and AML and an AML Committee comprising senior management and compliance department have been put in place.

The Group appoints a designated staff as Money Laundering Reporting Officer to hold responsibility for investigating AML issue and reporting if necessary.

To ensure all the staffs within the Group keep abreast of the knowledge and regulatory update in respect of KYC and AML, induction training as well as annual training is provided.

Overall assessment

During the year, the CRMC had analysed the control environment and risk assessment, identified the various control systems implemented. The approach of the review includes conducting interviews with relevant management and staff members, reviewing relevant documentation of the risk management and internal control systems and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate. The scope and findings of the review had been reported to and reviewed by the Audit Committee.

The Board, through the Audit Committee, has conducted an annual review of the effectiveness of our risk management and internal controls systems covering all material controls, including financial, operational and compliance controls, and the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions.

During the year ended 31 December 2016, the Board is not aware of any material internal control deficiency or significant areas of concern that may affect the Shareholders' interests. The Board considered that the risk management and internal controls systems are in place and functioning effectively, and the Company had complied with the code provisions on internal control as set out in the CG Code under Appendix 14 of the Listing Rules, except for the deviation that the Company does not have an internal audit function. Details of reasons are set out on page 21 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGMs and SGMs, if any, which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases of the Company providing updated information of the Group; (iii) the holding of press briefings and media interviews from time to time; and (iv) the upkeeping of the latest information of the Group on the Company's website at http://www.cashon-line.com. The Shareholders and investors are welcome to visit such website.

In order to protect the environment and save costs for the benefit of the Shareholders, the Company has introduced electronic means for receiving corporate communication materials by the Shareholders. The Shareholders may choose to receive printed or electronic copies. In line with our social caring policies, the Shareholders are encouraged to get access to corporate communication materials of the Company through the Company's website.

Separate resolutions are proposed at each general meetings of the Company. The Company's notice to the Shareholders for the AGM was sent to Shareholders at least 20 clear business days before the meeting and notices of the SGMs (if any) were sent to shareholders at least 10 clear business days before such meetings in year 2016.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year.

SHAREHOLDERS' RIGHTS

Convening a SGM and putting forward proposals at general meetings

Pursuant to the Bye-laws of the Company, Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a SGM to be called by the Board.

The written requisition (i) must state the object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM for a day within two months after the date of deposit of such requisition, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Pursuant to the Bermuda Companies Act 1981, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Enquiries from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or tel: (852) 2980 1333 or email: cfsg510@cash.com.hk.

Other Shareholders' enquiries can be directed to the Group Public Affairs Department of the Company at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong or tel: (852) 2287 8888 or fax: (852) 2287 8000 or email: inquiry@cash.com.hk.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Committee were of the view that the Company's auditor, Messrs. Deloitte Touche Tohmatsu is independent and has recommended the Board to re-appoint it as the Company's auditor at the forthcoming AGM. During the year, Messrs. Deloitte Touche Tohmatsu has rendered audit services and certain non-audit services to the Company and the remuneration paid/payable to it by the Company are set out as follows:

Services rendered	**Fees paid/payable** HK$
Audit services	1,793,000
Non-audit services:	
Tax advisory	142,000
Consulting on common reporting standard operations	175,000
Advisory on environmental, social and governance report preparation	150,000
Review of continuing connected transactions	65,000
Review of the preliminary results announcement	22,000
	2,347,000

On behalf of the Board
Bankee P. Kwan, JP
Chairman

Hong Kong, 17 March 2017

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the requirements set forth in the ESG Guide under Appendix 27 of the Listing Rules, the Group hereby presents the Environmental, Social and Governance ("ESG") report for the year ended 31 December 2016 ("Reporting Period").

SCOPE OF REPORTING

This report covers the Group's business activities in Hong Kong, which represent the Group's major source of investment and income. The ESG data that the Group has direct access to and is under the Group's direct operational control has been included in this report.

MATERIALITY ASSESSMENT

To identify the ESG issues relevant to the Group, we engaged our management and staff to review our operations. Subsequently, the identified ESG issues have been assessed by considering their importance to our stakeholders as well as our Group. The ESG issues considered to be material are listed below:

ESG aspects as set forth in ESG Guide		Material ESG issues for the Group
A.	**Environmental**	
A1	Emissions	Waste management and carbon emissions
A2	Use of resources	Use of electricity
A3	The environment and natural resources	Not applicable
B.	**Social**	
B1	Employment	Equal opportunity and diversity
B2	Health and safety	Health and safety workplace
B3	Development and training	Staff development and training
B4	Labour standards	Anti-child and forced labour
B5	Supply chain management	Supply chain management
B6	Product responsibility	Customer service, safeguarding customer assets, and handling of personal data
B7	Anti-corruption	Anti-corruption and money laundering
B8	Community investment	Supporting local community

The Group has complied with the "comply or explain" provisions set out in the ESG Guide for the Reporting Period.

A. Environmental

A1 Emissions
A2 Use of resources

We strive to promote the vision of "GREEN CASH", by being an environmentally responsible company. The Company proactively seeks opportunities to conserve energy, utilise resources more efficiently and reduce waste.

Besides establishing environmental policies and communicating measurable environmental objectives to our employees, we also keep ourselves up-to-date with local environmental standards.

The Group received 2016 Hong Kong Awards for Environmental Excellence (Certificate of Merit) presented by Environmental Campaign Committee of HKSAR Government. We were also granted with HSBC Living Business 2016 – Green Achievement Award in certificate of Merit by Business Environment Council. The awards recognised our efforts on environmental management, with continuously improving the performance on environmental protection.

During the Reporting Period, the Group did not note any cases of non-compliance relating to environmental laws and regulations in Hong Kong.

Waste management

Considering the principal business activities of the Group (i.e. financial services), we have not produced a notable level of air or water pollutants.

The Company pursues high standard in waste reduction and educates all staff on the importance of sustainability while providing them with the skills and support to implement it.

The waste generated from the business activities of the Company is mostly paper. Our paper consumption during the Reporting Period was 6,700.66 kg[1]. We regularly monitor our paper consumption and implement various reduction measures.

In our offices, waste separation facilities have been implemented. We also provide recycle bins for collecting scrap paper, plastic bottles, aluminium cans, and recyclable toner cartridges, which are then delivered to the recycling agents for further processing.

The amount of recycling at our offices in the Reporting Period is summarised as follows:

Issue	Amount	Unit
Paper	7,255	Kg
Aluminium Cans	1,016	Pieces
Plastic bottles	1,287	Pieces
Toner Cartridges	94	Pieces

Apart from recycling, a series of programmes and activities have been launched in the office to encourage the participation of staff towards waste management, which include:

- Implementing a Green Information and Communication Technology (ICT) Platform, including systems such as E-workflow and CASHARE (intranet) to build a highly efficient "paperless, IT-driven and systematic" working environment;

1 *Paper consumption intensity is not considered as an applicable performance indicator due to our nature of business.*

- Achieving waste reduction goals set under the Wastewi$e Certificate recognition scheme;
- Purchasing paper made from the Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC) certified plantations to minimise logging in natural forest;
- Posting a "Green message" reminder at all office equipment;
- Applying used envelopes for internal document circulation; and
- Recommending duplex or 2-on-1 page copying on recycled paper.

No particular hazardous waste is noted in our business activities.

In recognising our achievement in waste reduction, the Group was awarded the Wastewi$e Certificate (Excellence Level) by Environmental Campaign Committee.

Use of electricity and carbon Emissions

The major source of our carbon emissions is the use of electricity. The total electricity consumption of the Group during the Reporting Period was 870,314 kWh[1] and the corresponding carbon dioxide equivalent (CO_2e) generated was 637.72 tonnes[2].

In order to reduce our carbon footprint, the Group has launched a wide variety of green measures for awareness building towards energy conservation:

1) Lighting
   - T5 energy-efficient lighting tubes have been installed at offices;
   - Staff is encouraged to switch off lighting while they are duty-off;
   - Partial lighting should be switched off provided that sufficient sunlight is available indoors; and
   - "Light-off" during lunch hour is highly recommended.
2) Office equipment
   - Computers and other electronic equipment should be powered off while they are not in use for energy conservation; and
   - Security guards patrol the offices at night to ensure all non-use equipment is switched off.

In addition to the aforesaid measures, Caring Committee issues regular newsletters to staff with the aim to raise the consciousness of environmental protection. Furthermore, green posters have been framed along the corridor/pantries of our offices to promote environmental office practices.

To enhance employee's awareness on low-carbon initiatives and energy saving practices, we participated in "Earth Hour" events by turning off all non-essential lights for one hour and encouraged all staff to adopt the same practice at home.

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1 *Energy intensity is not considered as an applicable performance indicator due to our nature of business.*

2 *The carbon emission was calculated with reference to the Greenhouse Gas Protocol, and the carbon conversion factors published by CLP Holdings Limited and HK Electric Investment Limited.*

Use of water and packaging material

We do not consume significant amounts of water through our business activities. The majority of the water supply facilities are provided and managed by property managers on our rental premises, and the usage has been included in the management fees.

Although the water consumption is considered minimal, we also encourage saving by driving behavioural changes in the workplace. Green messages are posted in pantries and washrooms as reminders for using water efficiently.

Furthermore, packaging material is not consumed during our service delivery, hence the related disclosure is not applicable for the Group.

A3 The environment and natural resources

Apart from the environmental issues mentioned above, the Group is not aware of any other significant impact on the environment and natural resources.

B. Social

B1 Employment

Respect for the rights of everyone who works for us is fundamental to the sustainability of the Group and the communities in which we operate. Our commitment to operate with respect for individuals is reflected in all aspects of the Group's business operations and is integrated in our policies and relevant procedures. We are committed to providing a happy and family-friendly workplace.

The Employee Handbook is formulated to stipulate general practices and policies related to employment, compensation and benefits. To stay competitive, our base salaries are within industry norms, contributing to our ability to attract and retain highly skilled and motivated staff.

The Group is committed to developing, maintaining and supporting a culture of equality and diversity in employment, on the basis of age, race, colour, nationality, religious belief, disability, sexual orientation, political opinion and any other status protected by applicable legislations and ordinances. We believe that the diversity can enrich all employees by providing a more rewarding and less stressful environment. No one shall be discriminated at recruitment, selection, employment, compensation, transfers, promotion, training or development. Qualified individuals are employed to carry out our fiduciary duties based on their education, experience, and ability without discrimination.

Meanwhile, the Group introduces family-friendly employment practices, including offering family leave benefits and employee support schemes, providing fresh fruits, and organising health talks and joggling classes to promote employee well-being.

The Group received HSBC Living Business 2016 – Caring for People Award, granted by Business Environment Council, which recognised our efforts on maintaining communication with employees, offering equal opportunities, providing employee welfare, and promoting work-life balance and family-friendly practices.

There were no non-compliance cases noted in relation to employment laws and regulations during the Reporting Period.

The total workforce of the Group is summarised as follows:

Gender	No. of staff
Male	80
Female	63
Total	143

Employment type	No. of staff
Full-time	142
Part-time	0
Temporary and contract	1
Total	143

Age	No. of staff
<30	40
30–50	84
>50	19
Total	143

Note: The above statistics represents the number of employees as at the end of the Reporting Period.

B2 Health and safety

Ensuring the health and safety of our employees is an integral part of our business activities. Therefore, we are dedicated to maintaining a safe, hygienic and productive workplace by minimising the potential risk of accidents, injuries and exposure in relation to health risks. We ensure all employees are competent at work, and are given adequate training to comply with all local legislations and ordinances with regard to health and safety.

The Group did not violate any health and safety laws and regulations of Hong Kong during the Reporting Period.

Occupational health and safety record is maintained to ensure that a healthy and safe workplace is provided for our employees at all times. Preventive measures were undertaken with the use of appropriate office equipment as well as performing periodic office risk assessment to enhance workplace safety. We also regularly arrange flu vaccination, and free medical and dental check-ups for our employees.

B3 Development and training

We are committed to ensuring that the talents, skills and abilities of our employees are recognised and are utilised to their full capacity. The Group has implemented various training policies and organised a number of training programmes aiming specifically at improving the skills and developing the talents of our employees and generally increasing the competitiveness, productivity and efficiency of the Group.

Our training programmes are developed based on business needs and competencies of employees. During the Reporting Period, we organised 11 in-house training classes, and invited external trainers to deliver 9 training classes. Categories of the training classes included language proficiency, knowledge on products, operational techniques, career orientation, Continuous Professional Training (CPT) of professional qualifications, and professional license examinations preparation.

B4 Labour standards

The Group prohibits the use of all forms of forced labour. All legal regulations regarding employment of young persons whose age ranged between 15 and 18 shall be followed by the Group.

There were no material non-compliance issues noted regarding labour standards as required by related laws and regulations during the Reporting Period.

B5 Supply chain management

To support sustainability, our Green Supply Chain initiative applies strict environmental, social and ethical criteria to the suppliers of our business. We place high demands on suppliers and request them to comply with the same standards that have been set by the Group.

We have incorporated sustainability considerations into our sourcing and outsourcing practices, requiring suppliers to meet the basic standards. For example, all suppliers are expected to adhere to these basic principles:

- Operating as an equal opportunity employer and recognising the right to collective bargaining as well as minimum and prevailing wages and benefits;

- Maintaining probity and accountability standards;

- Minimising discrimination against small and medium-sized enterprises or local vendors;

- Providing a healthy and safe working environment, not using any forced or child labour, and refraining from harassment or abuse of employees; and

- Supporting sustainable development, acting responsibly with regard to the environment, observing environmental criteria to conserve resources, minimising the negative environmental effects of the production, application and disposal of products, and reducing the use of hazardous products as much as possible.

B6 Product responsibility

Customer service

Satisfying our clients is our central focus. This principle guides all our activities and applies to all business divisions. The key elements are transparency and high-quality advice, which enable us to improve client satisfaction and achieve customer loyalty in the long term.

We aim to customise our solutions based on the unique needs of customers, in delivering sustainable value and fostering long-term relationship with our customers. During advertising, we ensure information and marketing materials are easily understood and provide all relevant information in facilitating the decision making of investors. Our employees are committed to providing professional advice to clients in understanding the characteristics, functions and risks of a financial instrument.

We have been certified on the requirements of ISO 9001:2008 Quality Management Systems for the provision of financial services. Our quality management system enhances our ability to provide services that meet customer and regulatory requirements, which leads to customer satisfaction.

Safeguarding customer assets

Certain subsidiaries of the Group are licensed and regulated under the SFC. As a custodian of customers' assets, we strictly comply with the relevant laws and regulations on handling and safeguarding of customers' assets. We implement the necessary controls to ensure customers' assets are accounted for properly and promptly, and adequately safeguarded.

Segregated accounts are maintained in keeping customers' assets. Transactions should only be executed when customers' consent is received, or customers' obligation is required to be met on agreed contracts. Adequate audit trail is maintained to enable investigation of suspected irregularities. Regular compliance reviews and audits are conducted to detect any non-compliance with regulatory requirements. Any irregularities should be immediately reported to management.

Handling of personal data

The Group strictly adheres to regulatory requirements on data privacy, through fulfilling high security and confidentiality of personal data privacy protection. We are committed to maintaining and protecting personal data.

Internal policy has been established to govern the collection and handling of personal data received from a data subject. Under our data protection principles, a Privacy Policy Statement ("PPS") is acknowledged to enable the public to ascertain the data user's general policies and practices in relation to the collection, holding and use of individual personal data.

Furthermore, in accordance with our data protection principles, a Personal Information Collection Statement ("PICS") is acknowledged whenever there is collection of personally identifiable information from individuals to notify data subjects of certain matters in relation to specific collections of personal information from them. The Group will not use or provide personal data to any person for use in direct marketing unless we have obtained the data subject's consent in writing. Meanwhile, the Group maintains sound safety system and measures to prevent unauthorised use of personal data.

There were no material non-compliance issues noted regarding product responsibility as required by related laws and regulations during the Reporting Period.

B7 Anti-corruption

The Group strives to promote and maintain the highest standards of honesty, integrity and fairness. All of our staff must ensure that the Group's reputation is not tarnished by dishonesty, disloyalty or corruption.

Apart from internal guidelines on monitoring anti-money laundering, counter-terrorist financing as well as gifts or advantages received from or given to clients or suppliers, the Group has established an assessment form to evaluate high risk customers and whistle-blowing channels to enable staff to report on suspicious transaction. Any reporting suspicious transactions will be followed up timely and investigated by independent personnel.

During the Reporting Period, no legal case regarding corruption was brought against the Group or its employees. In addition, the Group was not aware of any cases of non-compliance with laws and regulations relating to anti-money laundering.

B8 Community investment

People-centric is one of our core corporate values that guide our business and day-to-day operation. We therefore care about the interests of the communities and people that we serve. We and our employees are dedicated to working hand-in-hand with the local communities in a variety of initiatives ranging from job creation to youth education and disaster reliefs.

During the Reporting Period, the Group partnered with charitable organisations, and organised volunteering and donation programmes, such as "Toys, Books & Used Clothes Recycling", "Mooncake Donation", "Christmas Gift Donation", "Organics Products Charity Sales", etc, in which our Group contributed over 350 voluntary service hours to our local community.

Directors' Report

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are (a) provision of online and traditional brokerage of securities, futures and options contracts as well as mutual funds and insurance-linked investment products, (b) principal investments of securities and options, (c) provision of margin financing and money lending services, and (d) provision of corporate finance services.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this annual report.

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

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the section of "Financial Review" and "Management Discussion and Analysis" of this annual report, and in note 38 to the consolidated financial statements.

The financial risk management objectives and policies of the Group are shown in note 38 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the section of "Financial Review" of this annual report.

Save as disclosed in this annual report, there is no important event affecting the Group that have occurred since the end of the financial year ended 31 December 2016.

RELATIONSHIPS WITH STAKEHOLDERS

We fully understand that our business is built on the long-term well-being of the "people" in our service areas at large.

Throughout the course of our business development, we care about the needs of our key stakeholders, inter alia, our shareholders, our employees, our customers, our suppliers and our community. As such, we strive to become a "Total Caring Organisation" to embrace the all-round needs of our key stakeholders.

The Group upholds the "People-oriented" principle as our core belief and this forms the essence of our corporate culture. We respect the various needs of these "people" as our stakeholders and we strive to balance the different spectrum of interests for the development of a better future.

Our five core values namely "People", "Customers", "Quality", "Teamwork" and "Change" serve as the guiding principles for the whole team to move ahead.

We are dedicated to creating an enjoyable work environment to highly engage our employees so as to maximise their potential, meeting the needs of our customers with quality products and innovative services and enhancing cooperation with our suppliers so as to provide high-quality products and services to our customers so as to ensure our sustainable development.

Shareholders

The Company is committed to communicating with our shareholders and the financial community proactively, transparently and effectively, and thereby ensuring consistent and timely dissemination of information to shareholders and potential investors.

We have established effective channels of communication with our shareholders to ensure that the corporate information is readily accessible. Corporate communications materials with regard to regulatory disclosures and notices of the Company, such as financial reports, results announcements, corporate announcements and circulars will be distributed according to the principles of continuous disclosure, and complies with the legal and regulatory requirement applicable to the Company. Corporate communications and other general information concerning the Company and its businesses such as press releases will be posted on the corporate website (www.cashon-line.com) and distributed to the media as soon as practicable. The Company adheres to its corporate policy of not disclosing unpublished or potentially price-sensitive information such as sales and profit forecasts.

Employees

Our staff is regarded as the most important resource of the Group. We offer a competitive remuneration package and great opportunities for career advancement based on performance-linked appraisal system. Our passion in fostering a learning culture is recognised. We have been honoured as "Manpower Developer" at this year's Employees Retraining Board ("ERB") Manpower Developer Award Scheme in recognition of the Group's efforts and commitment to training and development. We also provide our staff with regular trainings, including internal trainings and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market, industry and various businesses.

The Group is committed to the well-being of our employees as we believe that a healthy body and soul will have a positive impact on people's professional and personal lives.

Along with initiatives designed to improve the health, safety and well-being of our employees, the Group also offers recreational and educational activities in different topics such as professional growth, work-life balance, health and safety, rewards and recognitions, employees' families, amazing occasions to help staff to pursue their interests, explore their full potential and recharge after work. We have been awarded as "Family-Friendly Employer" during the year by the Home Affairs Bureau and the Family Council in recognition of our family-friendly employment policies and practices which have positive impact to the Company and employees' family life.

We sincerely care about our employees' retirement needs and have gone the extra mile to provide additional retirement benefits for them. We have been awarded the accolade of "Good MPF Employer Award" by the Mandatory Provident Fund Schemes Authority (MPFA).

Customers

We value the customers' interests as the first priority. It is our mission to provide customers with a meaningful experience when utilising our services.

We value the feedback from customers and always try to understand their thoughts through Internet, daily communication, customers services and after-sale services etc.. In addition, we also set up website, e-portal, email, Facebook and customer service hotline to respond to the feedback of customers.

The Group won Bronze Award in the Internet Finance Award (financial institution category) organised by Internet Professional Association and co-organised by Hong Kong Internet Finance Association and Shenzhen Internet Finance Association in recognition of the Group's outstanding contribution to the development of financial technology in Hong Kong and Mainland China.

We obtained ISO 9001:2008 Certification, with zero non-conformity, a testimony to our commitment of effective quality management which meets with the international best practice.

The Group was awarded Hong Kong Top Service Brand Award by Hong Kong Brand Development Council in recognition of the Group's excellent service quality and brand management. Also, the Group gained the Hong Kong Outstanding Securities Service – FinTech Innovation Gold Award from Wen Wei Po, which proves the Group's excellent performance in financial technology.

Suppliers

We firmly believe that our suppliers are equally important in building high-quality businesses. We proactively communicate with our suppliers to ensure they are committed to delivering high-quality and sustainable products and services.

Community

The Group is devoted to supporting the community in which we operate through donation, education, volunteering and encourage others to give.

Over the past 10 years, we show our care about the community with unsparing support for wide-ranging community services and charities. We have also been encouraging our employees and their family members to take part in voluntary services after work and serve the disadvantaged in the community.

We have been awarded the accolade of "10 Years Plus Caring Company" by the Hong Kong Council of Social Service (HKCSS) in recognition of our achievements in "Caring for the Community", "Caring for the Employee" and "Caring for the Environment". It serves as a recognition for our contribution to community services and commitment to employee engagement.

This year, we were awarded the 2016 Social Capital Builder Logo Award by the Labour and Welfare Bureau in recognition of our active role in promoting cross-sectoral partnership and sustainable supportive network.

ENVIRONMENTAL POLICY AND PERFORMANCE

As a total caring organisation, the Group is dedicated to keeping the environmental impact of our operations to a minimum, balancing business needs with conservation.

The Group adopted "Green Office Policy" with various measures regarding minimisation of energy and paper consumption and recycling being implemented. We also execute different types of "Green Office Campaign" in our office to enhance staff awareness and participation for environmental protection.

Over the years, the Group has participated in various environmental protection programmes and campaigns organised by reputable institutions and have been recognised with awards. In year 2016, we received certificate of merit awards at Hong Kong Awards for Environmental Excellence (Servicing and Trading) and HSBC Living Business Award in Green Achievement respectively, and Wastewi$e Certificate (Excellence Level) from Environmental Campaign Committee.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. During the year, the Group has complied with the relevant laws and regulations on corporate level as well as those that have a significant impact on the operations of the Group namely, among other things, the Listing Rules, the Companies Ordinance, Cap. 622 of the laws of Hong Kong, the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 of the laws of Hong Kong.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2016 is set out on page 133 of this annual report.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in note 18 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 42 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 36 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" in the consolidated financial statements on page 62 of this annual report.

Details of movements in the reserves of the Company during the year are set out in note 45 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

A. Margin Financing Arrangement for three financial years ending 31 December 2018

Celestial Securities (a wholly-owned subsidiary of the Group) entered into the following margin financing agreements with each of the connected clients:

(i) Margin financing agreements all dated 24 November 2015 with each of the following connected persons

(a) Mr Kwan Pak Hoo Bankee

(b) Mr Law Ping Wah Bernard

(c) Ms Cheng Pui Lai Majone

(d) Mr Ng Kung Chit Raymond

(e) Mr Lam Man Michael

(f) Mr Law Ka Kin Eugene

(g) Mr Ng Hin Sing Derek

(h) Mr Kwan Pak Leung Horace

(i) Ms Chan Siu Fei Susanna

(j) Cash Guardian

(k) Libra Capital Management (HK) Limited

(l) Cashflow Credit Limited

(ii) Margin financing agreement dated 23 October 2015 with Confident Profits relating to provision of margin financing facilities to the Confident Profits Group

Pursuant to the respective margin financing agreements above, Celestial Securities granted margin financing facilities to each of the above connected clients at an annual cap of up to HK$30 million (which represents the maximum outstanding balance, including accrued outstanding interests of the margin financing facility) for each of the three financial years starting from 1 January 2016 and ending 31 December 2018. Each of the margin financing facilities granted to the connected client was a stand alone facility and will not be aggregated. The interest rates charged are in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services.

As at the date of the respective margin financing agreements, the above connected clients were either directors of the Group and/or CASH Group or substantial Shareholders or their respective associates or family members or fellow subsidiaries of the Group and were connected persons (as defined under the Listing Rules) of the Company. The granting of the margin financing arrangement by the Company constituted continuing connected transaction relating to financial assistance for the Company under the Listing Rules.

As at 31 December 2016, Mr Ng Kung Chit Raymond (item (i)(d) above) had resigned as director of the Group and/or CASH Group, and he still remained as a connected person of the Group within 12 months of his resignation as defined under the Listing Rules.

The margin financing agreements for each of Mr Kwan Pak Hoo Bankee, Cash Guardian and family members (namely Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna), and Libra Capital Management (HK) Limited and Cashflow Credit Limited were approved by the independent Shareholders at a SGM held on 31 December 2015. Details of the transactions were disclosed in the Company's announcement dated 23 October 2015 and 24 November 2015 and circular dated 15 December 2015.

During the year ended 31 December 2016, the maximum amount of margin financing facilities utilised by each of the above connected clients did not exceed the annual cap of HK$30 million. Details of the maximum amounts of the margin financing facilities granted to the above connected clients during the year under review are set out in note 25 to the consolidated financial statements. The commission and interest income received from the above connected clients during the year under review are disclosed in note 40 to the consolidated financial statements.

B. Provision of brokerage services for the three financial years ending 31 December 2018

On 23 October 2015, Celestial Securities and Celestial Commodities (being wholly-owned subsidiaries of the Company) as service providers and Confident Profits as client entered into the brokerage services agreement relating to the provision of brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges at predetermined brokerage fees (as more particularly set out in the Company's circular dated 13 November 2015) for three financial years ending 31 December 2018. The brokerage fees would be charged on normal commercial terms and at market rates, which would not be more favorable than those available to independent third party clients of the Group.

The annual caps of the brokerage fees are:

(i) a sum of up to HK$100 million for the year ended 31 December 2016;

(ii) a sum of up to HK$200 million for the year ending 31 December 2017; and

(iii) a sum of up to HK$300 million for the year ending 31 December 2018.

As at the date of the brokerage services agreement, the Confident Profits Group was a subsidiary of CASH held under CIGL (a wholly-owned subsidiary of CASH), being the substantial Shareholder, and was a connected person of the Company (as defined under the Listing Rules). The provision of brokerage services by the Group to the Confident Profits Group under the brokerage services agreement constituted continuing connected transaction for the Company under the Listing Rules.

The brokerage services agreement was approved by the independent Shareholders at a SGM held on 2 December 2015. Details of the transaction were disclosed in the Company's announcement dated 23 October 2015 and circular dated 13 November 2015.

During the year ended 31 December 2016, the aggregate amount of brokerage fees received by the Group from the Confident Profits Group did not exceed the annual cap of HK$100 million. Details of the amount of brokerage fees received by the Group during the year under review are set out in note 40 to the consolidated financial statements.

The aforesaid continuing connected transactions of the Company for the financial year ended 31 December 2016 have been reviewed by the INEDs. The INEDs have confirmed that the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the aforesaid Group's continuing connected transactions of the Company for the financial year ended 31 December 2016 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the auditor and the Company to the Stock Exchange.

RELATED PARTIES TRANSACTIONS

The Group has entered into related party transactions under the applicable accounting standards as disclosed in note 40 to the consolidated financial statements. Such related party transactions were either (i) not connected transaction of the Group; or (ii) related to the continuing connected transactions of the Group as disclosed in the above section; or (iii) connected transactions exempted from reporting, announcement, annual review and independent shareholders' approval requirements of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

RAISING OF FUNDS AND USE OF PROCEEDS

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover.

In the year under review, the Group's purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases.

DIRECTORS

The Directors of the Company during the year and up to the publication date of this annual report were as follows:

Executive Directors:

Kwan Pak Hoo Bankee
Law Ping Wah Bernard
Cheng Pui Lai Majone
Ho Tsz Cheung Jack *(was appointed on 10 April 2017)*
Lam Man Michael *(resigned on 10 April 2017)*
Ng Kung Chit Raymond *(resigned on 4 July 2016)*

Independent Non-executive Directors:

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

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming AGM:

(i) Mr Law Ping Wah Bernard, being ED, shall retire at least once in every 3 years at the AGM in accordance with the Company's bye-laws and corporate governance code;

(ii) Mr Ho Tsz Cheung Jack, being newly appointed ED, shall retire at the AGM in accordance with the Company's bye-laws; and

(iii) Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the AGM in each year in accordance with their terms of office of directorship.

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

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the margin financing arrangement as disclosed under the heading of "Continuing Connected Transactions" in this section above, no Director had a material interest in, either directly or indirectly, any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the financial year under review.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and 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 were as follows:

A. The Company

(a) Long positions in the Shares

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*	40.34
Lo Kwok Hung John	Beneficial owner	1,255,500	—	0.03
		1,255,500	1,667,821,069	40.37

* The Shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the holding company of the Company)). Pursuant to the SFO, Mr Kwan Pak Hoo Bankee ("Mr 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. Mr 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

Name	Date of grant	Option period	Note	Exercise price per share (HK$)	Number of options outstanding as at 1 January 2016	Number of options outstanding as at 31 December 2016	Percentage to issued shares as at 31 December 2016 (%)
Kwan Pak Hoo Bankee	03/12/2015	03/12/2015–31/12/2019	(1)	0.315	40,000,000	40,000,000	0.96
Law Ping Wah Bernard	03/12/2015	03/12/2015–31/12/2019	(1)	0.315	40,000,000	40,000,000	0.96
Cheng Pui Lai Majone	03/12/2015	03/12/2015–31/12/2019	(1)	0.315	40,000,000	40,000,000	0.96
Lam Man Michael *(Note (2))*	03/12/2015	03/12/2015–31/12/2019	(1)	0.315	28,000,000	28,000,000	0.67
Ng Kung Chit Raymond *(Note (3))*	03/12/2015	03/12/2015–31/12/2019	(1)	0.315	28,000,000	N/A	N/A
					176,000,000	148,000,000	3.55

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. The options must be exercised within one month from the date on which the Board's approval of the vesting of the options.

(2) Mr Lam Man Michael resigned as Director on 10 April 2017 subsequent to the year-end date.

(3) Mr Ng Kung Chit Raymond resigned as Director during the year.

(4) No option was granted, exercised, lapsed or cancelled during the year.

(5) The options were held by the Directors in the capacity of beneficial owners.

B. Associated corporation (within the meaning of SFO)

CASH

(a) Long positions in the ordinary shares of HK$0.10 each

Name	Capacity	Personal (Number of shares)	Corporate Interest (Number of shares)	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	4,260,000	281,767,807*	34.41
Law Ping Wah Bernard	Beneficial owner	27,345,312	—	3.29
		31,605,312	281,767,807	37.70

* The shares were held by Cash Guardian, which was 100% beneficially owned by Mr Kwan. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian.

(b) *Long positions in the underlying shares – options under share option schemes*

Name	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options outstanding as at 1 January 2016	Number of options outstanding as at 31 December 2016	Percentage to issued shares as at 31 December 2016 (%)
Kwan Pak Hoo Bankee	02/09/2014	02/09/2014–31/08/2018	0.478	(1)&(4)	6,480,000	6,480,000	0.77
	18/12/2015	18/12/2015–31/12/2019	0.460	(1),(3)&(4)	8,000,000	8,000,000	0.96
Law Ping Wah Bernard	02/09/2014	02/09/2014–31/08/2018	0.478	(4)	6,480,000	6,480,000	0.77
	18/12/2015	18/12/2015–31/12/2019	0.460	(3)&(4)	4,800,000	4,800,000	0.57
Cheng Pui Lai Majone	02/09/2014	02/09/2014–31/08/2018	0.478	(2)&(4)	2,982,000	2,982,000	0.35
	18/12/2015	18/12/2015–31/12/2019	0.460	(3)&(4)	4,000,000	4,000,000	0.48
Lam Man Michael *(Note (5))*	18/12/2015	18/12/2015–31/12/2019	0.460	(3)&(4)	2,800,000	2,800,000	0.33
Ng Kung Chit Raymond *(Note (6))*	02/09/2014	02/09/2014–31/08/2018	0.478	(2)&(4)	2,982,000	N/A	N/A
	18/12/2015	18/12/2015–31/12/2019	0.460	(3)&(4)	2,800,000	N/A	N/A
					41,324,000	35,542,000	4.23

Notes:

(1) Mr Kwan is also the substantial shareholder of CASH.

(2) The options are vested in 4 tranches as to 25% each exercisable from 2 September 2014 (the date of grant), 1 September 2015, 1 September 2016 and 1 September 2017 respectively and is subject to the vesting conditions as set out in (4) below.

(3) The options are vested in 4 tranches as to 25% each exercisable from 18 December 2015 (the date of grant), 1 January 2017, 1 January 2018 and 1 January 2019 respectively and is subject to the vesting conditions as set out in (4) below.

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

(5) Mr Lam Man Michael resigned as Director on 10 April 2017 subsequent to the year-end date.

(6) Mr Ng Kung Chit Raymond resigned as Director during the year.

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

(8) The options are held by the directors of CASH in the capacity of beneficial owners.

Save as disclosed above, as at 31 December 2016, none of the Directors, chief executive or their associates had any interests and 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).

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to an ordinary resolution passed at a SGM of the Company held on 22 February 2008, which took effect on 3 March 2008. Particulars of the terms of the Share Option Scheme are set out in note 39 to the consolidated financial statements. The following table discloses details of the Company's share options granted under the Share Option Scheme held by the Directors and the employees and consultants of the Group and movements in such holdings during the year ended 31 December 2016.

Name of scheme	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options outstanding as at 1 January 2016	Number of options outstanding as at 31 December 2016
Directors						
The Share Option Scheme	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	176,000,000	148,000,000
Employees and consultants						
The Share Option Scheme	03/12/2015	03/12/2015–31/12/2019	0.315	(2)&(3)	132,000,000	160,000,000
	03/12/2015	03/12/2015–31/12/2019	0.315	(4)	30,000,000	30,000,000
					162,000,000	190,000,000
					338,000,000	338,000,000

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 options must be exercised within one month from the date on which the Board's approval of the vesting of the options and upon satisfactory delivery of services.

(5) No option was granted, exercised, lapsed or cancelled during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, 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 and 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 *(Notes (1) & (2))*	Interest in a controlled corporation	1,667,821,069	40.34
Cash Guardian *(Notes (1) & (2))*	Interest in a controlled corporation	1,667,821,069	40.34
CASH *(Notes (1) & (2))*	Interest in a controlled corporation	1,667,821,069	40.34
Praise Joy Limited *(Notes (1) & (2))*	Interest in a controlled corporation	1,667,821,069	40.34
CIGL *(Notes (1) & (2))*	Beneficial owner	1,667,821,069	40.34
Mr Wang Shui Ming *(Note (3))*	Beneficial owner, interest in a controlled corporation and other interest	215,404,800	5.21

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 holding company of the Company)). CASH was owned as to a total of approximately 34.41% by Mr Kwan, being approximately 33.90% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan) and approximately 0.51% by Mr Kwan in his personal name. Pursuant to the SFO, Mr Kwan, Hobart Assets Limited and Cash Guardian 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 Mr Kwan in the section headed "Directors' interests in securities" above.

(2) Out of the above 1,667,821,069 Shares, CIGL entered into the sale and purchase agreement for disposal of 1,500,000,000 Shares (approximately 36.28%) held by it to Ever Billion Group Limited ("Ever Billion") in September 2016 (details are disclosed in the paragraph headed "Material Acquisitions and Disposals" in the financial review on page 8 of this annual report). On 8 September 2016, Sunbase International (Holdings) Limited ("Sunbase", the holding company of Ever Billion) filed a disclosure of interest notice for its acquisition of 1,500,000,000 Shares. Sunbase is in turn owned as to 66.67% by Mr Gao Gunter and 33.33% by Ms Yang Linda, who also filed their respective disclosure of interest notice on 8 September 2016.

As at the publication date of this report, certain conditions relating to the transaction have not been fulfilled and the transaction has been terminated on 29 March 2017. On 3 April 2017, Sunbase, Mr Gao Gunter and Ms Yang Linda filed their respective disclosure of interest notice for the cessation of interest in 1,500,000,000 Shares.

(3) The Shares were held as to 79,568,000 Shares in his personal name, as to 88,430,800 Shares held by Mingtak Holdings Limited (a 100%-owned controlled corporation of Mr Wang), and 47,406,000 Shares held by him as nominee under a power of attorney. Pursuant to the SFO, Mr Wang was deemed to be interested in all these Shares.

Save as disclosed above, as at 31 December 2016, 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 and short positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of its Shares in the hands of the public in accordance with the Listing Rules as at the latest practicable date prior to the issue of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2016.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the financial year.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the INEDs in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them to be independent.

AUDITOR

There have been no changes of auditor in the preceding three years.

The consolidated financial statements of the Company for the year were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Bankee P. Kwan, JP
Chairman

Hong Kong, 17 March 2017

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF CASH FINANCIAL SERVICES GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CASH Financial Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 131, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

100 Making another century of impact
德勤百年慶 開創新紀元

Independent Auditor's Report (continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for individual impairment losses on accounts receivable from clients arising from the business of dealing in securities	
We identified the allowance for individual impairment losses on accounts receivable from clients arising from the business of dealing in securities as a key audit matter due to the significance of accounts receivable from clients arising from the business of dealing in securities amounting to HK$275,607,000 as at 31 December 2016, the significant judgement in determining whether objective evidence of impairment exists and the related estimation uncertainty in the measurement of individual impairment losses. The accounts receivable from clients arising from the business of dealing in securities which give rise to the greatest estimation uncertainty are typically those with exposures that are not fully secured or are subject to potential cash flows or collateral shortfalls. For further details, we refer to the disclosure of estimation uncertainty in note 4 to the consolidated financial statements and credit quality and credit risk in notes 25 and 38 to the consolidated financial statements respectively.	Our procedures in relation to allowance for individual impairment losses on accounts receivable from clients arising from the business of dealing in securities included: — understanding through enquiry with the management the established policies and procedures on credit risk management of the Group and assessing and evaluating the process with respect to identification of accounts receivable from clients with indicators of impairment and the measurement of the impairment allowance; — examining whether the master client agreements contain the right to dispose the securities collaterals for settlement for clients' obligations; — checking, on a sample basis, the existence and accuracy of the recoverable amount of the securities collateral, to supporting documents and with reference to closing market price; — checking, on a sample basis, the calculation of the shortfall of accounts receivable from clients after deduction of the recoverable amount of the securities collateral; and — assessing the sufficiency of the impairment loss recognised with respect to the above shortfall, after taking into account other factors like credit worthiness and past collection history.

Independent Auditor’s Report (continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is M.Y. Tong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000
Revenue	5	**166,830**	252,290
Other income	7	**3,267**	3,807
Other (losses) gains	8	**(3,078)**	128,652
Salaries and related benefits	9	**(62,104)**	(146,820)
Commission expenses		**(51,373)**	(85,163)
Depreciation	18	**(9,544)**	(11,955)
Finance costs	12	**(5,044)**	(8,630)
Other operating and administrative expenses		**(78,761)**	(120,676)
Change in fair value of investment properties	19	**(13,593)**	155
Share of profit of an associate	24	**—**	95
(Loss) profit before taxation		**(53,400)**	11,755
Income tax credit	13	**2,202**	1,655
(Loss) profit for the year	15	**(51,198)**	13,410
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,199)**	(3,665)
Reclassification of translation reserve upon disposal of subsidiaries	14	**—**	(10,941)
Other comprehensive expense for the year		**(1,199)**	(14,606)
Total comprehensive expense for the year		**(52,397)**	(1,196)
(Loss) profit for the year attributable to:			
Owners of the Company		**(51,198)**	13,606
Non-controlling interests		**—**	(196)
		(51,198)	13,410
Total comprehensive expense attributable to:			
Owners of the Company		**(52,397)**	(1,000)
Non-controlling interests		**—**	(196)
		(52,397)	(1,196)
(Loss) earnings per share for (loss) profit attributable to the owners of the Company during the year	16		
— Basic (HK cents)		**(1.24)**	0.33
— Diluted (HK cents)		**(1.24)**	0.33

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property and equipment	18	**13,577**	19,445
Investment properties	19	**16,508**	188,583
Intangible assets	20	**9,752**	9,752
Other assets	22	**5,039**	5,039
Rental and utility deposits		**5,514**	612
Available-for-sale financial assets	23	**8,415**	8,415
Interest in an associate	24	**—**	—
		58,805	231,846
Current assets			
Accounts receivable	25	**432,300**	696,502
Loans receivable	26	**1,863**	1,831
Other assets	22	**3,528**	5,240
Prepayments, deposits and other receivables	27	**11,957**	17,930
Tax recoverable		**1,286**	29
Investments held for trading	28	**21,725**	18,872
Financial assets designated at fair value through profit or loss	29	**—**	13,161
Bank deposits subject to conditions	30	**25,025**	—
Bank balances – trust and segregated accounts	31	**819,803**	946,810
Bank balances (general accounts) and cash	31	**334,631**	370,467
		1,652,118	2,070,842
Current liabilities			
Accounts payable	32	**968,466**	1,429,827
Accrued liabilities and other payables	33	**30,100**	53,719
Taxation payable		**3,000**	3,039
Bank borrowings – amount due within one year	34	**153,687**	121,340
Amounts due to fellow subsidiaries	31	**1,807**	1,829
Financial liabilities designated at fair value through profit or loss	29	**—**	13,161
		1,157,060	1,622,915
Net current assets		**495,058**	447,927
Total assets less current liabilities		**553,863**	679,773

Consolidated Statement of Financial Position (continued)

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred tax liabilities	35	**40**	5,786
Bank borrowings – amount due after one year	34	**10,645**	78,412
		10,685	84,198
Net assets		**543,178**	595,575
Capital and reserves			
Share capital	36	**82,687**	82,687
Reserves		**460,491**	512,888
Equity attributable to owners of the Company		**543,178**	595,575
Non-controlling interests		**—**	—
Total equity		**543,178**	595,575

The consolidated financial statements on pages 59 to 131 were approved and authorised for issue by the Board of Directors on 17 March 2017 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LAW PING WAH BERNARD
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to equity holders of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000 (Note)	**Share-based payments reserve** HK$'000	**Translation reserve** HK$'000	**(Accumulated losses) retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2015	81,437	382,579	117,788	5,851	14,606	(11,520)	590,741	5,586	596,327
Profit (loss) for the year	—	—	—	—	—	13,606	13,606	(196)	13,410
Exchange differences arising on translation of foreign operations	—	—	—	—	(3,665)	—	(3,665)	—	(3,665)
Reclassification upon disposal of subsidiaries (Note 14)	—	—	—	—	(10,941)	—	(10,941)	—	(10,941)
Other comprehensive expense for the year	—	—	—	—	(14,606)	—	(14,606)	—	(14,606)
Total comprehensive (expense) income for the year	—	—	—	—	(14,606)	13,606	(1,000)	(196)	(1,196)
Issue of ordinary shares upon exercise of share options (Note 39)	1,250	7,522	—	(2,938)	—	—	5,834	—	5,834
Effect of forfeited share options (Note 39)	—	—	—	(2,913)	—	2,913	—	—	—
Purchase of non-controlling interest	—	—	—	—	—	—	—	(4,855)	(4,855)
Derecognition upon disposal of a non-wholly owned subsidiary	—	—	—	—	—	—	—	(535)	(535)
At 31 December 2015	82,687	390,101	117,788	—	—	4,999	595,575	—	595,575
Loss for the year	—	—	—	—	—	(51,198)	(51,198)	—	(51,198)
Exchange differences arising on translation of foreign operations	—	—	—	—	(1,199)	—	(1,199)	—	(1,199)
Other comprehensive expense for the year	—	—	—	—	(1,199)	—	(1,199)	—	(1,199)
Total comprehensive expense for the year	—	—	—	—	(1,199)	(51,198)	(52,397)	—	(52,397)
At 31 December 2016	**82,687**	**390,101**	**117,788**	**—**	**(1,199)**	**(46,199)**	**543,178**	**—**	**543,178**

Note: The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to eliminate accumulated losses.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Operating activities			
(Loss) profit before taxation		**(53,400)**	11,755
Adjustments for:			
Depreciation of property and equipment	18	**9,544**	11,955
Interest expense	12	**5,044**	8,630
Interest income	5	**(18,225)**	(26,639)
Dividend income	7	**(702)**	(1,117)
Change in fair value of investment properties	19	**13,593**	(155)
Write-off of property and equipment	8	**699**	—
Write back of impaired loans receivable, net	26	**—**	(4,519)
Allowance for impaired accounts receivable, net	25	**1,553**	1,431
Impairment on other receivables	8	**1,632**	—
Gain on disposal of available-for-sale financial assets	23	**—**	(14,381)
Gain on disposal of subsidiaries	14	**(2,623)**	(11,909)
Share of profit of an associate	24	**—**	(95)
Operating cash flows before movements in working capital		**(42,885)**	(25,044)
(Increase) decrease in rental and utility deposits		**(4,902)**	1,476
Decrease in other assets		**1,712**	1,830
Decrease (increase) in accounts receivable		**262,649**	(224,246)
(Increase) decrease in loans receivable		**(32)**	45,249
Decrease (increase) in prepayments, deposits and other receivables		**4,191**	(5,886)
(Increase) decrease in investments held for trading		**(2,853)**	21,266
Decrease (increase) in financial assets designated at fair value through profit or loss		**13,161**	(13,161)
Decrease (increase) in bank balances – trust and segregated accounts		**127,007**	(154,693)
Increase in financial liabilities held for trading		**—**	1,073
(Decrease) increase in accounts payable		**(461,361)**	321,521
(Decrease) increase in accrued liabilities and other payables		**(23,588)**	96,374
(Decrease) increase in financial liabilities designated at fair value through profit or loss		**(13,161)**	13,161
Cash (used in) from operations		**(140,062)**	78,920
Interest income received		**18,225**	26,639
Income taxes paid, net		**(1,463)**	(434)
Net cash (used in) generated from operating activities		**(123,300)**	105,125
Investing activities			
(Placement) refund of bank deposits subject to conditions		**(25,025)**	17,155
Purchase of property and equipment		**(4,380)**	(3,988)
Proceeds on disposal of an investment property		**17,103**	22,961
Net proceeds on disposal of available-for-sale financial assets		**—**	26,997
Capital distributed from an associate		**—**	1,529
Net cash inflow (outflow) from disposal of subsidiaries	14	**139,765**	(10,186)
Dividend received		**702**	1,117
Net cash generated from investing activities		**128,165**	55,585

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Financing activities		
Proceeds on issue of shares	—	5,834
Repayment of loan payable	—	(14,014)
Decrease in bank borrowings for margin financing	**(14,571)**	(50,156)
Drawdown of other bank borrowings	**50,000**	—
Repayment of other bank borrowings	**(70,849)**	(13,342)
(Repayment to) advance from fellow subsidiaries	**(22)**	124,368
Purchase of non-controlling interest	—	(4,855)
Interest paid on bank borrowings	**(5,044)**	(7,396)
Interest paid to other borrowings	—	(1,234)
Repayment of obligations under finance lease	—	(160)
Net cash (used in) generated from financing activities	**(40,486)**	39,045
Net (decrease) increase in cash and cash equivalents	**(35,621)**	199,755
Cash and cash equivalents at beginning of year	**370,467**	172,100
Effect of change in foreign exchange rate	**(215)**	(1,388)
Cash and cash equivalents at end of year	**334,631**	370,467
Bank balances (general accounts) and cash	**334,631**	370,467

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL

CASH Financial Services Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, while the address of the principal place of business of the Company is 21/F Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

As at 31 December 2016, Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH"), which is regarded by the directors of the Company as the ultimate holding company of the Company and is incorporated in Bermuda with its shares also listed on the Main Board of the Stock Exchange, owns 40.34% (2015: 40.34%) of ordinary shares of the Company and holds the same percentage of voting rights in the Company. Taking into account the relevant facts and circumstances, particularly the size of the CIGL's holding of voting rights relative to the size and dispersion of holdings of other vote holders, the directors of the Company regard the Company as a subsidiary of CIGL and CASH under the definition of control and the related guidance set out in Hong Kong Financial Reporting Standard ("HKFRS") 10 "Consolidated financial statements".

The Company and its subsidiaries ("Group") are principally engaged in the following activities:

- provision of online and traditional brokerage of securities, futures and options as well as mutual funds and insurance-linked investment products;
- principal investments of securities and derivatives;
- provision of margin financing and money lending services; and
- provision of corporate finance services.

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 HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKAS 1 Disclosure initiative

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

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

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

New and amendments to HKFRSs in issue but not effective

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial instruments

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

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

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

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

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

HKFRS 15 Revenue from contracts with customers

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 Revenue from contracts with customers (continued)

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

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

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

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

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

HKFRS 16 Leases

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 Leases (continued)

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$52,217,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 Disclosure initiative

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. For non-financial assets, the Group takes into account the Group's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another parties that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue or income arising from financial services are recognised on the following basis:

- Commission income for broking business is recorded as income on a trade date basis;
- Underwriting commission income, sub-underwriting income and placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed;
- Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Other interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property and equipment

Property and equipment held for use in the production or supply of goods and services, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy on borrowing costs below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution plans including state-managed benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the amount as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for loans and receivables.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when (i) the financial asset is held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income' line item. Fair value is determined in the manner described in note 38.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, other receivables, bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) financial assets at FVTPL or (c) held-to-maturity investments.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets carried at amortised costs, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of loans and receivables, such as loans receivable and accounts receivable arising from the business of dealing in securities and equity options with clients, amounts that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, including AFS equity investments carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of accounts receivable and loans receivable where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable and loans receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL (continued)

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 38.

Other financial liabilities

Financial liabilities (including accounts payable, other payables, bank borrowings and amount due to fellow subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options granted to employees of the Group for their services to the Group

The fair value of services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of share options granted at the grant date, without taking into account any service and non-market performance vesting conditions. Service and non-market performance vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting condition are to be satisfied, with a corresponding increase in equity (share-based payments reserve).

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

Share options granted to consultants for their services to the Group

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the counterparties rendered services, unless the services qualify for recognition as assets.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements within the next financial year are disclosed below.

Allowance for impairment

The policy for allowance for impairment of the Group is based on the evaluation of collectability, ageing analysis of accounts, the values of underlying collateral and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of those clients in default of settlement. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2016, the aggregate carrying amount of accounts and loans receivable is HK$434,163,000 (2015: HK$698,333,000) (net of allowance for impairment amounting to HK$3,300,000 (2015: HK$3,497,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the remaining estimated unused tax losses of approximately HK$179,883,000 (2015: HK$149,185,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

Estimated impairment of property and equipment and trading rights

Assessing impairment requires estimation of recoverable amounts of the relevant property and equipment and trading rights or the respective cash generating units ("CGUs") in which the property and equipment as well as trading rights belong, which is the higher of value in use and fair value less cost of disposal. If there is any indication that an asset may be impaired, the Group estimates the recoverable amount for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the respective recoverable amounts of the CGUs of corporate finance and broking of securities to which the trading rights as well as property and equipment belong.

The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant assets or the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or CGU for which the future cash flows estimates have not been adjusted. Where the actual future cash flows are less than expected or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2016, the carrying amounts of trading rights and property and equipment amounted to HK$9,092,000 (2015: HK$9,092,000) and HK$13,577,000 (2015: HK$19,445,000), respectively.

5. REVENUE

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

6. SEGMENT INFORMATION

Reportable and operating segment

The Chief Executive Officer of the Company, who is also the chief executive of the brokerage business, being the chief operating decision maker ("CODM"), regularly reviews the financial performance of the financial services business as a whole to make decisions about resources allocation. Accordingly, the Group has only one operating segment.

Segment revenue and result

The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit incurred by the segment before gain on disposal of available-for-sale financial assets, gain on disposal of subsidiaries, change in fair value of investment properties, share of result of an associate and unallocated expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

For the year ended 31 December 2016

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2016

6. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment revenue and result (continued)

For the year ended 31 December 2015

	Financial services HK$'000	Total HK$'000
Revenue	252,290	252,290
RESULT		
Segment profit	18,088	18,088
Gain on disposal of available-for-sale financial assets		14,381
Change in fair value of investment properties		155
Share of profit of an associate		95
Gain on disposal of subsidiaries		11,909
Unallocated expenses		(32,873)
Profit before taxation		11,755

All the segment revenue is derived from external customers.

Segment assets and liabilities

All assets are allocated to the operating segment other than investment properties, available-for-sale financial assets, unallocated property and equipment and other assets. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

6. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities (continued)

As at 31 December 2016

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

6. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities (continued)

As at 31 December 2015

	Financial services HK$'000	Total HK$'000
ASSETS		
Segment assets	2,074,530	2,074,530
Investment properties		188,583
Other unallocated assets		39,575
Consolidated total assets		2,302,688
LIABILITIES		
Segment liabilities	1,615,678	1,615,678
Deferred tax liabilities		5,786
Amount due to a fellow subsidiary		1,829
Other unallocated liabilities		83,820
Consolidated total liabilities		1,707,113

6. SEGMENT INFORMATION (continued)

Other information

For the year ended 31 December 2016

	Financial services HK$'000	**Unallocated amount HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets	**4,280**	**100**	**4,380**
Interest income	**18,225**	**—**	**18,225**
Depreciation	**(9,529)**	**(15)**	**(9,544)**
Write-off of property and equipment	**—**	**(699)**	**(699)**
Finance costs	**(4,385)**	**(659)**	**(5,044)**
Impairment on other receivables	**(1,632)**	**—**	**(1,632)**
Net loss on investments held for trading	**(693)**	**—**	**(693)**
Allowance for impaired accounts receivable, net	**(1,553)**	**—**	**(1,553)**
Net foreign exchange loss	**(452)**	**(672)**	**(1,124)**

For the year ended 31 December 2015

	Financial services HK$'000	Unallocated amount HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets	5,411	—	5,411
Interest income	26,639	—	26,639
Depreciation	(11,951)	(4)	(11,955)
Finance costs	(6,765)	(1,865)	(8,630)
Net gain on investments held for trading	105,392	—	105,392
Allowance for impaired accounts receivable, net	(1,431)	—	(1,431)
Write back of impaired loan receivables, net	4,519	—	4,519
Net foreign exchange loss	(2,324)	(3,794)	(6,118)

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

6. SEGMENT INFORMATION (continued)

Other information (continued)

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

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

7. OTHER INCOME

	2016	2015
	HK$'000	HK$'000
Dividends from listed investments held for trading	**702**	1,117
Consulting fee income	**512**	526
Sundry income	**2,053**	2,164
	3,267	3,807

8. OTHER (LOSSES) GAINS

	2016 HK$'000	2015 HK$'000
Net (loss) gain on investments held for trading	**(693)**	105,392
Write-off of property and equipment	**(699)**	—
Net foreign exchange loss	**(1,124)**	(6,118)
Allowance for impaired accounts receivable, net (Note 25)	**(1,553)**	(1,431)
Write back of impaired loans receivable, net (Note 26)	**—**	4,519
Impairment on other receivables	**(1,632)**	—
Gain on disposal of subsidiaries (Note 14)	**2,623**	11,909
Gain on disposal of available-for-sale financial assets (Note 23)	**—**	14,381
	(3,078)	128,652

9. SALARIES AND RELATED BENEFITS

	2016 HK$'000	2015 HK$'000
Salaries and related benefits represent the amounts paid and payable to the directors of the Company and employees, and comprise:		
Salaries and allowances	**58,126**	143,598
Contributions to retirement benefits schemes	**3,978**	3,222
	62,104	146,820

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	Kwan Pak Hoo Bankee HK$'000	Law Ping Wah Bernard HK$'000	Chief Executive Cheng Pui Lai Majone HK$'000	Lam Man Michael HK$'000	Ng Kung Chit Raymond HK$'000	Total 2016 HK$'000
(A) EXECUTIVE DIRECTORS						
Fees	—	—	—	—	—	—
Other emoluments:						
Salaries and allowances	1,200	960	1,870	2,010	971	7,011
Performance related bonuses*	—	—	—	854	—	854
Retirement benefits	60	48	94	104	42	348
Sub-total	1,260	1,008	1,964	2,968	1,013	8,213

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Lo Kwok Hung John HK$'000	Lo Ming Chi Charles HK$'000	Cheng Shu Shing Raymond HK$'000	Total 2016 HK$'000
(B) INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	150	150	150	450
Sub-total	150	150	150	450

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	8,663

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

	Kwan Pak Hoo Bankee HK$'000	Law Ping Wah Bernard HK$'000	Chief Executive Cheng Pui Lai Majone HK$'000	Lam Man Michael HK$'000	Ng Kung Chit Raymond HK$'000	Total 2015 HK$'000
(A) EXECUTIVE DIRECTORS						
Fees	—	—	—	—	—	—
Other emoluments:						
Salaries and allowances	1,200	960	1,800	260	1,512	5,732
Performance related bonuses*	15,000	—	—	—	—	15,000
Retirement benefits	60	48	90	13	76	287
Sub-total	16,260	1,008	1,890	273	1,588	21,019

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Lo Kwok Hung John HK$'000	Lo Ming Chi Charles HK$'000	Cheng Shu Shing Raymond HK$'000	Total 2015 HK$'000
(B) INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	150	150	150	450
Sub-total	150	150	150	450

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	21,469

* An executive director of the Company is entitled to bonus payments which are determined based on the achievement of performance target.

Ms Cheng Pui Lai Majone was also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

During the year ended 31 December 2016, Mr Ng Kung Chit Raymond resigned as an executive director of the Company.

During the year ended 31 December 2015, Mr Lam Man Michael was appointed as an executive director of the Company.

During the years ended 31 December 2016 and 2015, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the years ended 31 December 2016 and 2015.

11. EMPLOYEES' REMUNERATION

Two (2015: three) of the five individuals with the highest emoluments in the Group were directors of the Company for the year ended 31 December 2016. Details of these directors' emolument are included in the disclosures in note 10 above. The emoluments of the remaining three (2015: two) individuals were as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and allowances	**4,150**	2,562
Contributions to retirement benefit scheme	**196**	137
Performance related incentive payments (Note)	**610**	236
	4,956	2,935

Note: The incentive payments are based on the performance of individuals.

The remuneration of the three (2015: two) individuals (other than directors) were within the following bands:

	Number of employees **2016**	 2015
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**3**	1
	3	2

During the year ended 31 December 2016, no remuneration was paid by the Group to the remaining three (2015: two) individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. FINANCE COSTS

	2016 **HK$'000**	2015 HK$'000
Interest on:		
Bank overdrafts and borrowings	**5,044**	7,396
Others	**—**	1,234
	5,044	8,630

13. INCOME TAX CREDIT

	2016 **HK$'000**	2015 HK$'000
Current tax:		
— Hong Kong Profits Tax	**—**	441
Under (over) provision in prior years	**167**	(22)
Deferred tax (Note 35)	**(2,369)**	(2,074)
	(2,202)	(1,655)

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable to the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC income tax has been made as they incurred tax losses in both years.

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 **HK$'000**	2015 HK$'000
(Loss) profit before taxation	**(53,400)**	11,755
Taxation at income tax rate of 16.5%	**(8,811)**	1,940
Tax effect of share of profit of an associate	**—**	(16)
Under(over)provision in respect of prior years	**167**	(22)
Tax effect of expenses not deductible for tax purpose	**1,533**	1,262
Tax effect of income not taxable for tax purpose	**(705)**	(5,096)
Tax effect of utilisation of estimated tax losses previously not recognised	**(1,203)**	(2,819)
Tax effect of estimated tax losses not recognised	**6,817**	7,093
Others	**—**	(3,997)
Income tax credit	**(2,202)**	(1,655)

14. DISPOSAL OF SUBSIDIARIES

On 15 July 2016, the Group completed the disposal of its indirectly wholly-owned subsidiary, Cheer Wise Investments Limited at a cash consideration of HK$140,500,000 (represented a consideration of HK$125,112,000 for repayment of an amount due to a subsidiary of the Company and a consideration of HK$15,388,000 for the shares of Cheer Wise Investments Limited). The net assets of Cheer Wise Investments Limited at the date of disposal were as follow:

	HK$'000
Consideration received:	
Total cash consideration received	140,500
Analysis of assets and liabilities over which control was lost:	
Investment property	140,400
Deposits	150
Amount due to a subsidiary of the Company	(125,112)
Accrued liabilities	(31)
Deferred tax liability	(3,377)
Net assets disposed of	12,030
Consideration received	140,500
Less: Consideration for repayment of an amount due to a subsidiary of the Company	(125,112)
	15,388
Net assets disposed of	(12,030)
Transaction costs	(735)
Gain on disposal (Note 8)	2,623
Net cash inflow arising on disposal:	
Cash consideration	140,500
Less: Transaction costs	(735)
	139,765

14. DISPOSAL OF SUBSIDIARIES (continued)

On 30 June 2015, the Group completed the disposal of its wholly-owned subsidiary, Confident Profits Limited and its subsidiaries ("Confident Profits Group") to CIGL at a cash consideration of HK$1,549,000. The consolidated net assets of Confident Profits Group at the date of disposal were as follows:

	HK$'000
Consideration received:	
Total cash consideration received	1,549
Analysis of assets and liabilities over which control was lost:	
Property and equipment	12,147
Investments held for trading	4,407
Accounts receivable	232,753
Amount due from immediate holding company	809
Prepayments, deposits and other receivable	1,535
Bank balances and cash	11,735
Accrued liabilities and other payables	(95,744)
Amount due to a fellow subsidiary	(149,698)
Financial liabilities held for trading	(2,128)
Taxation payable	(13,437)
Finance lease payable	(1,263)
	1,116
Less: Non-controlling interest	(535)
Net assets disposed of	581
Consideration received	1,549
Net assets disposed of	(581)
	968
Reclassification of translation reserve upon disposal of subsidiaries	10,941
Gain on disposal (Note 8)	11,909
Net cash outflow arising on disposal:	
Cash consideration	1,549
Less: Bank balances and cash disposed of	(11,735)
	(10,186)

15. (LOSS) PROFIT FOR THE YEAR

	2016 **HK$'000**	2015 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,920**	1,920
Operating lease rentals	**23,820**	25,673
Handling expenses for securities dealing	**10,595**	23,625
Advertising and promotion expenses	**4,897**	6,031
Telecommunication expenses	**13,112**	22,956
Legal and professional fees	**4,910**	11,990

16. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

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

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

For the year ended 31 December 2016, the computation of diluted loss per share has not taken into account the effects of share options as it would result in decrease in loss per share.

For the year ended 31 December 2015, the computation of diluted earnings per share assumed the exercise of the Company's outstanding share options with the exercise price lower than the average market price during the year.

17. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2016 and 2015.

18. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION					
At 1 January 2015	24,953	6,615	60,551	1,992	94,111
Exchange adjustments	—	(34)	—	—	(34)
Additions	1,308	296	2,384	1,423	5,411
Derecognised on disposal of subsidiaries	(7,509)	(1,373)	(4,156)	(3,415)	(16,453)
At 31 December 2015	18,752	5,504	58,779	—	83,035
Exchange adjustments	—	(27)	—	—	(27)
Additions	244	139	3,997	—	4,380
Write-off	(21)	(3,276)	(22,548)	—	(25,845)
At 31 December 2016	18,975	2,340	40,228	—	61,543
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2015	9,462	4,436	40,216	1,861	55,975
Exchange adjustments	—	(34)	—	—	(34)
Provided for the year	4,330	311	7,192	122	11,955
Eliminated on disposal of subsidiaries	(778)	(822)	(723)	(1,983)	(4,306)
At 31 December 2015	13,014	3,891	46,685	—	63,590
Exchange adjustments	—	(22)	—	—	(22)
Provided for the year	3,343	144	6,057	—	9,544
Write-off	(21)	(2,577)	(22,548)	—	(25,146)
At 31 December 2016	16,336	1,436	30,194	—	47,966
CARRYING VALUES					
At 31 December 2016	2,639	904	10,034	—	13,577
At 31 December 2015	5,738	1,613	12,094	—	19,445

18. PROPERTY AND EQUIPMENT (continued)

The above property and equipment are depreciated on a straight-line basis over the following years:

Leasehold improvements	Over the shorter of the lease terms and 5 years
Furniture and fixtures	5 years
Computer and equipment	5 years
Motor vehicles	3 years

19. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2015	213,666
Disposal	(22,961)
Net increase in fair value recognised in profit or loss	155
Exchange adjustments	(2,277)
At 31 December 2015	188,583
Disposal	(17,103)
Net decrease in fair value recognised in profit or loss	(13,593)
Disposals arising from disposal of a subsidiary (Note 14)	(140,400)
Exchange adjustments	(979)
At 31 December 2016	16,508
Unrealised gain (loss) on property revaluation relating to the investment properties held at the end of the reporting period included in "change in fair value of investment properties"	
For the year ended 31 December 2016	1,215
For the year ended 31 December 2015	(1,726)

The Group's property interests held under operating leases to earn rental income or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

19. INVESTMENT PROPERTIES (continued)

The investment properties of the Group are situated:

	2016 **HK$'000**	2015 HK$'000
In Hong Kong	**—**	155,000
Outside Hong Kong	**16,508**	33,583
	16,508	188,583

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2016 and 2015 has been arrived at on the basis of a valuation carried out on the respective dates by CS Surveyors Limited for Hong Kong property and Peak Vision Appraisals Limited for PRC properties, the independent qualified professional valuers not connected to the Group who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair value of properties, which are all classified as level 3 fair value hierarchy, was determined based on the direct comparison approach assuming sale of the property interest in its existing state with the benefit of vacant procession and by making reference to recent comparable sales evidence as available in the relevant market.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

19. INVESTMENT PROPERTIES (continued)

Fair value measurement of the Group's investment properties (continued)

Investment properties held by the Group	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2016 and 2015				
Residential property units	Level 3	Direct comparison method based on market observable transactions of the same location and adjusted to reflect the conditions of the subject properties The key inputs are: (1) Level adjustment (2) View adjustment	Level adjustment on individual floors of the property of 1% (2015: range of 0.4% – 3%) View adjustment on the site view of the property of 0% (2015: 3%)	The higher level, the higher the fair value The better view, the higher the fair value

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

In estimating the fair value of the investment properties, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management's findings to the Board of Directors of the Company every half year to explain the cause of fluctuations in the fair value of the investment properties.

20. INTANGIBLE ASSETS

	Trading rights HK$'000 (Note a)	Club debenture HK$'000 (Note b)	Total HK$'000
COST AND CARRYING VALUES			
At 31 December 2015 and 31 December 2016	9,092	660	9,752

Notes:

(a) At 31 December 2016, intangible assets amounting to HK$9,092,000 (2015: HK$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights was considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful life are determined to be finite. Instead these will be tested for impairment annually and whenever there is an indication that they may be impaired.

(b) At 31 December 2016, intangible assets amounting to HK$660,000 (2015: HK$660,000) represent club debenture. The management of the Group determined that there was no impairment of the club debenture and the amount is considered recoverable.

21. IMPAIRMENT TESTING ON INTANGIBLE ASSETS

For the purposes of impairment testing, trading rights set out in note 20 have been allocated to the following cash generating unit ("CGU"). The carrying amounts of trading rights at the reporting dates allocated to this unit are as follows:

	Trading rights 2016 & 2015 HK$'000
Financial service – Broking of securities	9,092

At 31 December 2016 and 31 December 2015, management of the Group determined that there is no impairment of any of its CGUs containing trading rights.

The recoverable amount of the CGU of broking of securities has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period, and discount rate of 8% (2015: one-year period, and discount rate of 8%). The cash flows beyond the one-year period are extrapolated for two years using a zero growth rate. The zero growth rate is determined based on management's expectations for the Group's development.

Management believes that any reasonably possible change in any of the assumptions would not cause the carrying amount of the above CGU to exceed the recoverable amount of the above CGU.

22. OTHER ASSETS

	2016 HK$'000	2015 HK$'000
Statutory and other deposits with exchanges and clearing houses		
— current portion	**3,528**	5,240
— non-current portion	**5,039**	5,039
	8,567	10,279

The above deposits are non-interest bearing.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK$'000	2015 HK$'000
Unlisted investment		
— equity securities (at cost)	**8,415**	8,415

At 31 December 2016 and 31 December 2015, the unlisted investment represents equity interest in Infinity Investment Holding Group ("Infinity Holding").

Infinity Equity Management Company Limited ("Infinity") is a private entity incorporated in Hong Kong and engaged in the business of venture capital and private equity management in PRC. At the date of acquisition of Infinity in 2013, the Group obtained 20% equity interest in Infinity and the Group signed an agreement with Infinity under which the Group surrendered its rights to vote at both meetings of shareholders and directors relating to financial and operating decisions of Infinity. The directors of the Company consider that the Group does not have significant influence on Infinity. In December 2013, the Group's equity interest was diluted to 18% as a result of capital injection from a new third party investor to Infinity. On 3 February 2015, the 18% shareholding in Infinity was swapped into shares of Infinity Holding, a company incorporated in Cayman Islands and is the new holding company of Infinity, pursuant to a group restructuring. The Group's equity interest in Infinity Holding dropped to 7.2% as a result of disposal of 10.8% equity interest in Infinity Holding at a consideration of HK$26,997,000 resulting in a gain on disposal of HK$14,381,000 for the year ended 31 December 2015.

The unlisted investment is measured at cost at 31 December 2016 and 31 December 2015 because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair value cannot be measured reliably.

24. INTEREST IN AN ASSOCIATE

	2016	2015
	HK$'000	HK$'000
Cost of investment in an associate		
Unlisted shares	**—**	1,434
Share of post-acquisition profits and other comprehensive income	**—**	95
	—	1,529
Capital distribution from associate	**—**	(1,529)
	—	—

The associate was disposed by the Group in 2015. Up to the date of disposal in 2015, the Group had interest in the following associate:

Name of entity	**Form of business structure**	**Country of incorporation**	**Principal place of operation**	**Class of share held**	**Proportion of nominal value of issued capital held by the Group**	**Proportion of voting power held**	**Principal activities**
					%	%	
China Able Limited	Incorporated	British Virgin Islands	PRC	Ordinary	33.3	33.3	Inactive

Summarised financial information from 1 January 2015 up to the date of disposal is not disclosed as it is not material to the Group.

25. ACCOUNTS RECEIVABLE

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

The credit quality of accounts receivable is summarised as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired:		
— Margin clients	**227,565**	170,624
— Non-margin clients	**19,315**	32,849
— Clearing houses, brokers and dealers	**154,482**	460,906
Past due but not impaired	**23,077**	32,123
Impaired	**11,161**	3,497
	435,600	699,999
Less: Allowance for impairment	**(3,300)**	(3,497)
	432,300	696,502

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

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

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously. Details are set out in note 38.

25. ACCOUNTS RECEIVABLE (continued)

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

	2016 **HK$'000**	2015 HK$'000
0–30 days	**415**	1,969
31–60 days	**125**	126
61–90 days	**—**	274
Over 90 days	**2,421**	924
	2,961	3,293

For accounts receivable from margin clients that are included in "Neither past due nor impaired" category as at 31 December 2016 and 2015, the fair value of each client's listed securities is higher than the carrying amount of each individual loan to margin client in this category.

The clients' listed securities can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's securities up to the amount of 140% of the accounts receivable from margin clients as collateral of the Group's borrowings (with client's consent). The accounts receivable from margin clients are repayable on demand and bear interest at commercial rates.

For accounts receivable from cash clients that are included in "Neither past due nor impaired" category as at 31 December 2016 and 2015, the amounts are not yet due for settlement as at the reporting date.

Included in the Group's accounts receivable are debtors (excluding margin clients), with a carrying amount of HK$23,077,000 (2015: HK$32,123,000) which are past due at the end of the reporting period for which the Group has not provided for impairment as there has not been a significant change in credit quality. The Group believes that the amounts are still considered recoverable given the amount is fully secured by client's listed securities or the substantial settlement after the end of the reporting period.

25. ACCOUNTS RECEIVABLE (continued)

In respect of accounts receivable which are past due but not impaired at the respective reporting date, the ageing analysis (from due date) is as follows:

	2016 HK$'000	2015 HK$'000
0–30 days	**14,878**	14,060
31–60 days	**6,528**	10,560
61–90 days	**—**	274
Over 90 days	**1,671**	7,229
	23,077	32,123

As at 31 December 2015, in connection with the business of dealing in futures and options, an amount of HK$6,147,000 was held with MF Global Hong Kong Limited ("MFG HK") (which was in liquidation) on behalf of a client. The amount was fully settled by the liquidator of MFG HK in 2016.

Accounts receivable due from margin and past due cash clients of approximately HK$11,161,000 (2015: HK$3,497,000) which are not fully secured by the respective clients' listed securities, are considered impaired and included in "Impaired" category as at 31 December 2016 and 2015.

Accounts receivable are netted off by allowance for impairment of HK$3,300,000 (2015: HK$3,497,000) which included individual allowance of HK$2,933,000 (2015: HK$3,126,000) and collective allowance of HK$367,000 (2015: HK$371,000) respectively.

Movements in the allowance for impairment are as follows:

	2016 HK$'000	2015 HK$'000
Balance at the beginning of the year	**3,497**	2,632
Charge for the year, net	**1,553**	1,431
Amounts written off during the year	**(1,750)**	(566)
Balance at the end of the year	**3,300**	3,497

The Group has a policy for determining the allowance for impairment based on the evaluation of collectability and ageing analysis of accounts and on management's judgement, including the current creditworthiness, collateral and the past collection history of each client.

In addition to the individually assessed allowance for impairment, the Group has also provided, on a collective basis, impairment allowance for accounts receivable arising from the business of dealing in securities, futures and options that are individually insignificant or accounts receivable where no impairment has been identified individually. Objective evidence of the collective impairment includes the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that no further allowance for impairment is required.

25. ACCOUNTS RECEIVABLE (continued)

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

Name	Balance at 1 January	Balance at 31 December	Maximum amount outstanding during the year	Market value of pledged securities at fair value at 31 December
	HK$'000	HK$'000	HK$'000	HK$'000
Directors of the Company				
Mr Kwan Pak Hoo Bankee and associates (Note 2)				
2015	—	—	2,345	—
2016	—	—	231	—
Mr Law Ping Wah Bernard and associates (Note 2)				
2015	—	—	18,036	—
2016	—	—	6,909	—
Ms Cheng Pui Lai Majone and associates				
2015	—	—	26,197	—
2016	—	—	8,637	—
Mr Ng Kung Chit Raymond and associates (Note 4)				
2015	—	—	18,200	—
2016	—	—	10,364	—
Director of CASH				
Mr Ng Hin Sing Derek and associates				
2015	—	—	16,546	—
2016	—	—	—	—

25. ACCOUNTS RECEIVABLE (continued)

Name	Balance at 1 January HK$'000	Balance at 31 December HK$'000	Maximum amount outstanding during the year HK$'000	Market value of pledged securities at fair value at 31 December HK$'000
A shareholder with significant influence over CASH (Note 3)				
Cash Guardian Limited				
2015	—	—	4,058	—
2016	—	—	—	—
Wholly-owned subsidiary of CASH				
Libra Capital Management (HK) Limited				
2015	—	—	2,041	—
2016	—	—	—	—
Other connected clients				
Mr Kwan Pak Leung Horace and associates (Note 5)				
2015	—	—	24,818	—
2016	—	—	6,000	—
Ms Chan Siu Fei Susanna and associates (Note 5)				
2015	—	—	16,559	—
2016	—	—	5,182	—

Notes:

(1) Associates are defined in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

(2) Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard are also the executive directors of CASH.

(3) Cash Guardian Limited is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is also a director of the Company and CASH.

(4) During the year ended 31 December 2016, Mr Ng Kung Chit Raymond resigned as an executive director of the Company.

(5) Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna are associates of Mr Kwan Pak Hoo Bankee.

Balances with the above parties, if any, are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

26. LOANS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Loans receivable denominated in Hong Kong dollars	**1,863**	1,831

The credit quality of loans receivable is summarised as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**1,462**	1,430
Past due but not impaired	**401**	401
	1,863	1,831

The loans receivable bear variable-rate interest at Hong Kong Prime Rate plus a spread for both years.

The Group has a policy for assessing the impairment on loans receivable that are unsecured, those that are secured but without sufficient collateral and those with default or delinquency in interest or principal payment, on an individual basis. The assessment also includes evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness, collateral and the past collection history of each client.

At the end of each reporting date, the Group's loans receivable were individually assessed for impairment. In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable from the date the credit was initially granted up to the reporting date. As at 31 December 2016 and 2015, management of the Group considered no impairment allowance is necessary.

Movements in the allowance for impairment are as follows:

	2016 HK$'000	2015 HK$'000
Balance at the beginning of the year	**—**	30,595
Amount written back during the year	**—**	(4,519)
Amount written off during the year	**—**	(22,376)
Derecognised upon disposal of subsidiaries	**—**	(3,700)
Balance at the end of the year	**—**	—

The loans receivable included a total carrying amount of HK$1,462,000 (2015: HK$1,430,000) which is neither past due nor impaired at the end of the reporting period, for which the Group believes is recoverable. The loans receivable are unsecured except for an amount of HK$455,000 (2015: HK$545,000) which is fully secured by a residential property at a fair value of approximately HK$2,100,000 (2015: HK$2,100,000). There is no recent history of default from these borrowers.

26. LOANS RECEIVABLE (continued)

The Group has concentration of credit risk from five highest borrowers of HK$1,832,000 (2015: HK$1,804,000) in total at 31 December 2016.

The carrying amount of variable-rate loans receivable has remaining contractual maturity dates as follows:

	2016	2015
	HK$'000	HK$'000
On demand or within one year	**1,863**	1,831

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Prepayments	**4,662**	4,993
Deposits	**1,997**	6,489
Other receivables	**5,298**	6,448
	11,957	17,930

The above deposits and other receivables are non-interest bearing and repayable on demand or within one year.

28. INVESTMENTS HELD FOR TRADING

	2016	2015
	HK$'000	HK$'000
Equity securities listed in Hong Kong (Note (a))	**9,485**	6,703
Unlisted investment fund (Note (b))	**12,240**	12,169
	21,725	18,872

Notes:

(a) The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

(b) The fair value of the unlisted investment fund is based on broker's quotes, which reflect the Group's share of fair value of the net asset value of the fund, being the price that the fund will be willing to pay to redeem the units in the fund at 31 December 2016.

29. FINANCIAL ASSETS (LIABILITIES) DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 **HK$'000**	2015 HK$'000
Financial assets designated at FVTPL		
Unlisted investment fund (Note i)	—	13,161
Financial liabilities designated at FVTPL		
Return swap (Note ii)	—	13,161

Notes:

(i) The fair value of the unlisted investment fund is based on the Group's share of fair value of the net asset value of the fund, which invests in equity and commodity futures in the PRC. The unlisted investment fund was liquidated during the year ended 31 December 2016.

(ii) During the previous year the Group invested in an unlisted fund in PRC as mentioned in (i) above, and at the same time the Group issued a return swap to an independent third party whereby the financial obligation of the Group is determined with reference to the fair value of the invested unlisted investment fund. The return swap was terminated during the year ended 31 December 2016.

30. BANK DEPOSITS SUBJECT TO CONDITIONS

	2016 **HK$'000**	2015 HK$'000
Other bank deposits	**25,025**	—

Pursuant to a letter of undertaking given by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$25,000,000 (2015: Nil) with a bank as a condition precedent to banking facilities granted by the bank to the Group to the extent of HK$50,000,000, of which HK$50,000,000 was utilised as at 31 December 2016. The pledged bank deposits will be released upon the repayment of relevant bank borrowings. The bank deposits subject to conditions carried floating rate at prevailing market rate per annum, which was also the effective interest rate on the bank deposits. All the deposits were pledged to secure short-term loan or short-term undrawn facilities, and were therefore classified as current assets.

31. OTHER FINANCIAL ASSETS AND LIABILITIES

Bank balances — trust and segregated accounts

The Group receives and holds monies deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. Such monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding liabilities to respective external clients and other institutions as accounts payable (note 32). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Amounts due to fellow subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

32. ACCOUNTS PAYABLE

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

The settlement terms of accounts payable, except for margin clients, arising from the business of dealing in securities are two days after trade date and accounts payable arising from the business of dealing in futures contracts are one day after trade date. Accounts payable to cash clients are repayable on demand subsequent to settlement date. Amounts payable to margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

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

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

33. ACCRUED LIABILITIES AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Accrued liabilities		
— Accrual for salaries and commission	**3,740**	12,456
— Other accrued liabilities	**18,020**	17,673
Other payables	**8,340**	23,590
	30,100	53,719

34. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank overdrafts, secured	**431**	2
Bank loans, secured	**163,901**	199,750
	164,332	199,752

	2016 HK$'000	2015 HK$'000
Based on scheduled repayment dates set out in the loan agreements, the carrying amount of bank loans is repayable:		
Within one year	**3,687**	75,340
In the second year	**3,351**	6,502
In the third to fifth years	**7,294**	20,510
After the fifth year	**—**	51,400
	14,332	153,752
Carrying amount of bank loans containing a repayment on demand clause and repayable:		
— within one year	**150,000**	46,000
	164,332	199,752
Less: Amount due within one year shown under current liabilities	**(153,687)**	(121,340)
Amount due after one year shown under non-current liabilities	**10,645**	78,412

34. BANK BORROWINGS (continued)

The Group's bank borrowings as at 31 December 2016 and 2015 were secured by:

(a) corporate guarantees from the Company for both years;

(b) corporate guarantees from certain subsidiaries of the Company for both years;

(c) marketable securities of the Group's clients with fair value of HK$296,169,000 at 31 December 2016 (2015: HK$212,602,000) (with clients' consent);

(d) investment properties of the Group as disclosed in note 19 with carrying amount of Nil (2015: HK$188,583,000); and

(e) bank deposits of HK$25,025,000 as disclosed in note 30.

Bank overdrafts amounting to HK$431,000 (2015: HK$2,000) carried interest at Hong Kong Prime Rate. Bank loans amounting to HK$163,901,000 (2015: HK$199,750,000) were variable-rate borrowings which carry interest with reference to Hong Kong Interbank Offered Rate ("HIBOR") or Hong Kong Prime Rate.

The effective interest rates on the Group's borrowings are also equal to the contracted interest rates.

35. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and the movements thereon during the current and the prior reporting years:

Deferred tax liabilities

	Revaluation of investment properties HK$'000
At 1 January 2015	(7,860)
Credit to profit or loss for the year (Note 13)	2,074
At 31 December 2015	(5,786)
Derecognised on disposal of a subsidiary (Note 14)	3,377
Credit to profit or loss for the year (Note 13)	2,369
At 31 December 2016	(40)

At 31 December 2016, the Group has estimated unused tax losses of approximately HK$179,883,000 (2015: HK$149,185,000), while estimated unused tax losses of HK$3,290,000 (2015: HK$172,191,000) was reduced due to disposal of a subsidiary during the year. No deferred tax asset has been recognised as at 31 December 2016 and 2015 in respect of these estimated unused tax losses as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

Unrecognised estimated tax losses of HK$4,242,000 (2015: HK$1,540,000) incurred by certain subsidiaries operating in PRC are subject to expiry periods of five years from the year in which the tax losses arose under the current tax legislation. The remaining estimated unused tax losses have no expiry date but are subject to further approval of the Hong Kong Inland Revenue Department.

36. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.02 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	15,000,000	300,000
Issued and fully paid:		
At 1 January 2015	4,071,859	81,437
Exercise of share options (Note 39)	62,500	1,250
At 31 December 2015 and 31 December 2016	4,134,359	82,687

All new shares rank pari passu with the existing shares in all respects.

37. 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 disclosed in note 34, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 36, 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 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.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Fair value through profit or loss		
— held-for-trading	**21,725**	18,872
— financial assets designated at fair value through profit or loss	**—**	13,161
Available-for-sale financial assets	**8,415**	8,415
Loans and receivables (including cash and cash equivalents)	**1,620,030**	2,022,058
Financial liabilities		
Fair value through profit or loss		
— financial liabilities designated at fair value through profit or loss	**—**	13,161
Amortised cost	**1,142,945**	1,654,998

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, available-for-sale financial assets, loans receivable, other receivables, other payables, bank balances and deposits, bank borrowings, accounts receivable, amounts due to fellow subsidiaries, and accounts payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity price risk

The Group has a portfolio of held-for-trading investments in equity securities which are carried at fair value and expose the Group to price risk. In both years, the directors of the Company manage the exposure by closely monitoring the portfolio of equity securities and imposing trading limits on individual trades.

Moreover, the Group is exposed to equity price risk as a result of changes in fair value of its unlisted equity investments classified as available-for-sale financial assets and investments in derivatives. The directors of the Company manage the exposure in derivatives by closing all the open position and imposing trading limits on daily basis. The Group did not hold any derivatives at 31 December 2016 and 2015. No sensitivity analysis on equity price risk has been presented in relation to unlisted equity investment classified as available-for-sale financial assets because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair value cannot be measured reliably.

38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Equity price risk (continued)

Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period. The analysis is prepared assuming the listed equity investments and unlisted investment fund where applicable, outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2016, if the market bid prices of the Group's listed equity investments and unlisted investment fund had been 15 percent (2015: 15 percent) higher/lower, the Group's loss after taxation would decrease/increase by HK$2,721,000 (2015: profit after taxation would increase/decrease by HK$2,364,000). This is attributable to the changes in fair values of the listed equity investments and unlisted investment fund.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Cash flow interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients, accounts payable to cash and margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 50 (2015: 50) basis points change representing management's assessment of the reasonably possible change in interest rates is used.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR arising from the Group's variable interest rate instruments. The Group's interest rate exposure on financial assets is considered insignificant.

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 December 2016, if the interest rate of bank borrowings, loans receivable and loans to margin clients had been 50 (2015: 50) basis points higher/lower, the Group's loss after taxation would decrease/increase by HK$296,000 (2015: profit after taxation would decrease/increase by HK$114,000). Bank balances are excluded from sensitivity analysis as these are subject to minimal interest rate fluctuation.

In the opinion of the management, the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk

The group entities have financial assets and liabilities denominated in currencies other than their respective functional currencies. Consequently, the Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Group's assets denominated in foreign currencies.

The exposure primarily arises from the receivables from foreign brokers, foreign currency deposits with banks and accounts payable to clients denominated in United Stated dollars ("USD") and Renminbi ("RMB"). The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arises. The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar pegged system to the USD.

The carrying amounts of the major foreign currency denominated monetary assets and monetary liabilities of the Group at the reporting date are as follows:

	Liabilities		**Assets**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**172,287**	199,494	**237,603**	227,686
RMB	**8,844**	6,633	**20,129**	36,772

As at 31 December 2016, if RMB had strengthened/weakened by 5% (2015: 5%) against HK$ and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK$471,000 (2015: profit after taxation would increase/decrease by HK$1,258,000). Under the pegged exchange rate system, the financial impact in exchange difference between HK$ and USD is considered to be immaterial and therefore no sensitivity analysis has been prepared.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31 December 2016 and 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on delinquent receivables. In addition, the Group reviews the recoverable amount of loans receivable and accounts receivable as disclosed in notes 26 and 25 respectively on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group does not have any significant concentration of credit risk as the exposure spread over a number of counterparties and customers, except for the loans receivable as disclosed in note 26.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk of such authorised institutions is low.

38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and customers. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

The following table details the Group's remaining contractual maturity for its financial liabilities, including financial liabilities designated at FVTPL. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate %	Within 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total contracted undiscounted cash flows HK$'000	Carrying amount at reporting date HK$'000
At 31 December 2016							
Accounts payable	N/A	968,466	—	—	—	968,466	968,466
Other payables	N/A	8,340	—	—	—	8,340	8,340
Bank borrowings	Note	153,687	3,611	7,521	—	164,819	164,332
Amounts due to fellow subsidiaries	N/A	1,807	—	—	—	1,807	1,807
		1,132,300	3,611	7,521	—	1,143,432	1,142,945

38. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average effective interest rate %	Within 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total contracted undiscounted cash flows HK$'000	Carrying amount at reporting date HK$'000
At 31 December 2015							
Accounts payable	N/A	1,429,827	—	—	—	1,429,827	1,429,827
Other payables	N/A	23,590	—	—	—	23,590	23,590
Bank borrowings	Note	121,340	8,385	25,154	58,643	213,522	199,752
Amount due to a fellow subsidiary	N/A	1,829	—	—	—	1,829	1,829
Financial liabilities designated at FVTPL	N/A	13,161	—	—	—	13,161	13,161
		1,589,747	8,385	25,154	58,643	1,681,929	1,668,159

Note: Variable-rate borrowings carry interest at HIBOR plus a spread or Hong Kong Prime Rate. The prevailing market rate at the reporting date is used in the maturity analysis.

Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2016, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$150,000,000 (2015: HK$46,000,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. As at 31 December 2016, assuming the banks will not exercise their discretionary rights to demand immediate repayment, the aggregate principal and interest cash outflows for such bank loans amounted to approximately HK$154,041,000 (2015: HK$47,002,000) within 1 year.

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ from the estimated interest rates determined at the end of the reporting period.

38. FINANCIAL INSTRUMENTS (continued)

Fair values

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets designated at fair value through profit or loss

Financial assets designated at FVTPL	Fair value as at 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation techniques
Unlisted investment fund	—	13,161	Level 2	Broker's quote

Investments held for trading

Investments held for trading	Fair value as at 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation techniques
Equity securities listed in Hong Kong	9,485	6,703	Level 1	Quoted prices in an active market
Unlisted investment fund	12,240	12,169	Level 2	Broker's quote

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at FVTPL	Fair value as at 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation techniques
Return swap	—	13,161	Level 2	Broker's quote of the underlying unlisted investment fund

There were no transfers between Levels 1 and 2 in the current and prior years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

38. FINANCIAL INSTRUMENTS (continued)

Financial asset and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group and deposits placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

As at 31 December 2016

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial assets liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Collateral received HK$'000	Net amount HK$'000
Financial assets						
Amount due from HKSCC, brokers and brokerage clients	**469,466**	**(151,752)**	**317,714**	**(11,855)**	**(268,845)**	**37,014**
Deposit placed with HKSCC	**2,951**	**—**	**2,951**	**—**	**—**	**2,951**

38. FINANCIAL INSTRUMENTS (continued)

Financial asset and financial liabilities offsetting (continued)

As at 31 December 2015

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial assets liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Amount due from HKSCC, brokers and brokerage clients	1,615,214	(1,119,044)	496,170	(14,009)	(216,951)	265,210
Deposit placed with HKSCC	5,666	—	5,666	—	—	5,666

Note: The directors of the Company consider that the net amount of accounts payable to HKSCC, brokers and brokerage clients as at 31 December 2016 presented in the consolidated statement of financial position of HK$708,220,000 (2015: HK$1,117,463,000) do not expose the Group to significant risk. Accordingly, the relevant offsetting disclosures for accounts payable are not presented.

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position, both of which have been disclosed in the above tables, are measured as follows:

- Amounts due from HKSCC, brokers and brokerage clients — amortised cost
- Deposit placed with HKSCC — amortised cost

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position or subject to enforceable master netting arrangements or similar agreements are measured on the same basis as the recognised financial assets and financial liabilities.

39. SHARE OPTION SCHEMES

The Company's existing share option scheme ("Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 22 February 2008, which took effect on 3 March 2008.

The major terms of the Share Option Scheme are summarised as follows:

(i) The purpose is to provide incentives to:

- award and retain the participants who have made contributions to CASH and its subsidiaries and associates, including the Group ("CASH Group"); or
- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

(ii) The participants include any employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 413,435,958 (2015: 387,785,958) shares, representing around 10% (2015: 9.4%) of the issued share capital of the Company as at 31 December 2016. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Share Option Scheme or any other share option scheme within any 12-months period, must not exceed 1% of the shares in issue from time to time.

(v) There is no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of the Company ("Board") and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the Board of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;
- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the share.

(ix) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 21 February 2018.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

39. SHARE OPTION SCHEMES (continued)

Share options granted to the employees, directors and consultants and weighted average exercise price are as follows for the reporting periods presented:

	2016 Number of share options	**2016** Weighted average exercise price HK$	Notes	2015 Number of share options	2015 Weighted average exercise price HK$
Outstanding at 1 January	**338,000,000**	**0.315**		121,000,000	0.095
Granted	**—**	**—**	(a) & (b)	338,000,000	0.315
Lapsed/cancelled	**—**	**—**	(c) & (d)	(58,500,000)	0.096
Exercised	**—**	**—**	(c) & (d)	(62,500,000)	0.093
Outstanding at 31 December	**338,000,000**	**0.315**		338,000,000	0.315
Exercisable at 31 December	**—**	**—**		—	—

Notes:

(a) During the year ended 31 December 2015, 308,000,000 options were granted to directors and employees of the Group and CASH Group on 3 December 2015 for the provision of services to the Group but are subject to approval from the Board and also subject to the achievement of performance target for the financial years ending 31 December 2016 to 2019. At 31 December 2016 and 31 December 2015, approval from the Board has not been obtained and neither have any performance target been achieved or established. During the year ended 31 December 2016, no share-based compensation expense was recognised in the consolidated financial statements (2015: Nil).

(b) During the year ended 31 December 2015, 30,000,000 options were granted to a consultant of the Group on 3 December 2015 for the provision of consultancy service to the Group up to 31 December 2019. The options will be vested upon the provision of satisfactory services determined at the sole discretion of the Board. The options must be exercised within one month from the date the Board approves the vesting of the options. At 31 December 2016 and 31 December 2015, approval from the Board has not been obtained. During the year ended 31 December 2016, no share-based compensation expense was recognised in the consolidated financial statements (2015: Nil).

(c) The options of 75,000,000 outstanding as at 1 January 2015 were granted to the employees and directors of the Group and the CASH Group on 11 April 2014 for the provision of service to the CASH Group. The options will vest upon achievement of performance target (based on non-market condition). During the financial year ended 31 December 2015, 50,500,000 options were cancelled and 24,500,000 shares were exercised.

(d) The options of 46,000,000 outstanding as at 1 January 2015 were granted to the employees of the Group on 22 May 2014 for the provision of services to the Group. The options will vest upon achievement of performance target (based on non-market condition) for the respective financial years up to 31 December 2017. During the financial year ended 31 December 2015, 8,000,000 options were cancelled and 38,000,000 shares were exercised.

The weighted average remaining contractual life of share options outstanding as at 31 December 2016 is 3 years (2015: 3 years).

No share-based compensation expenses has been recognised in profit or loss for the year ended 31 December 2016 (2015: Nil). No liabilities were recognised due to share-based payment transactions.

During the year ended 31 December 2016, nil (2015: 58,500,000) share options with aggregate fair value of Nil (2015: HK$2,913,000) were cancelled or lapsed and the amount in share option reserve had been transferred to accumulated losses.

The Black-Scholes pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties and connected parties:

	Notes	**2016 HK$'000**	2015 HK$'000
Commission and interest income received from the following subsidiaries of CASH:			
Cashflow Credit Limited	(a)	**29**	—
Libra Capital Management (HK) Limited	(a)	**—**	28
		29	28
Commission and interest income received from the shareholder of CASH:			
Cash Guardian Limited	(c)	**—**	52
Commission and interest income received from the following directors of the Company:			
Mr Kwan Pak Hoo Bankee and associates		**18**	86
Mr Law Ping Wah Bernard and associates		**7**	58
Ms Cheng Pui Lai Majone and associates		**16**	92
Mr Ng Kung Chit Raymond and associates	(d)	**13**	53
		54	289
Commission and interest income received from the following director of CASH:			
Mr Ng Hin Sing Derek and associates		**1**	30
Commission and interest income received from other connected clients:			
Mr Kwan Pak Leung Horace and associates	(e)	**10**	33
Ms Chan Siu Fei Susanna and associates	(e)	**13**	29
		23	62
Underwriting commission received from CASH	(b)	**—**	1,759
Handling fee and commission received from Confident Profits Group	(f)	**16,914**	8,393

40. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) The Company has been regarded as a subsidiary of CASH under the definition of control and the related guidance set out in HKFRS 10 "Consolidated financial statements".

(b) During the year ended 31 December 2016, the Group derived underwriting commission income of approximately Nil (2015: HK$1,759,000) from the underwriting of shares of CASH.

(c) Cash Guardian Limited has significant influence over CASH. It is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is the director of the Company and CASH.

(d) During the year ended 31 December 2016, Mr Ng Kung Chit Raymond resigned as an executive director of the Company.

(e) Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna are associates of Mr Kwan Pak Hoo Bankee.

(f) Confident Profits Group was disposed to CIGL during the year ended 31 December 2015 as disclosed in note 14. The amount represents handling fee and commission received from Confident Profits Group after the disposal to CIGL.

Remuneration of key management personnel represents amounts paid to the Company's directors as disclosed in note 10.

The remuneration of directors is determined by the performance of individuals and market trends.

41. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**19,544**	15,197
In the second to fifth year inclusive	**32,673**	783
	52,217	15,980

Operating lease payments represent rentals payable by the Group for its office premises. Lease are mainly negotiated for lease term of one to three years.

42. SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the respective reporting period are set out below:

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company 2016 %	2015 %	Principal activities
CASH Asset Management Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Provision of asset management services
CASH Wealth Management Limited	Hong Kong	Ordinary HK$15,000,000	**100**	100	Financial advisory consultancy
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	**100**	100	Provision of payment gateway services
Celestial Asset Management Limited	Hong Kong	Ordinary HK$6,781,401	**100**	100	Provision of treasury management functions
Celestial Capital Limited	Hong Kong	Ordinary HK$30,000,000	**100**	100	Provision of corporate finance, investment and financial advisory services
Celestial Finance Limited	Hong Kong	Ordinary HK$121,000,002	**100**	100	Money lending
Celestial Commodities Limited	Hong Kong	Ordinary HK$50,000,000	**100**	100	Brokerage of futures and options
Celestial Securities Limited	Hong Kong	Ordinary HK$140,000,000	**100**	100	Brokerage of securities and equity options
Agostini Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment holding and trading
Think Right Investments Limited	British Virgin Islands	Ordinary US$1	**100**	100	Properties holding
Cheer Wise Investments Limited	Hong Kong	Ordinary HK$1	**—**	100	Properties holding
Celestial Financial Services Limited	British Virgin Islands	Ordinary US$10,000	**100**	100	Investment holding
CASH Mobile Financial Services Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Provision of management services for group companies

42. SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

Celestial Financial Services Limited are directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

43. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of contribution amount was HK$1,500 per employee per month.

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 12%, 22%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

The employer's contributions to the MPF Schemes and various benefits schemes in the PRC are disclosed separately in notes 9, 10 and 11.

44. RECLASSIFICATION

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

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 **HK$'000**	2015 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**472,256**	472,256
Current assets		
Amounts due from subsidiaries (Note 1)	**221,580**	232,963
Bank balances (general accounts)	**276**	286
	221,856	233,249
Current liabilities		
Accrued liabilities and other payables	**4**	5,454
Amount due to a subsidiary (Note 1)	**350,197**	350,199
Amount due to a fellow subsidiary (Note 1)	**1,710**	1,829
	351,911	357,482
Net current liabilities	**(130,055)**	(124,233)
Net assets	**342,201**	348,023
Capital and reserves		
Share capital	**82,687**	82,687
Reserves (Note 2)	**259,514**	265,336
Total equity	**342,201**	348,023

Notes:

(1) Balances are unsecured, interest free and repayable within one year.

(2) Reserves

	Share premium HK$'000	**Contributed surplus** HK$'000	**Share-based payments reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2015	382,579	80	5,851	(81,952)	306,558
Loss and total comprehensive expense for the year	—	—	—	(45,806)	(45,806)
Effect of forfeited share options	—	—	(2,913)	2,913	—
Issue of ordinary shares upon exercise of share options	7,522	—	(2,938)	—	4,584
	7,522	—	(5,851)	(42,893)	(41,222)
At 31 December 2015	390,101	80	—	(124,845)	265,336
Loss and total comprehensive expense for the year	—	—	—	(5,822)	(5,822)
At 31 December 2016	390,101	80	—	(130,667)	259,514

Appendix I — Investment Property

Held as at 31 December 2016

Location	Approximate gross floor area (sq. ft.)	Land use
Room 1607 (also known as 19A), Residence 8, No. 8 Jinan Road, Luwan District, Shanghai, the PRC	1,593	The property is vacant

Appendix II — Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	**166,830**	252,290	198,063	194,565	185,449
(Loss) profit before taxation	**(53,400)**	11,755	70,960	(66,854)	(35,984)
Taxation credit (charge)	**2,202**	1,655	(16,633)	4,439	(2,126)
(Loss) profit for the year from continuing operations	**(51,198)**	13,410	54,327	(62,415)	(38,110)
Discontinued operations					
Profit from discontinued operations	**—**	—	—	3,270	4,586
	(51,198)	13,410	54,327	(59,145)	(33,524)
Attributable to:					
Owners of the Company	**(51,198)**	13,606	32,675	(59,142)	(38,699)
Non-controlling interests	**—**	(196)	21,652	(3)	5,175
	(51,198)	13,410	54,327	(59,145)	(33,524)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**13,577**	19,445	38,136	33,860	81,315
Goodwill	**—**	—	—	2,661	2,661
Intangible assets	**9,752**	9,752	9,752	9,752	321,059
Other non-current assets	**35,476**	202,649	243,011	277,096	309,878
Current assets	**1,652,118**	2,070,842	1,795,830	1,746,425	2,367,504
Total assets	**1,710,923**	2,302,688	2,086,729	2,069,794	3,082,417
Current liabilities	**1,157,060**	1,622,915	1,391,026	1,483,452	2,078,832
Non-current liabilities	**10,685**	84,198	99,376	24,144	82,172
Total liabilities	**1,167,745**	1,707,113	1,490,402	1,507,596	2,161,004
Net assets	**543,178**	595,575	596,327	562,198	921,413
Non-controlling interests	**—**	—	5,586	36,114	34,288

Definitions

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

"AGM(s)"	the annual general meeting(s) of the Company
"Audit Committee"	the audit committee of the Company established pursuant to the CG Code of the Listing Rules
"Board"	the board of Directors
"CASH"	Celestial Asia Securities Holdings Limited (stock code: 1049), the holding company of the Company, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board
"CASH Asset Management"	CASH Asset Management Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 9 (asset management) regulated activity
"CASH Group"	CASH and its subsidiaries, including the Group
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial shareholder of CASH and an associate of Mr Kwan Pak Hoo Bankee
"CASH Wealth Management"	CASH Wealth Management Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities
"Celestial Capital"	Celestial Capital Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities
"Celestial Commodities"	Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity
"Celestial Securities"	Celestial Securities Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 1 (dealing in securities) regulated activity
"CEO"	the chief executive officer of the Company
"CFO"	the chief financial officer of the Company
"CG Code"	the Corporate Governance Code as contained in Appendix 14 of the Listing Rules
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of CASH; is a substantial Shareholder

"Company" or "CFSG"	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board
"Company Secretary"	the company secretary of the Company
"Confident Profits"	Confident Profits Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of CASH. It is the holding company of the Confident Profits Group
"Confident Profits Group"	Confident Profits Limited and its subsidiaries
"Director(s)"	the directors of the Company
"ED(s)"	the executive Director(s) of the Company
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 of the Listing Rules
"Group"	the Company and its subsidiaries
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s) of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Management"	the management team of the Company
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"NED(s)"	the non-executive Director(s) of the Company
"PRC"	the People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules
"SFC"	the Hong Kong Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM(s)"	the special general meeting(s) of the Company
"Share(s)"	ordinary shares of HK$0.02 each in the share capital of the Company

Definitions

"Share Option Scheme"	the share option scheme adopted by the Company pursuant to an ordinary resolution passed at the SGM of the Company held on 22 February 2008, which took effect on 3 March 2008
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UK"	United Kingdom
"US"	United States
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

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