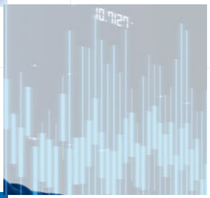

At the Forefront of FinTech

2018 ANNUAL REPORT

CASH Financial Services Group Limited
(Stock Code: 510)

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Company Profile

COMPANY PROFILE

CASH Financial Services Group ("CFSG", SEHK: 510) is a leading financial services conglomerate established in Hong Kong in 1972. CFSG is licensed by the Securities and Futures Commission to provide a comprehensive range of financial products and quality services, comprising 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 its broad-based clients.

As a leading technology-focused financial services provider, coupled with the professional human talents, CFSG is committed to operating the state-of-the-art trading platform with the highest level of security for clients to trade anytime, anywhere, and borderless. In 1998, as a pioneer, CFSG was the first in Hong Kong to develop and launch investment trading via the Internet, demonstrating our innovation and dedication to integrate technology into financial services. As CFSG is committed to providing the most innovative trading experience to our clients, we developed Alpha i, the first mobile trading app in Hong Kong employing the most advanced big data analytics and AI technologies; and Weever FinTech, the first commission-free cryptocurrency trading platform in Hong Kong. All these services are targeting the tech-savvy and mobile-driven millennial investors.

Leveraging our leading-edge trading platforms, CFSG has developed an extensive network to reach our institutional, corporate and individual clients across China. Headquartered in Hong Kong, CFSG has built a solid foothold in China with a Mainland head office in Shanghai.

Well-known for our innovation and quality services, CFSG receives awards across the industries that recognise the Group's achievements. The list of accolades the Company has garnered includes a Top Service Brand award from the Hong Kong Brand Development Council, Market Leadership Award from Hong Kong Institute of Marketing, Best Comprehensive Financial Enterprise of The Year award from Hexun.com, Internet Finance Bronze Award from the Internet Professional Association, a Certificate of Merit of the Hong Kong Awards for Industries in Innovation and Creativity from the Hong Kong General Chamber of Commerce, 10th Anniversary Special Award of Hong Kong Awards for Environmental Excellence, Social Capital Builder Award from the Labour and Welfare Bureau, among others.

For further information, please visit www.cfsg.com.hk.

Corporate Information

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	(Chairman)
CHAN Chi Ming Benson	(CEO)
LAW Ping Wah Bernard	
CHEUNG Wai Ching Anthony	(COO)
KWAN Teng Hin Jeffrey	
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)
CHAN Chi Ming Benson (alternate: LUKE Wing Sheung Suzanne)

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
OCBC Wing Hang Bank, Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited
The Hong Kong and Shanghai Banking Corporation 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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.cfsg.com.hk

STOCK CODE ON MAIN BOARD

510

CONTACTS

Telephone	:	(852) 2287 8788
Facsimile	:	(852) 2287 8700

Financial Review

FINANCIAL REVIEW

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

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

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

As at 31 December 2018, the Group had total outstanding bank borrowings of approximately HK$106.4 million, which were solely bank loans of HK$106.4 million. Bank borrowings of HK$49.0 million were collateralised by its margin clients' securities pledged to the Group and a bank loan of HK$50.0 million was secured by a pledged Hong Kong dollar deposit of HK$25.1 million. The remaining bank loans of HK$7.4 million were secured by corporate guarantees from the Company. All of the Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR or Hong Kong Prime Rate.

As at 31 December 2018, our cash and bank balances including the trust and segregated accounts had slightly increased to HK$1,239.7 million from HK$1,205.1 million as at 31 December 2017.

The Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK$313.8 million and HK$88.2 million as at 31 December 2018 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2018 slightly decreased to 1.50 times from 1.60 times as at 31 December 2017. The gearing ratio as at 31 December 2018, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 17.1% from 18.0% as at 31 December 2017. The decrease in gearing ratio was mainly due to the decrease in bank borrowings during the year under review. On the other hand, we have no material contingent liabilities at the end of the year.

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

Foreign Exchange Risks

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

Material Acquisitions and Disposals

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

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

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

Save as disclosed in this 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

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

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

FINANCIAL AND OPERATION HIGHLIGHTS

Revenue

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

Key Financial Metrics

	2018	2017	% change
Net loss (HK$'m)	**(144.5)**	(46.1)	(213.4%)
Loss per share (HK cents)	**(2.91)**	(1.01)	(188.1%)
Total assets (HK$'m)	**1,749.9**	1,866.1	(6.2%)
Cash on hand (HK$'m)	**402.0**	295.7	35.9%
Bank borrowings (HK$'m)	**106.4**	131.6	(19.1%)
Annualised average fee income from broking per active client (HK$'000)	**6.8**	7.3	(6.8%)

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS REVIEW

Industry Review

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

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

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

In tandem, the Hang Seng Index (HSI) experienced a roller-coaster ride; peaking at 33,154 in January before slumping to 24,585 in October. The HSI ended 2018 at 25,846, down 13.61% from 2017's year-end.

Business Review and Outlook

Broking

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

Commodities trading, which was more active in market uncertainty and volatility, recorded a 10.78% increase. Due to lower turnover arising from clients' risk aversion on gloomy economic outlook and increasing market volatility, overall financing income dropped by 19.8%.

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

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

Investment Banking

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

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

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

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

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

Asset Management

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

Wealth Management

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

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

Financial Technology (FinTech)

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

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

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

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

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

Outlook and Corporate Strategy

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

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

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

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

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

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

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

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

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

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

Employee Information

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 183 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK$75.6 million.

BENEFITS

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

TRAINING

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

DBA(Hon), MBA, BBA, FFA, FHKSI, CPM(HK), FHKIM

Dr Kwan, aged 59, joined the Board on 11 August 2000. He is responsible for devising the overall business strategy of the Group. Dr 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, Dr Kwan was also conferred an Honorary Doctorate degree in Business Administration. Dr Kwan is also a fellow of the Institute of Financial Accountants, UK, the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Marketing (HKIM). He is a Certified Professional Marketer (HK) of HKIM.

Dr 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 trustee of New Asia College of The Chinese University of Hong Kong; an honorary fellow of The Open University of Hong Kong; a member of the Court of City University of Hong Kong, an Adjunct Professor of The Hang Seng University of Hong Kong and an advisory professor and a honorary member of the Board of Trustees of Nanjing University. Dr 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.

In addition to education, Dr Kwan is also active in serving the community. Currently, he is the deputy chairman of the Business Facilitation Advisory Committee (BFAC) and also the convenor of the Wholesale and Retail Task Force (WRTF) of BFAC; a non-executive director of the Mandatory Provident Fund Schemes Authority (MPFA); a standing committee member and deputy convener (Hong Kong and Macao Members) of the Chinese People's Political Consultative Conference (CPPCC), Shanghai Committee; executive vice president of Hong Kong-Shanghai Economic Development Association; 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; a director, honorary advisor and past chairman of the Hong Kong Retail Management Association (HKRMA); a member of the Organising Committee of the HKMA/TVB Awards for Marketing Excellence. Dr Kwan has also been a member of the Central Policy Unit of the Government of the HKSAR and an honorary advisor of the CEPA Business Opportunities Development Alliance.

In December 2009, Dr 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, Dr 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. In August 2018, he was bestowed with the "World Outstanding Chinese Award" organised by World Chinese Business Investments Foundation, which recognised his great contribution to the global Chinese society.

Dr 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. He is the father of Mr Kwan Teng Hin Jeffrey (ED).

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Benson Chi-ming CHAN

CEO

PCIE, MBA, MA, BA, FCCA, CPA, MHKSI

Mr Chan, aged 52, joined the Board on 1 August 2017. He is in charge of the Group's overall business development and management. He has extensive experience in the fields of investment banking and corporate finance, securities and futures brokerage, asset and wealth management, auditing and accounting. Mr Chan received a Professional Certificate in Innovation and Entrepreneurship from Stanford University, a Master Degree of Business Administration from The Hong Kong University of Science and Technology, a Master Degree of Arts in Psychology from The Chinese University of Hong Kong and a Bachelor of Arts (Hons.) Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities and Investment Institute. He is a responsible officer of CASH Asset Management, CASH Wealth Management, Celestial Capital, Celestial Commodities and Celestial Securities. Mr Chan is also an executive director of CASH.

Bernard Ping-wah LAW

Executive Director

MBA, FCCA, FCPA, FHKSI

Mr Law, aged 60, joined the Board on 11 August 2000. He is leading the corporate development projects of the Group. He has extensive experience in financial management and accountancy. Mr Law 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, The Institute of Chartered Accountants in England and Wales and the Hong Kong Securities and Investment Institute. Mr Law is also an executive director of CASH.

Anthony Wai-ching CHEUNG

COO

MA, BBA

Mr Cheung, aged 45, joined the Board on 2 January 2018. He is in charge of the overall administrative and operational control of the Group. He has extensive experience in the fields of operational control, risk management and dealing in securities and futures market. Mr Cheung received a Master of Arts Degree in Comparative and Public History from The Chinese University of Hong Kong and a Bachelor of Business Administration Degree in Applied Economics from The Hong Kong Baptist University.

Jeffrey Teng-hin KWAN

Executive Director

BA, MHKSI

Mr Kwan, aged 29, joined the Board on 12 June 2017. He is in charge of the corporate and business development of the Group, in particular its strategic investments and FinTech initiatives. He has extensive experience in the fields of corporate and strategic management, private equity and investment management. Mr Kwan received a Bachelor of Arts in Psychology from The Johns Hopkins University, United States. He is a member of the Hong Kong Securities and Investment Institute. He is the son of Dr Kwan Pak Hoo Bankee (the Chairman of the Group).

Jack Tsz-cheung HO

Executive Director

BBA, MHKSI

Mr Ho, aged 37, joined the Board on 10 April 2017. He is in charge of corporate and business development of the Group. He has extensive experience in the fields of business development, operations and management. Mr Ho received a Bachelor Degree of Business Administration from The Chinese University of Hong Kong. He is a member of the Hong Kong Securities and Investment Institute.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

INED

Mr Cheng, aged 63, 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 60, 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 (LL.B) 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 69, 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

Lewis Shing-wai LI

CFO

BBus, CPA(Aus), CPA

Mr Li, aged 45, joined the Group in March 2014. He oversees the Group's accounting and financial management functions. He has extensive experience in the fields of financial and accounting management. Mr Li received a Bachelor of Business Degree from Swinburne University of Technology, Australia. He is a Certified Practising Accountant of CPA Australia and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Lionel Ka-lok KWOK

Deputy CEO

BSSc, CFA, CFP, FRM, ICFA

Mr Kwok, aged 59, joined the Group in August 2018. He is in charge of the Group's brokerage and wealth management businesses, with focuses in sales and relationship management and investment advisory. He has extensive experience in the fields of international financial markets, private banking, investment banking, asset management, trading and sales. Mr Kwok received a Bachelor Degree of Social Science in Economics from The Chinese University of Hong Kong. He is a Chartered Financial Analyst of CFA Institute, USA, a Certified Financial Planner of the Institute of Financial Planners of Hong Kong, a Financial Risk Manager of the Global Association of Risk Professionals, USA and a holder of International Certificate for Financial Advisers of the Chartered Insurance Institute and the Institute of Financial Planners of Hong Kong. He is a responsible officer of CASH Wealth Management and Celestial Securities.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ernest Ling-yip FUNG

Financial Controller

BBA, CPA, CFA

Mr Fung, aged 41, joined the Group in June 2018. He is assisting the CFO in overseeing the Group's financial and accounting matters. He has extensive experience in the fields of financial and accounting management. Mr Fung received a Bachelor of Business Administration Degree in Professional Accountancy from The Chinese University of Hong Kong. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst.

Suzanne Wing-sheung LUKE

Company Secretary

FCIS, FCS

Ms Luke, aged 50, joined the Group in May 2000. She is in charge of the company secretarial matters of the Group. 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.

Patrick Ho-yin YIU

Managing Director of Asset Management

BEcon

Mr Yiu, aged 45, joined the Group in April 2006. He is in charge of the Group's asset management services. He has extensive experience in the financial services and asset management 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.

Daphne Wai-suen NG

Managing Director and Head of Investment Banking

MSc, BA, ACIS, ACS, MHKSI

Ms Ng, aged 48, joined the Group in August 2017. She is in charge of the Group's investment banking business. She has extensive experience in investment banking, corporate finance, corporate governance and compliance advisory services specialising in IPO, pre-IPO financing, M&A, other corporate finance advisory and fund raising. Ms Ng received a Master of Science Degree in Financial Analysis from The Hong Kong University of Science and Technology and a Bachelor of Arts (Hons) Degree in Accountancy from The Hong Kong Polytechnic University. She is an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and a member of the Hong Kong Securities and Investment Institute. She is a responsible officer of Celestial Capital.

Elsa Pak-suet WONG

Managing Director of Premium Brokerage

MA, BA

Ms Wong, aged 45, 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, Canada. She is a responsible officer of Celestial Securities and Celestial Commodities.

Winky Wing-hang YAN

Chief Technology Officer of Weever FinTech and Deputy Managing Director of Millennial Finance

BEng

Mr Yan, aged 42, joined the Group in September 1998. He is responsible for overseeing the development of the Group's FinTech business. 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.

Rozina Lok-sze CHO

Deputy Managing Director of Premium Brokerage

BCom, MHKSI

Ms Cho, aged 43, joined the Group in August 1997. She is responsible for managing the operations of the Group's brokerage business. She has extensive financial services experience in electronic trading, marketing, compliance and operations. Ms Cho received a Bachelor of Commerce Degree from McGill University, Canada majoring in marketing. She is a member of the Hong Kong Securities and Investment Institute. She is a responsible officer of Celestial Securities and Celestial Commodities.

William Hon-kei CHAN

Deputy Managing Director of Greater China Development

MBA, BSc

Mr Chan, aged 34, 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.

Gian Chi-yan CHOI

Head of Legal and Compliance

LL.B, PCLL, GFEng

Ms Choi, aged 34, joined the Group in October 2017. She is in charge of overseeing and monitoring the legal and compliance of the Group. She has extensive experience in corporate finance, capital markets, mergers and acquisitions, legal advisory, regulatory and compliance. Ms Choi received a Bachelor of Laws Degree from University College London, UK, a Postgraduate Certificate in Laws from The University of Hong Kong and a Certificate in Graduate Financial Engineering Program from Stanford University, US. She is also a qualified solicitor in Hong Kong.

Joyce Ka-mei LUK

Head of Risk Management, Credit Control and Settlement

BA

Ms Luk, aged 38, joined the Group in July 2004. She is in charge of the settlement and risk management and credit control issue of the Group. She has extensive experience in the fields of settlement and financial services. Ms Luk received a Bachelor of Arts Degree in Financial Services from Edinburgh Napier University, UK.

Hilda Ying-ying HUANG

Head of Trading Solutions

MSc, BSc

Ms Huang, aged 34, joined the Group in May 2011. She is responsible for the Group's FinTech project management. 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, UK and a Bachelor of Science Degree in Business Management and Business Information Technology from The University of Gloucestershire, UK.

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 2018, the Company has complied with all the code provisions of the CG Code, except for the deviation that the Company does not have a nomination committee as provided for in code provision A.5.1 as its function has been performed by the Board as a whole. The Board under the leadership of the Chairman is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors.

THE BOARD COMPOSITION

As at the date of this report, the Board comprised nine Directors (six 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 17 to 19 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. Dr 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, providing leadership and overseeing the functioning of the Board. Mr Chan Chi Ming Benson served as CEO and was 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.

CORPORATE GOVERNANCE REPORT

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

Dr Kwan Pak Hoo Bankee (the Chairman of the Group) is the father of Mr Kwan Teng Hin Jeffrey (ED). Save as disclosed herein, 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

There is 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.

The Directors received regular updates and presentation on changes and developments to the Group's business and on the latest developments in the law, rules and regulations relating to Directors' duties and responsibilities. Directors' training is an ongoing process. All Directors are encouraged to attend training sessions including but not limited to seminars, briefings, conference forums and workshop and reading materials to enrich their knowledge in discharging their duties as a director.

To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the year under review:–

Name of Directors	**Covered areas** *(Notes)*
Kwan Pak Hoo Bankee	(a) to (e)
Chan Chi Ming Benson	(a), (b), (c), (e)
Law Ping Wah Bernard	(b) to (e)
Cheung Wai Ching Anthony *(was appointed on 2 January 2018)*	(b)
Kwan Teng Hin Jeffrey	(a) to (e)
Ho Tsz Cheung Jack	(a) to (e)
Cheng Shu Shing Raymond	(b)
Lo Kwok Hung John	(b)
Lo Ming Chi Charles	(a) to (c)

Notes:

(a) Global and local economy and financial market, general business environment

(b) Regulatory and corporate governance and directors' duties and responsibilities

(c) Finance, law and taxation

(d) Leadership, management and language skills

(e) Other information relevant to the Group's 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.

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

The attendance record 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**	**General Meeting**
EDs					
Kwan Pak Hoo Bankee	13/13	4/4	N/A	2/2	1/1
Chan Chi Ming Benson	13/13	4/4	N/A	N/A	1/1
Law Ping Wah Bernard	13/13	4/4	N/A	N/A	1/1
Cheung Wai Ching Anthony *(was appointed on 2 January 2018)*	13/13	4/4	N/A	N/A	1/1
Kwan Teng Hin Jeffrey	12/13	4/4	N/A	N/A	1/1
Ho Tsz Cheung Jack	12/13	4/4	N/A	N/A	1/1
INEDs					
Cheng Shu Shing Raymond	N/A	4/4	4/4	2/2	1/1
Lo Kwok Hung John	N/A	2/4	2/4	N/A	1/1
Lo Ming Chi Charles	N/A	4/4	4/4	2/2	1/1
Total number of meetings held:	13	4	4	2	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 Dr 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 11 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.

NOMINATION POLICY FOR THE DIRECTORS

Nomination of the Directors

The Company had adopted a nomination policy incorporating the board 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 to the benefits of diversity of the Board and our business model and specific needs from time to time. Nomination of new Director(s) will normally be proposed by the Chairman and/or CEO subject to the Board's approval. 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 the appointment 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 11 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.

DIVIDEND POLICY

The Company has adopted a dividend policy as set out below:

1. Purpose

The policy aims to set out the approach for the declaration and payment of dividend by the Board.

2. Vision

The Company considers stable and sustainable returns to the Shareholders to be our goal.

3. Power of the Board

3.1 The Company may declare and distribute dividends to the Shareholders by way of cash or by other means that the Board considers appropriate.

3.2 In proposing any dividend payout, the Board shall also take into account, inter alia:–

(i) the Company's actual and expected financial performance;

(ii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iii) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the Group's expected working capital requirements and future expansion plans;

(vi) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(vii) any other factors that the Board deems appropriate.

3.3 Any declaration and/or payment of future dividend is subject to the Board's determination that the same would be in the best interests of the Group and the Shareholders as a whole.

4. Governing rules

Declaration of the dividend by the Company is also subject to any restrictions under the Laws of Bermuda, the bye-laws of the Company and any applicable laws, rules and regulations.

5. Approval

5.1 The Board may from time to time pay to the Shareholders such interim and/or special dividends as it considers to be justified by the profits of the Group.

5.2 Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an AGM and must not exceed the amount recommended by the Board.

6. Review of this policy

The Board will review the policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the policy at any time as it deems fit and necessary.

7. Legal validity

The policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time. There is no assurance that dividends will be paid in any particular amount for any given period.

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.

RISK MANAGEMENT AND 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 Management 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 functional 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 systems that are appropriate to their business or function. The Group has adopted a tailored governance and organisational structure with formal and clearly defined lines of responsibility and delegation of authority to ensure segregation of duties with check and balance controls are effectively in place.

(ii) Risk management process

The Credit and Risk Management Policy is formulated and adopted 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 strategic, operations, compliance, reporting, and information and technology risks. Exposure to these risks is monitored by the Risk Management Committee ("RMC"). RMC 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.

Under the Risk Management Framework, the five steps of the risk management process adopted are risk identification, risk assessment and prioritisation, risk manager appointment, risk responses, and risk communication and monitoring. The Group maintains a corporate risk register to record the major and significant risks that will hinder the Company from achieving its business objectives. Risk managers are appointed by the Board to monitor the identified high risk areas of business practices on an ongoing basis and to develop the subsequent risk response action plans. The risk register is reviewed and approved by the RMC on a biannual basis for continuous risk assessment.

(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. The Management 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, regular reviews and statutory audits are performed by our external auditor 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) Internal audit

The establishment of the Group's internal audit function is to provide the Management with an independent and impartial view on the adequacy, efficiency and effectiveness of the Group's risk management, internal control and governance system and to provide recommendations for improvement. The Group's internal audit function is undertaken by the Internal Audit Department ("IAD"). To preserve the independence, the IAD reports directly to the Audit Committee on audit matters and to the Board on administrative matters. The IAD adopts a risk-based approach in developing the annual internal audit work plan that is reviewed and endorsed by the Audit Committee. The IAD reports audit progress and audit observations to the Audit Committee on a biannual basis.

(vi) 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.

(vii) 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.

(viii) Whistle-blowing channels

The Group maintains a Whistle-blowing policy to encourage employees to report any suspected misconduct contrary to our ethical belief in confidence without the fear of recrimination. Procedures are established for employees to raise complaints directly to the IAD, which will evaluate the complaint and determine whether an investigation is appropriate. Recommendations on improvements are communicated to the respective management for implementation. The IAD reports the audit procedures, investigation results and subsequent follow-up actions taken to the Audit Committee on a biannual basis.

Overall assessment

The Board, through the Audit Committee, has conducted an annual review of the effectiveness of our risk management and internal control 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, internal audit and financial reporting functions.

In addition, the Board has received confirmation from the Management that the Group's risk management and internal control systems are in place and functioning effectively.

During the year ended 31 December 2018, the Board is not aware of any material internal control deficiency or significant areas of concern that may affect Shareholders' interests.

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 www.cfsg.com.hk. 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 2018.

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 Audit 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	2,113,000
Non-audit services:	
Tax advisory	594,000
Consulting	4,932,000
Review of the continuing connected transactions	65,000
Review of the preliminary results announcement	22,000
	7,726,000

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

Hong Kong, 22 March 2019

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 2018 ("Reporting Period").

SCOPE OF REPORT

This report covers the Group's business activities of subsidiaries 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.

In 2018, the Group received 10th Anniversary Special Award and Certificate of Merit in Servicing and Trading at 2017 Hong Kong Awards for Environmental Excellence, Hong Kong Green Organisation Certificate and 2017 Hong Kong Green Organisation Certification — Wastewi$e Certificate (Basic Level) from Environmental Campaign Committee. 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 5,367.55 kg[1] (2017: 5,636.51 kg). 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, aluminum 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**
	2018	2017	
Paper	**7,221**	7,746	Kg
Aluminium Cans	**966**	1,150	Pieces
Plastic bottles	**910**	1,150	Pieces
Toner Cartridges	**39**	54	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 (Basic 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 731,279 kWh[1] (2017: 724,656 kWh) and the corresponding carbon dioxide equivalent (CO_2e) generated was 547.45 tonnes[2] (2017: 537.99 tonnes).

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.

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 jogging classes to promote employee well-being.

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** **2018**	2017
Male	**95**	73
Female	**88**	92
Total	**183**	165

Employment type	**No. of staff** **2018**	2017
Full-time	**179**	165
Part-time	**3**	0
Temporary and contract	**1**	0
Total	**183**	165

Age	**No. of staff** **2018**	2017
<30	**58**	54
30–50	**102**	94
>50	**23**	17
Total	**183**	165

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 numbers of in-house classes including training in areas such as language proficiency, knowledge on products, operational techniques, career orientation, security awareness, risk and compliance, quality management, graduate development, leadership transformation, 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.

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 the 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 donation programmes, such as "Toys, Books and Used Clothes Recycling", "Mooncake Donation", "Blood Donation" and "Red Pocket Envelope Recycling".

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

Hong Kong, 22 March 2019

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 2018.

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 as well as mutual funds and insurance-linked investment products, (b) proprietary trading of debt and equity securities and derivatives, (c) provision of margin financing and money lending services, (d) provision of investment banking services, and (e) provision of asset management services.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: 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 44 to the consolidated financial statements.

The financial risk management objectives and policies of the Group are shown in note 44 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 has occurred since the end of the financial year ended 31 December 2018.

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.cfsg.com.hk) 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 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" 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.

In recognition of our commitment and effort in developing employee-orientated human resources management and promoting Family-friendly Employment Practices, we have been recognised as a Signatory of Good Employer Charter under the scheme by the Labour Department.

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 has been honoured as the Greater China's Asset Management Expert in the Most Outstanding Enterprise Award 2018 organised by CorpHub. We have also gained the accolade of the Market Leadership in Financial Services 2017/2018 from the Hong Kong Institute of Marketing. The recognitions prove that the Group provides quality service and is supported by the industry and the public.

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. In addition, we have attained the "Hong Kong Outstanding Corporate Citizenship Logo" organised by the Hong Kong Productivity Council in recognition of the Group's devoted efforts in corporate social responsibilities.

We have been awarded the 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 2018, we received 10th Anniversary Special Award and Certificate of Merit in Servicing and Trading at 2017 Hong Kong Awards for Environmental Excellence and Wastewi$e Certificate (Basic Level) from Environmental Campaign Committee. The Environmental Campaign Committee also recognised the Group as Hong Kong Green Organisation.

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 2018 is set out on page 153 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 20 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 49 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 41 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 68 of this annual report.

Details of movements in the reserves of the Company during the year are set out in note 51 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.

CONTINUING CONNECTED TRANSACTIONS

A. Continuing connected transactions for financial year ended 31 December 2018

1. Margin financing arrangement for two/three financial years ending 31 December 2018

Celestial Securities 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) Dr Kwan Pak Hoo Bankee

(b) Mr Law Ping Wah Bernard

(c) Ms Cheng Pui Lai Majone *(resigned on 1 August 2017)*

(d) Mr Lam Man Michael *(resigned on 10 April 2017)*

(e) Mr Kwan Pak Leung Horace

(f) Ms Chan Siu Fei Susanna

(g) Cash Guardian

(h) Libra Capital

(i) Cashflow Credit

(ii) Margin financing agreement dated 23 October 2015 with Confident Profits (a subsidiary of CASH held under CIGL (a wholly-owned subsidiary of CASH), being the substantial Shareholder) relating to provision of margin financing facilities to the Confident Profits Group

(iii) Margin financing agreements all dated 11 December 2017 with each of the following connected persons

(a) Mr Chan Chi Ming Benson

(b) Mr Ho Tsz Cheung Jack

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 (for items A(i) and A(ii) above) and for each of the period starting from 11 December 2017 to ending 31 December 2017 and the year ending 31 December 2018 (for item A(iii) above). Each of the margin financing facilities granted to the connected client is 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 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 2017, Ms Cheng Pui Lai Majone (item (i)(c)) and Mr Lam Man Michael (item (i)(d)) had resigned as director of the Group and they still remained as connected persons of the Group within 12 months of their resignation as defined under the Listing Rules.

The margin financing agreements for each of Dr Kwan Pak Hoo Bankee, Cash Guardian, Mr Kwan Pak Leung Horace, Ms Chan Siu Fei Susanna, Libra Capital and Cashflow Credit 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 2018, the maximum amount of margin financing facilities utilised by each of the above connected clients (items (i) to (iii) above) did not exceed the annual cap of HK$30 million.

All the margin financing agreements as disclosed in this item (A)(1) expired after 31 December 2018. Celestial Securities has subsequently entered into new margin financing agreements with certain connected clients who are the existing directors or substantial shareholders of the Group, details of which are disclosed in (B)(1) below.

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

On 23 October 2015, Celestial Securities and Celestial Commodities 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 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.

The brokerage fees would be charged on normal commercial terms and at market rates, which would not be more favourable 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.

During the year ended 31 December 2018, the aggregate amount of brokerage fees received by the Group from the Confident Profits Group (items 2(iii)) did not exceed the annual cap of HK$300 million. Details of the amount of brokerage fees received by the Group during the year under review are set out in the notes to the consolidated financial statements.

The brokerage services agreement as disclosed in this item (A)(2) expired after 31 December 2018. Celestial Securities and Celestial Commodities have subsequently entered into new brokerage services agreement with Confident Profits, details of which are disclosed in (B)(2) below.

The aforesaid continuing connected transactions of the Company for the financial year ended 31 December 2018 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 2018 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.

B. Continuing connected transactions subsequent to the year under review

1. Margin financing arrangement for three financial years ending 31 December 2021

Reference was made to item (A)(1) above. Celestial Securities entered into the new margin financing agreements all dated 7 December 2018 with each of the following connected clients:

(a) Dr Kwan Pak Hoo Bankee

(b) Mr Chan Chi Ming Benson

(c) Mr Law Ping Wah Bernard

(d) Mr Cheung Wai Ching Anthony

(e) Mr Kwan Teng Hin Jeffrey

(f) Mr Ho Tsz Cheung Jack

(g) Cash Guardian

(h) Libra Capital

(i) Cashflow Credit

(j) Confident Profits

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 ending 31 December 2021. 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 or substantial Shareholders or their respective associates 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.

All the above margin financing agreements were approved by the independent Shareholders at a SGM held on 30 January 2019. Details of the transactions were disclosed in the Company's announcement dated 7 December 2018 and circular dated 9 January 2019.

2. Provision of brokerage services for the three financial year ending 31 December 2021

Reference was made to the item (A)(2) above. On 7 December 2018, Celestial Securities and Celestial Commodities as service providers and Confident Profits as client entered into the new 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 9 January 2019) for each of the three financial years ending 31 December 2021. The brokerage fees would be charged on normal commercial terms and at market rates, which would not be more favourable than those available to independent third party clients of the Group. The annual cap of the brokerage fees is a sum of up to HK$30 million for each of the three financial years ending 31 December 2021.

As at the date of the brokerage services agreement, 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 30 January 2019. Details of the transactions were disclosed in the Company's announcement dated 7 December 2018 and circular dated 9 January 2019.

The aforesaid continuing connected transactions of the Company would be subject to annual review requirements pursuant to rule 14A.55 of the Listing Rules for the three financial years from 1 January 2019 to 31 December 2021.

RELATED PARTIES TRANSACTIONS

The Group has entered into related party transactions under the applicable accounting standards as disclosed in note 47 to the consolidated financial statements. Such related party transactions related to the continuing connected transactions of the Group as disclosed under heading "Continuing Connected Transactions" above in this section or are de minimis transactions exempted from connected transaction 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
Chan Chi Ming Benson
Law Ping Wah Bernard
Cheung Wai Ching Anthony *(was appointed on 2 January 2018)*
Kwan Teng Hin Jeffrey
Ho Tsz Cheung Jack

Independent Non-executive Directors:

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

DIRECTORS' REPORT

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

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 or any entity connected with 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 2018, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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*	33.65
Chan Chi Ming Benson	Beneficial owner	10,924,000	—	0.22
Lo Kwok Hung John	Beneficial owner	1,255,500	—	0.02
		12,179,500	1,667,821,069	33.89

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

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

Name	Date of grant	Exercise period	Exercise price per Share (HK$)	Notes	Number of options: outstanding as at 1 January 2018	reallocated upon change of directorate (Note (3))	outstanding as at 31 December 2018	Percentage to issued shares as at 31 December 2018 (%)
Kwan Pak Hoo Bankee	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	40,000,000	—	40,000,000	0.80
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	49,000,000	—	49,000,000	0.98
Chan Chi Ming Benson	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	49,000,000	—	49,000,000	0.98
Law Ping Wah Bernard	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	40,000,000	—	40,000,000	0.80
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	49,000,000	—	49,000,000	0.98
Cheung Wai Ching Anthony *(Note (3))*	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	N/A	24,000,000	24,000,000	0.48
Kwan Teng Hin Jeffrey	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	40,000,000	—	40,000,000	0.80
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	24,000,000	—	24,000,000	0.48
Ho Tsz Cheung Jack	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	2,000,000	—	2,000,000	0.04
	31/08/2017	01/01/2018–31/12/2020	0.253	(2)	24,000,000	—	24,000,000	0.48
					317,000,000	24,000,000	341,000,000	6.82

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

(3) Mr Cheung Wai Ching Anthony was appointed as a Director during the year.

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

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

Save as disclosed above, as at 31 December 2018, none of the Directors, chief executive or their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

The New Share Option Scheme was adopted pursuant to an ordinary resolution passed at an AGM of the Company held on 8 June 2018 to replace the Old Share Option Scheme dated 22 February 2008. The options granted under the Old Share Option Scheme before expiry and remained outstanding shall continue to be valid and exercisable in accordance with the terms of the options. Particulars of the terms of the New Share Option Scheme and the Old Share Option Scheme are set out in note 46 to the consolidated financial statements.

The following table discloses details of the Company's share options granted under the Old Share Option Scheme held by the Directors and the employees and other grantees of the Group and movements in such holdings during the year ended 31 December 2018. No option has been granted under the New Share Option Scheme during the year ended 31 December 2018.

					Number of options			
Name of scheme	Date of grant	Exercise period	Exercise price per Share (HK$)	Notes	outstanding as at 1 January 2018	reallocated upon change of directorate	lapsed during the year (Note (6))	outstanding as at 31 December 2018
Directors								
The Old Share Option Scheme	03/12/2015	03/12/2015–31/12/2019	0.315	(1)	122,000,000	—	—	122,000,000
	31/08/2017	01/01/2018–31/12/2020	0.253	(1)	195,000,000	24,000,000	—	219,000,000
					317,000,000	24,000,000	—	341,000,000
Employees and other grantees								
The Old Share Option Scheme	03/12/2015	03/12/2015–31/12/2019	0.315	(2)&(3)	106,000,000	(24,000,000)	(48,000,000)	34,000,000
	03/12/2015	03/12/2015–31/12/2019	0.315	(5)	30,000,000	—	(30,000,000)	—
	31/08/2017	01/01/2018–31/12/2020	0.253	(4)	24,000,000	—	—	24,000,000
	31/08/2017	01/01/2018–31/12/2020	0.253	(5)	194,400,000	—	—	194,400,000
					354,400,000	(24,000,000)	(78,000,000)	252,400,000
					671,400,000	—	(78,000,000)	593,400,000

Notes:

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

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

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

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

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

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, so far as is known to the Directors and chief executive of the Company, the persons/companies (other than a Director or chief executive of the Company) who had, or were deemed or taken to have an interest or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

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

Notes:

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

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

Save as disclosed above, as at 31 December 2018, the Directors and chief executive of the Company were not aware of any other parties or corporation (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, the Company bought back a total of 4,596,000 Shares of HK$0.02 par value each in its own issued share capital on the Stock Exchange and such Shares were then subsequently cancelled. The Directors believe that such buy-backs would help enhancing the assets per share of the Company and would benefit the Company and the Shareholders as a whole. Details of the buy-back of Shares are summarised as follows:

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

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

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 2018.

EQUITY-LINKED AGREEMENTS

Save as the share option schemes of the Company as disclosed in note 46 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2018 or subsisted at the end of the year.

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
Dr Bankee P. Kwan, *JP*
Chairman

Hong Kong, 22 March 2019

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS 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 65 to 151, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

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**
Impairment assessment under expected credit loss ("ECL") for accounts receivable arising from margin financing	
We identified the impairment assessment under ECL for accounts receivable arising from margin financing as a key audit matter due to its significance to the consolidated financial statements and the significant management judgement and assumptions required in the ECL measurement. As set out in note 4 to the consolidated financial statements, the ECL measurement involves significant management judgement in the following key areas: • Determination of the criteria for significant increase in credit risk ("SICR"); • Selection of appropriate models and assumptions used in the ECL models, including Probability of default ("PD") and Loss given default ("LGD"); • Considering forward-looking factors in determining PD and LGD. In addition, the ECL measurement for credit-impaired financial assets involves management estimates and judgement in the consideration of various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement. The total gross carrying amount of accounts receivable arising from margin financing amounted to HK$151,127,000 and HK$247,174,000 with impairment provision of HK$21,457,000 and HK$18,803,000 as at 31 December 2018 and 1 January 2018 respectively as disclosed in note 27 to the consolidated financial statements.	Our procedures performed for the impairment assessment under ECL for accounts receivable arising from margin financing include: • understanding the established policies and procedures on impairment assessment of the Group in relation to the application of ECL model under HKFRS 9, including model set up and approval, and selection and application of assumptions and inputs into the model; • assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if a SICR has occurred or the financial asset is credit-impaired and the basis for classification of exposures into the 3 stages as required by HKFRS 9; • examining supporting documents, on a sample basis, for the classification of exposures of accounts receivable arising from margin financing with a SICR (stages 1 or 2) or which have been credit-impaired (stage 3) as at 1 January 2018 and during the year; • evaluating, together with our internal valuation specialists, the reasonableness and appropriateness of the key models and the critical assumptions, inputs and parameters used in the model; • on a sample basis, examining significant data inputs into the ECL model, including PD and LGD after taking into consideration forward-looking information; and • for a sample of accounts receivable arising from margin financing classified as stage 3, assessing the reasonableness of the estimated future cash flows and the fair value of securities or collateral received from clients, and examining underlying documentation supporting the fair value of the securities or collateral received from clients and any settlement subsequent to the end of the reporting period.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial assets at fair value through other comprehensive income ("FVTOCI") classified as level 3 under fair value hierarchy	
We identified the valuation of level 3 financial assets at FVTOCI as a key audit matter due to the significance of the judgment and estimates made by the management and the subjectivity in determination of level 3 fair value given the lack of availability of market-based data and the significant unobservable inputs. The total fair value of financial assets at FVTOCI classified as level 3 amounted to HK$26,240,000 and HK$9,584,000 as at 31 December 2018 and 1 January 2018 respectively and the key source of estimation uncertainty are disclosed in notes 44 and 4 to the consolidated financial statements.	Our audit procedures for the valuation of the Level 3 financial assets at FVTOCI include: • evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge; • evaluating the appropriateness and consistency of the valuation techniques used by the management; • evaluating the rationale of management's judgment on the significant unobservable inputs; • examining supporting documents for significant inputs; and • performing sensitivity analysis to evaluate the reasonableness of the valuation, where appropriate, or performing independent valuation together with our internal valuation specialist and comparing the valuation with the Group's valuation.

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 and will 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 of the Company 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.

Independent Auditor's Report

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.

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 of the Company.

- 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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Tong, Mei Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue			
Fee and commission income	5	**102,332**	109,399
Interest income	6	**21,113**	24,208
Total revenue		**123,445**	133,607
Other income	8	**83**	2,170
Other (losses) gains	9	**(55,989)**	27,279
Salaries and related benefits	10	**(75,594)**	(68,319)
Commission expenses		**(34,298)**	(42,358)
Depreciation	20	**(3,968)**	(6,033)
Finance costs	13	**(6,536)**	(5,523)
Impairment losses, net of reversal	14	**(6,245)**	(18,184)
Other expenses		**(85,250)**	(69,121)
Change in fair value of investment property	21	**(118)**	449
Loss before taxation		**(144,470)**	(46,033)
Income tax expense	15	**—**	(49)
Loss for the year	17	**(144,470)**	(46,082)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Fair value gain on financial assets at fair value through other comprehensive income		**1,056**	—
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(776)**	651
Other comprehensive income for the year		**280**	651
Total comprehensive expense for the year		**(144,190)**	(45,431)
Loss attributable to:			
Owners of the Company		**(144,132)**	(46,082)
Non-controlling interests		**(338)**	—
		(144,470)	(46,082)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(143,852)**	(45,431)
Non-controlling interests		**(338)**	—
		(144,190)	(45,431)
Loss per share	18		
— Basic (HK cents)		**(2.91)**	(1.01)
— Diluted (HK cents)		**(2.91)**	(1.01)

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property and equipment	20	**9,246**	8,420
Investment property	21	**17,025**	17,818
Intangible assets	22	**9,092**	9,092
Club debentures	23	**660**	660
Other assets	24	**6,002**	11,486
Rental and utility deposits		**690**	5,272
Available-for-sale financial assets	25	**—**	8,415
Financial assets at fair value through other comprehensive income	26	**26,240**	—
		68,955	61,163
Current assets			
Accounts receivable	27	**283,404**	392,069
Contract assets	28	**684**	—
Loans receivable	29	**1,576**	1,600
Prepayments, deposits and other receivables	30	**12,465**	11,685
Investments held for trading	31	**—**	194,403
Financial assets at fair value through profit or loss	31	**143,200**	—
Bank deposits subject to conditions	32	**25,127**	25,076
Bank balances — trust and segregated accounts	33	**837,705**	909,411
Bank balances (general accounts) and cash	33	**376,831**	270,658
		1,680,992	1,804,902
Current liabilities			
Accounts payable	35	**986,497**	979,608
Contract liabilities	36	**2,260**	—
Accrued liabilities and other payables	38	**25,906**	21,061
Taxation payable		**3,000**	3,000
Bank borrowings — amount due within one year	39	**102,539**	124,253
Amounts due to related companies	34	**1,904**	1,764
		1,122,106	1,129,686
Net current assets		**558,886**	675,216
Total assets less current liabilities		**627,841**	736,379

Consolidated Statement of Financial Position (continued)

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities	40	**40**	40
Bank borrowings — amount due after one year	39	**3,892**	7,311
		3,932	7,351
Net assets		**623,909**	729,028
Capital and reserves			
Share capital	41	**99,115**	99,207
Reserves		**513,451**	629,821
Equity attributable to owners of the Company		**612,566**	729,028
Non-controlling interests	42	**11,343**	—
Total equity		**623,909**	729,028

The consolidated financial statements on pages 65 to 151 were approved and authorised for issue by the Board of Directors on 22 March 2019 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 2018

		Attributable to equity holders of the Company									
	NOTES	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note 1)	Contributed surplus HK$'000 (note 2)	Investments revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017		82,687	390,101	—	117,788	—	(1,199)	(46,199)	543,178	—	543,178
Loss for the year		—	—	—	—	—	—	(46,082)	(46,082)	—	(46,082)
Exchange differences arising on translation of foreign operations		—	—	—	—	—	651	—	651	—	651
Other comprehensive income for the year		—	—	—	—	—	651	—	651	—	651
Total comprehensive income (expense) for the year		—	—	—	—	—	651	(46,082)	(45,431)	—	(45,431)
Issue of ordinary shares	41	16,520	214,761	—	—	—	—	—	231,281	—	231,281
At 31 December 2017		99,207	604,862	—	117,788	—	(548)	(92,281)	729,028	—	729,028
Adjustment on application of HKFRS 9		—	—	—	—	1,169	—	(1,426)	(257)	—	(257)
Adjustment on application of HKFRS 15		—	—	—	—	—	—	(1,150)	(1,150)	—	(1,150)
At 1 January 2018, restated		99,207	604,862	—	117,788	1,169	(548)	(94,857)	727,621	—	727,621
Loss for the year		—	—	—	—	—	—	(144,132)	(144,132)	(338)	(144,470)
Fair value gain on financial assets at fair value through other comprehensive income		—	—	—	—	1,056	—	—	1,056	—	1,056
Exchange differences arising on translation of foreign operations		—	—	—	—	—	(776)	—	(776)	—	(776)
Other comprehensive income (expense) for the year		—	—	—	—	1,056	(776)	—	280	—	280
Total comprehensive income (expense) for the year		—	—	—	—	1,056	(776)	(144,132)	(143,852)	(338)	(144,190)
Repurchase of ordinary shares	41	(92)	(320)	—	—	—	—	—	(412)	—	(412)
Shares of a subsidiary issued to non-controlling interests	16	—	—	29,209	—	—	—	—	29,209	11,681	40,890
At 31 December 2018		**99,115**	**604,542**	**29,209**	**117,788**	**2,225**	**(1,324)**	**(238,989)**	**612,566**	**11,343**	**623,909**

Notes:

(1) The other reserve of the Group represents the reserve arising from the change in the Group's ownership interest in existing subsidiary without losing control. Details are disclosed in notes 16 and 42.

(2) 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 2018

	NOTES	2018 HK$'000	2017 HK$'000
Operating activities			
Loss before taxation		**(144,470)**	(46,033)
Adjustments for:			
Depreciation of property and equipment	20	**3,968**	6,033
Interest expense	13	**6,536**	5,523
Interest income	6 & 9	**(25,996)**	(28,727)
Dividend income	9	**(3,888)**	(6,748)
Change in fair value of investment property	21	**118**	(449)
Loss on early redemption of redeemable convertible bonds	9	**—**	9,920
Loss on fair value changes of investments held for trading		**—**	6,472
Loss on fair value changes of financial assets at fair value through profit or loss		**13,805**	—
Write-off of property and equipment	9	**23**	370
Impairment losses, net of reversal	14	**6,245**	18,184
Operating cash flows before movements in working capital		**(143,659)**	(35,455)
Increase in contract assets		**(684)**	—
Decrease in rental and utility deposits		**4,582**	242
Decrease (increase) in other assets		**5,484**	(2,919)
Decrease in accounts receivable		**104,472**	24,027
(Increase) decrease in loans receivable		**(34)**	263
Increase in prepayments, deposits and other receivables		**(7,191)**	(1,708)
Increase in investments held for trading		**—**	(179,150)
Decrease in financial assets at fair value through profit or loss		**38,944**	—
Decrease (increase) in bank balances — trust and segregated accounts		**71,706**	(89,608)
Increase in accounts payable		**6,889**	11,142
Increase (decrease) in accrued liabilities and other payables		**4,933**	(9,042)
Increase in contract liabilities		**1,110**	—
Cash generated from (used in) operations		**86,552**	(282,208)
Interest received		**27,738**	28,676
Income taxes refund, net		**—**	1,286
Dividend received		**3,888**	6,748
Net cash from (used in) operating activities		**118,178**	(245,498)
Investing activities			
Purchase of property and equipment	20	**(4,820)**	(1,242)
Purchase of financial assets at fair value through other comprehensive income	26	**(15,600)**	—
Net cash outflow on acquisition of a subsidiary	16	**(377)**	—
Net cash used in investing activities		**(20,797)**	(1,242)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Financing activities			
Proceeds on issue of shares	41	**—**	231,281
Payment on repurchase of shares	41	**(412)**	—
Capital contribution from non-controlling interests	16	**40,890**	—
Increase in bank borrowings for margin financing	45	**—**	491
Advances from other bank borrowings	45	**59,000**	—
Repayment of other bank borrowings	45	**(84,245)**	(33,259)
Advances from related companies	45	**944**	2,261
Repayments to related companies	45	**(804)**	(2,304)
Interest paid on bank borrowings	45	**(6,512)**	(5,520)
Proceeds on issue of redeemable convertible bonds	45	**—**	620,000
Redemption of redeemable convertible bonds	45	**—**	(629,920)
Net cash generated from financing activities		**8,861**	183,030
Net increase (decrease) in cash and cash equivalents		**106,242**	(63,710)
Cash and cash equivalents at beginning of year		**270,658**	334,631
Effect of change in foreign exchange rate		**(69)**	(263)
Cash and cash equivalents at end of year		**376,831**	270,658
Bank balances (general accounts) and cash		**376,831**	270,658

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.

On 20 June 2017, the Company issued 826,000,000 new shares to an independent third party. Upon the completion of share issuance on 20 June 2017, the Company ceased to be a subsidiary and became an associate of Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH"). Thereafter, the directors of the Company considered CASH as the substantial shareholder of the Company.

The Company and its subsidiaries (the "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;
- proprietary trading of debt and equity securities and derivatives;
- provision of margin financing and money lending services;
- provision of investment banking services; and
- provision of asset management services.

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")

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

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

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

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

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

HKFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

Information about the Group’s accounting policies and the performance obligations resulting from application of HKFRS 15 are disclosed in notes 3 and 5 respectively.

Summary of effects arising from initial application of HKFRS 15

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

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

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

HKFRS 15 "Revenue from Contracts with Customers" (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

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

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

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

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets				
Accounts receivable	(a)	283,404	684	284,088
Contract assets	(a)	684	(684)	—
Current liabilities				
Contract liabilities	(b)	2,260	(2,260)	—

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

HKFRS 15 "Revenue from Contracts with Customers" (continued)

Impact on the consolidated statement of profit or loss and other comprehensive income

	Note	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Revenue	(b)	123,445	1,110	124,555
Loss for the year	(b)	(144,470)	1,110	(143,360)
Total comprehensive expense for the year	(b)	(144,190)	1,110	(143,080)

Impact on the consolidated statement of cash flows

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating cash flows before movements in working capital	(b)	(143,659)	1,110	(142,549)
Decrease in accounts receivable	(a)	104,472	(684)	103,788
Increase in contract assets	(a)	(684)	684	—
Increase in contract liabilities	(b)	1,110	(1,110)	—

(a) Contract assets represent the Group's rights to consideration for the provision of placement services of mutual fund and insurance-linked investment products to insurers. The amount is conditional on the payment of the premiums from the customers to the insurers upon application of HKFRS 15 and accordingly, is classified as contract assets.

(b) Under HKAS 18, the Group recognises the fee income from sponsor or financial advisory services based on the stage of completion of the relevant services rendered. Upon application of HKFRS 15, the relevant services in a contract are considered as a single performance obligation and the Group satisfies a performance obligation when it transfers control of the promised good or services underlying that performance obligation to the customers. Since the terms of the relevant sales contracts do not create an enforceable right to payment for the Group, revenue from sponsor or financial advisory services should be recognised at a point in time. This change in accounting policy resulted in a net reduction of revenue by HK$1,110,000 for the year ended 31 December 2018.

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

HKFRS 9 "Financial Instruments"

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

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

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

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

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

HKFRS 9 "Financial Instruments" (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

(a) AFS financial assets

From AFS financial assets to financial assets at FVTOCI

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

(b) Financial assets at fair value through profit or loss ("FVTPL")

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

(c) Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for contract assets and accounts receivable other than accounts receivable from margin clients. Except for those which had been determined as credit impaired under HKAS 39, accounts receivable are grouped based on past due analysis. The contract assets relate to unbilled amount and have substantially the same risk characteristics as accounts receivable for the same type of contract. The Group has therefore estimated the expected loss rates for the other accounts receivable and contract assets on the same basis.

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

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

HKFRS 9 "Financial Instruments" (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

(c) Impairment under ECL model (continued)

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

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

New and amendments to HKFRSs and interpretation in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 19	Plant Amendment, Curtailment or Settlement[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the impact mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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. Upon application of 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 by the Group. Upfront unpaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of HK$20,242,000 as disclosed in note 48. 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 on short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$5,496,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)–Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

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

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

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. 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".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that involves the use of unobservable inputs to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Group. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

Revenue as below is recognised at a point in time on the following bases:

- Commission income from broking business is recognised when trades are executed;
- Commission income from underwriting, sub-underwriting and placing activities are recognised when the relevant significant act has been completed;
- Commission income for placement of mutual funds and insurance-linked investment products is recognised when the placements are successful, subject to constraint on variable consideration; and
- Fees from sponsor and financial advisory services are recognised upon listing or when the underlying transactions are completed.

Asset management fees and performance fees are recognised over time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration for asset management services and wealth management services to which it will be entitled using the most likely amount and expected value amount respectively.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently charged to profit or loss at the point when the revenue relating to the relevant contracts is recognised in profit or loss.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Costs to fulfil a contract

The Group incurs costs to fulfil its services contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently charged to profit or loss at the point the goods or services are transferred to the customer. The asset is subject to impairment review.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 January 2018)

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;
- Placing commission is 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 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 estimates 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 expense 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), 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.

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 loss before taxation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

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 are 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).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets

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 in profit or loss 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 the Group becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combinations to which HKFRS 3 Business Combinations applies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses. Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other (losses) gains" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, loans receivable, deposits and other receivables, bank deposits and bank balances) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the counterparties, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for contract assets and accounts receivable except for those from margin clients. The ECL on these assets are assessed collectively based on the Group's historical default rates or default rates by reference to the Probability of Default ("PD"), Loss Given Default ("LGD") over the expected life and is adjusted for forward-looking estimates.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers the event of default occurs when the information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

In respective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the PD, LGD (i.e. the magnitude of the loss if there is a default) and the Exposure at Default ("EAD"). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis, the financial instruments are grouped taking into account the following:

- Nature of financial instruments;
- Loan to collateral value ratio ("LTV");
- Past-due status; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loans receivable and accounts receivable where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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 AFS financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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. The Group's financial assets at FVTPL are held for trading.

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.

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 includes any dividend or interest earned on the financial assets and is included in the 'other (losses) gains' line item. Fair value is determined in the manner described in note 44.

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, deposits and other receivables, bank deposits, 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 of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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 cost, 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, 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 account receivable or loan receivable is 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 financial asset 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 assets (continued)

Derecognition of financial assets

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.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

The financial liabilities of the Group are all carried at amortised cost.

Financial liabilities including accounts payable, other payables, bank borrowings and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. 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 conditions 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 other service providers

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or 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 entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment assessment under ECL for accounts receivable arising from margin financing

The impairment assessment under ECL for accounts receivable arising from margin financing is an area that requires the use of models and management assumptions about future economic conditions developing and the credit risk of the margin clients.

In applying the accounting requirements for measuring ECL, the management exercised significant judgements in determining criteria for significant increase in credit risk, selecting appropriate models and assumptions for the measurement of ECL and considering the forward-looking scenarios.

Inputs, assumptions and estimation techniques

ECL of accounts receivable arising from margin financing is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 (credit risk has increased significantly since initial recognition) or 3 (credit-impaired) as defined in note 44. In assessing whether the credit risk of a financial asset has significantly increased, the Group considered the historical trend in LTV ratio as well as qualitative and quantitative reasonable and supportable forward-looking information available without undue cost or effort. ECL is the discounted product of expected future cash flows by using the PD, LGD and EAD of which PD and LGD are estimates based on significant management judgement. For credit-impaired receivable arising from margin financing, the management perform individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement.

Forward-looking information

The calculation of ECL considers forward-looking information through the use of publicly available economic data and forecasts and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios.

Details of the impairment assessment of accounts receivable arising from margin financing are disclosed in note 44.

Income taxes

No deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK$353,864,000 (2017: HK$223,065,000) and deductible temporary differences of HK$40,438,000 (2017: HK$23,412,000). 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, recognition of deferred tax asset in relation to estimated unused tax losses and deductible temporary differences may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

Fair value of financial assets at FVTOCI

The Group holds financial instruments that are not listed and are not traded in active markets. The Group employs valuation methods and makes assumptions that are based on market conditions existing at the reporting date. These investments are valued by an independent external valuation specialist based on generally accepted pricing models with reference to market comparables. The model may employ observable data where available and to the extent practicable. However, the model may also use unobservable data such as the discount rate for lack of marketability, the determination of these unobservable inputs and other assumptions used in the model may involve subjective judgement.

The Group considers the above valuation approach as the best estimate of the fair value of the underlying investments. Changes in assumptions or inputs could affect the reported fair values of these instruments. Details of valuation methodologies or inputs are set in note 44 to the consolidated financial statements.

5. FEE AND COMMISSION INCOME

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	2018 HK$'000
Type of services	
Broking services	**71,730**
Investment banking services	**6,765**
Wealth management services	**6,959**
Asset management services	**9,969**
Handling and other services	**6,909**
Total	**102,332**

	2018 HK$'000
Timing of revenue recognition	
A point in time	**92,363**
Over time	**9,969**
Total	**102,332**

Fee and commission income of HK$102,332,000 and interest income of HK$20,894,000 are presented as financial services segment revenue and interest income of HK$219,000 is presented as proprietary trading revenue for the year ended 31 December 2018 in the segment information in note 7.

(ii) Performance obligations for contracts with customers

Broking services

The Group provides broking services to customers on securities, futures and options trading. Commission income from broking services is determined at a certain percentage of the transaction value of the trades executed and is recognised as income on the date the trades are executed. Normal settlement terms are one or two days after trade date, unless specifically agreed with counterparties.

5. FEE AND COMMISSION INCOME (continued)

A. For the year ended 31 December 2018 (continued)

(ii) Performance obligations for contracts with customers (continued)

Investment banking services

The Group provides underwriting, sub-underwriting, placing, sponsor and financial advisory services to customers. The revenue is recognised at a point in time.

For sponsor or financial advisory services, the Group considers that all the services promised in a particular contract of being a sponsor or financial advisor are interdependent and interrelated and should be therefore accounted for as a single performance obligation. As it is unlikely that a customer can obtain benefit before the Group completes all its services up to listing or the completion of the underlying transaction and since the contracts do not provide the Group an enforceable right to payment for performance completed up to date, the sponsor or financial advisory fees are recognised at a point in time upon listing or when the underlying transactions are completed. Payments are received by installments in accordance to the completion of milestones as specified in the mandate.

Asset management services

Asset management services to customers are recognised over time as the Group provides asset management services and the customers simultaneously receives and consumes the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group. The Group is also entitled to a performance fee for certain accounts when pre-set performance target for the relevant performance period is met. The performance fee is recognised when it is highly probable that a significant reversal in the revenue recognised will not occur when the performance target is evaluated on an annual basis for each of the account. Management fee is normally due on account opening date and the subsequent anniversary date while performance fee is normally due at the end of the relevant performance period.

Wealth management services

The Group provides placement services for mutual funds and insurance-linked investment products to customers. Revenue is recognised at a point in time when the placement is successful. Revenue is calculated at a certain percentage of the premium receivable for certain period of the mutual funds and insurance-linked investment products, subject to constraints on variable consideration. The Group receives payment for a certain period over the life of the underlying products after satisfying its performance obligation, depending on the payment terms of the products. The Group has considered the effects of financing component on the consideration as insignificant.

Handling and other services

The Group provides services in securities, futures and options trading and customer's account handling. Handling and other services fee income are recognised when the transaction are executed and services are completed.

5. FEE AND COMMISSION INCOME (continued)

A. For the year ended 31 December 2018 (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applied the practical expedient for contracts with original expected duration less than one year, and did not disclose the aggregate amount of transaction price allocated to performance obligations of the investment banking services that are unsatisfied (or partly unsatisfied). The performance fee arising from asset management services which are constrained as at 31 December 2018 has been excluded from the transaction price and hence not disclosed.

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	2017 HK$'000
Broking services	84,306
Investment banking services	3,532
Wealth management services	8,187
Asset management services	6,397
Handling and others	6,977
	109,399

6. INTEREST INCOME

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

7. 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 income from broking, investment banking, asset management, wealth management and proprietary trading activities for the purposes of resource allocation and performance assessment. During the year, proprietary trading previously included under financial services segment is separately assessed by the CODM and considered as a new operating and reportable segment. Prior year segment information have been represented.

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by the segment before change in fair value of investment property and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance.

7. SEGMENT INFORMATION(continued)

Reportable and operating segment (continued)

Segment revenue and result (continued)

For the year ended 31 December 2018

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

For the year ended 31 December 2017

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

All the segment revenue is derived from external customers.

Segment assets and liabilities

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

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

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities (continued)

As at 31 December 2018

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

As at 31 December 2017

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

7. SEGMENT INFORMATION (continued)

Other information

For the year ended 31 December 2018

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

For the year ended 31 December 2017

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

7. SEGMENT INFORMATION (continued)

Other information (continued)

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

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

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

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

8. OTHER INCOME

	2018	2017
	HK$'000	HK$'000
Service fee income	**—**	409
Sundry income	**83**	1,761
	83	2,170

9. OTHER (LOSSES) GAINS

	2018	2017
	HK$'000	HK$'000
Loss on early redemption of redeemable convertible bonds (notes 37 and 45)	**—**	(9,920)
Net loss on financial assets at FVTPL (note)	**(54,093)**	—
Net gain on investments held for trading (note)	**—**	36,184
Write-off of property and equipment	**(23)**	(370)
Net foreign exchange (loss) gain	**(1,873)**	1,337
Other	**—**	48
	(55,989)	27,279

Note: The amount includes dividend income of HK$3,888,000 (2017: HK$6,748,000) and interest income amounting to HK$4,883,000 (2017: HK$4,519,000) from financial assets at FVTPL and investments held for trading for 2018 and 2017 respectively.

10. SALARIES AND RELATED BENEFITS

	2018 HK$'000	2017 HK$'000
Salaries and related benefits represent the amounts paid and payable to the directors of the Company and employees of the Group, and comprise:		
Salaries and allowances	**71,302**	64,512
Contributions to retirement benefits schemes	**4,292**	3,807
	75,594	68,319

11. 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:

For the year ended 31 December 2018

	Kwan Pak Hoo Bankee HK$'000	Chief Executive Chan Chi Ming Benson HK$'000 (note (a))	Law Ping Wah Bernard HK$'000	Cheung Wai Ching Anthony HK$'000 (note (b))	Kwan Teng Hin Jeffrey HK$'000 (note (c))	Ho Tsz Cheung Jack HK$'000 (note (c))	Total 2018 HK$'000
(A) EXECUTIVE DIRECTORS							
Fees	—	—	—	—	—	—	—
Other emoluments:							
Salaries and allowances	1,169	2,585	910	1,020	1,008	945	7,637
Retirement benefits	59	118	46	51	50	47	371
Sub-total	1,228	2,703	956	1,071	1,058	992	8,008

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$'000	Total 2018 HK$'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	**8,458**

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

For the year ended 31 December 2017

	Kwan Pak Hoo Bankee HK$'000	Chief Executive Chan Chi Ming Benson HK$'000 (note (a))	Law Ping Wah Bernard HK$'000	Kwan Teng Hin Jeffrey HK$'000 (note (c))	Ho Tsz Cheung Jack HK$'000 (note (c))	Cheng Pui Lai Majone HK$'000 (note (d))	Lam Man Michael HK$'000 (note (e))	Total 2017 HK$'000
(A) EXECUTIVE DIRECTORS								
Fees	—	—	—	—	—	—	—	—
Other emoluments:								
Salaries and allowances	1,200	1,000	960	595	740	1,219	916	6,630
Retirement benefits	65	50	48	30	37	58	37	325
Sub-total	1,265	1,050	1,008	625	777	1,277	953	6,955

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$'000	Total 2017 HK$'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	7,405

Notes:

(a) During the year ended 31 December 2017, Mr Chan Chi Ming Benson was appointed as the Chief Executive and executive director of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(b) During the year ended 31 December 2018, Mr Cheung Wai Ching Anthony was appointed as executive director of the Company.

(c) During the year ended 31 December 2017, Mr Kwan Teng Hin Jeffrey and Mr Ho Tsz Cheung Jack were appointed as executive directors of the Company.

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

(d) During the year ended 31 December 2017, Ms Cheng Pui Lai Majone resigned as the Chief Executive and executive director of the Company.

(e) During the year ended 31 December 2017, Mr Lam Man Michael resigned as an executive director of the Company.

(f) During the years ended 31 December 2018 and 2017, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any remuneration during the years ended 31 December 2018 and 2017.

12. EMPLOYEES' REMUNERATION

One (2017: four) of the five individuals with the highest emoluments in the Group were directors of the Company for the year ended 31 December 2018. Details of these directors' emolument are included in the disclosures in note 11 above. The emolument of the remaining four (2017: one) individual were as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and allowances	**6,447**	3,178
Contributions to retirement benefits schemes	**322**	117
Amount as inducement to join the Group	**—**	375
	6,769	3,670

The remuneration of the four (2017: one) individuals (other than directors) was within the following bands:

	Number of employees	
	2018	2017
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**2**	—
HK$2,000,001 to HK$2,500,000	**1**	—
HK$3,500,001 to HK$4,000,000	**—**	1
	4	1

13. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest on bank overdrafts and borrowings	**6,536**	5,523

14. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 HK$'000	2017 HK$'000
Impairment losses recognised on:		
Accounts receivable	**2,767**	16,204
Loans receivable	**58**	—
Other receivables	**3,420**	1,980
	6,245	18,184

Impairment losses on other receivables of HK$1,980,000 were grouped under "other (losses) gains" for the year ended 31 December 2017. Details of impairment assessment for the year ended 31 December 2018 are set out in note 44.

15. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax:		
— Hong Kong Profits Tax	**—**	—
— PRC Profits Tax	**—**	49
Deferred tax (note 40)	**—**	—
	—	49

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

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

Under the Law of the People's Republic of China on Enterprise Income Tax (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.

15. INCOME TAX EXPENSE (continued)

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

	2018 **HK$'000**	2017 HK$'000
Loss before taxation	**(144,470)**	(46,033)
Taxation at income tax rate of 16.5%	**(23,838)**	(7,595)
Tax effect of expenses not deductible for tax purpose	**1,891**	28
Tax effect of income not taxable for tax purpose	**(1,155)**	(1,409)
Tax effect of deductible temporary differences not recognised	**2,809**	3,863
Tax effect of utilisation of estimated tax losses previously not recognised	**(1,153)**	(4,029)
Tax effect of estimated tax losses not recognised	**21,758**	8,703
Others	**(312)**	488
Income tax expense	**—**	49

16. ACQUISITION OF A SUBSIDIARY AND CHANGE IN SHAREHOLDING OF SUBSIDIARY WITHOUT LOSING CONTROL

On 2 May 2018, the Group acquired for 100% of the issued share capital of Weever FinTech Limited ("Weever") from CASH Algo Finance Limited, a wholly-owned subsidiary of CASH, for a consideration of HK$377,000.

	HK$'000
Consideration transferred:	
Cash	377
Assets acquired at the date of acquisition at fair value were as follows:	
Property and equipment (note 20)	29
Deposits with brokers	348
Total	377
Cash outflow on acquisition of the subsidiary:	
Cash consideration paid	377

On 10 May 2018, Weever allotted 800 shares and 199 shares at HK$1 per share, to the Group and Excel Smart Profits Limited ("Excel Smart"), a wholly-owned subsidiary of CASH, respectively.

On 1 June 2018, Weever further allotted 7,608,699 shares and 1,890,301 shares, at HK$1 per share, to the Group and Excel Smart, respectively.

On 21 December 2018, Weever allotted and issued 5% shares of Weever to an independent third party at a total cash consideration of US$5,000,000 (equivalent to approximately HK$39,000,000). The proceeds will be used for development of digital assets brokerage services business of Weever.

16. ACQUISITION OF A SUBSIDIARY AND CHANGE IN SHAREHOLDING OF SUBSIDIARY WITHOUT LOSING CONTROL (continued)

After three share allotments during the year, the shareholdings in Weever held by the Group decreased from 100% to 76.1%. The difference between the adjustment to the non-controlling interest of HK$11,681,000 and the fair value of the consideration received of HK$40,890,000 from the above share allotments and issuance is recognised directly in other reserve and attributed to owners of the Company.

17. LOSS FOR THE YEAR

	2018 **HK$'000**	2017 HK$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**2,200**	1,920
Operating lease rentals	**22,372**	23,804
Handling expenses for securities dealing	**3,533**	4,418
Advertising and promotion expenses	**5,925**	3,595
Telecommunication expenses	**15,715**	9,636
Legal and professional fees	**9,331**	5,989

18. LOSS PER SHARE

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

Loss

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

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

For the years ended 31 December 2018 and 2017, the computation of diluted loss per share has not taken into account the effects of share options as it would result in decrease in loss per share.

19. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2018 and 2017.

20. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Total HK$'000
COST OR VALUATION				
At 1 January 2017	18,975	2,340	40,228	61,543
Exchange adjustments	—	28	—	28
Additions	—	7	1,235	1,242
Written-off	(700)	(24)	—	(724)
At 31 December 2017	18,275	2,351	41,463	62,089
Exchange adjustments	(30)	(3)	—	(33)
Additions	2,527	136	2,157	4,820
Written-off	(250)	—	—	(250)
Acquired on acquisition of a subsidiary	—	—	29	29
At 31 December 2018	20,522	2,484	43,649	66,655
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2017	16,336	1,436	30,194	47,966
Exchange adjustments	—	24	—	24
Provided for the year	1,106	88	4,839	6,033
Written-off	(338)	(16)	—	(354)
At 31 December 2017	17,104	1,532	35,033	53,669
Exchange adjustments	—	(1)	—	(1)
Provided for the year	793	73	3,102	3,968
Written-off	(227)	—	—	(227)
At 31 December 2018	17,670	1,604	38,135	57,409
CARRYING VALUES				
At 31 December 2018	2,852	880	5,514	9,246
At 31 December 2017	1,171	819	6,430	8,420

20. 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

21. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 January 2017	16,508
Net increase in fair value recognised in profit or loss	449
Exchange adjustments	861
At 31 December 2017	17,818
Net decrease in fair value recognised in profit or loss	(118)
Exchange adjustments	(675)
At 31 December 2018	17,025
Unrealised (loss) gain on property revaluation relating to the investment property held at the end of the reporting period included in "change in fair value of investment property"	
For the year ended 31 December 2018	(118)
For the year ended 31 December 2017	449

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 property.

21. INVESTMENT PROPERTY (continued)

The investment property of the Group is situated:

	2018 HK$'000	2017 HK$'000
Outside Hong Kong	**17,025**	17,818

Fair value measurement of the Group's investment property

The fair value of the Group's investment property as at 31 December 2018 and 2017 has been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited, the independent qualified professional valuer not connected to the Group who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair value of property, which is 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 value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurement is categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurement are observable.

Investment property 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 2018 and 2017				
Residential property unit	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 range of –5% to 2% (2017: –5% to 3%) View adjustment on the site view of the property of 2% (2017: 5%)	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 property, the highest and best use of the property is their current use.

In estimating the fair value of the investment property, 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 property.

22. INTANGIBLE ASSETS

	Trading rights HK$'000
COST AND CARRYING VALUES	
At 31 December 2018 and 31 December 2017	9,092

At 31 December 2018, intangible assets amounting to HK$9,092,000 (2017: 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 were considered by the management of the Group as having an indefinite useful life because these are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead these will be tested for impairment annually and whenever there is an indication that they may be impaired.

For impairment testing purpose, the recoverable amount of the trading rights is determined based on the fair value less cost of disposal. The directors of the Company consider that the fair value less cost of disposal of the trading rights is more than replacement cost and accordingly, no impairment is recognised in profit or loss for both years.

23. CLUB DEBENTURES

The club debentures are stated at cost, less any identified impairment losses.

24. OTHER ASSETS

	2018 HK$'000	2017 HK$'000
Statutory deposits with exchanges and clearing houses	**6,002**	11,486

The above deposits are non-interest bearing.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000
Unlisted investment	
— equity securities (at cost)	8,415

At 31 December 2017, the unlisted investment represents equity interest in Infinity Investment Holding Group ("Infinity Holding"), a company incorporated in Cayman Islands, which was engaged in the business of venture capital and private equity management in PRC.

The unlisted investment is measured at cost at 31 December 2017 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.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets designated at FVTOCI:

	2018 HK$'000
Unlisted equity investments at fair value	**26,240**

On 27 August 2018, the Group acquired 2% equity interest in Coinsuper Fintech (HK) Co., Limited ("Coinsuper") at a total consideration of HK$15,600,000. Coinsuper is a cryptocurrency exchange incorporated in Hong Kong.

At 31 December 2018, the unlisted investments represents equity interest in Infinity Holding of HK$10,640,000 (note 25) and Coinsuper of HK$15,600,000. The unlisted investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these unlisted investments as at FVTOCI as they believe that recognising short-term fluctuations in the investments' fair value in profit or loss would not be consistent with the Group's strategy of holding the investments for long-term purposes and realising their performance potential in the long run.

27. ACCOUNTS RECEIVABLE

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

* The restated allowance for impairment upon application of HKFRS 9 on accounts receivable arising from the business of margin financing amounted to HK$18,803,000, due to the additional loss allowance of HK$1,426,000 recognised under the ECL model as disclosed in note 2.

27. ACCOUNTS RECEIVABLE (continued)

Notes:

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

The Group provides customers with margin financing for securities transactions secured by customers' securities held as collateral. Securities are assigned with specific margin ratios for calculating margin values. Additional funds or collateral are required if the amount of accounts receivable from margin clients outstanding exceeds the eligible margin value of the securities deposited.

The customers' 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 clients' securities up to the amount of 140% of the accounts receivable from margin clients as collateral of the Group's borrowings. The accounts receivable from margin clients are repayable on demand and bear interest at commercial rates. As at 31 December 2018, accounts receivable from margin clients are secured by clients' pledged securities with fair value of approximately HK$418,595,000 (2017: HK$647,476,000), of which 84% (2017: 92%) of accounts receivable arising from the business of margin financing are fully collateralised.

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 44.

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

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

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

27. ACCOUNTS RECEIVABLE (continued)

The credit quality of accounts receivable is summarised as follows:

	2017 HK$'000
Neither past due nor impaired:	
— Margin clients	227,153
— Non-margin clients	17,808
— Clearing houses, brokers and dealers	134,958
Past due but not impaired:	
— Non-margin clients	8,855
Impaired:	
— Margin clients	20,021
— Non-margin clients	1,551
	410,346
Less: Allowance for impairment	(18,277)
	392,069

For accounts receivable from non-margin clients that are included in "neither past due nor impaired" category as at 31 December 2017, the amounts are not yet due for settlement as at reporting date.

For accounts receivable from margin clients that are included in "neither past due nor impaired" category as at 31 December 2017, the fair value of each client's listed securities is higher than carrying amounts of individual loan to each margin client in this category.

Details of the credit risk profile disclosure and movements in the allowance for impairment for the year ended 31 December 2018 are set out in "credit risk and impairment assessment" in note 44.

As at 31 December 2017, included in the Group's accounts receivable are debtors (excluding margin clients), with a carrying amount of HK$8,855,000 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 recoverable given the subsequent settlement and the value of securities collateral held by the Group.

27. ACCOUNTS RECEIVABLE (continued)

In respect of accounts receivable which are past due but not impaired at 31 December 2017, the ageing analysis (from due date) is as follows:

	2017 HK$'000
0–30 days	5,136
31–60 days	3,580
61–90 days	—
Over 90 days	139
	8,855

Accounts receivable due from margin and past due cash clients of approximately HK$21,572,000, which are not fully secured by the respective clients' listed securities, are considered impaired and included in "Impaired" category as at 31 December 2017.

At 31 December 2017, there was an allowance for impairment of HK$18,277,000.

Movements in the allowance for impairment for the year ended 31 December 2017 are as follows:

	2017 HK$'000
Balance at the beginning of the year	3,300
Charge for the year, net (note 14)	16,204
Amounts written off during the year	(1,227)
Balance at the end of the year	18,277

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, subsequent settlement and the past collection history of each client.

27. 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, 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				
Dr Kwan Pak Hoo Bankee				
2017	—	—	27,136	—
2018	—	—	27,999	—
Mr Chan Chi Ming Benson (note 3)				
2017 (from 1/8/2017 to 31/12/2017)	N/A	—	2,714	—
2018	—	—	9,227	—
Mr Law Ping Wah Bernard				
2017	—	—	15,000	—
2018	—	—	27,898	—
Mr Cheung Wai Ching Anthony (note 4)				
2017	N/A	N/A	N/A	N/A
2018 (from 2/1/2018 to 31/12/2018)	N/A	—	2,728	—
Mr Kwan Teng Hin Jeffrey (note 3)				
2017 (from 12/6/2017 to 31/12/2017)	N/A	—	2,999	—
2018	—	—	1,993	—
Mr Ho Tsz Cheung Jack (note 3)				
2017 (from 10/4/2017 to 31/12/2017)	N/A	—	1,728	—
2018	—	—	2,182	—
Ms Cheng Pui Lai Majone (note 5)				
2017	—	N/A	23,181	N/A
2018	N/A	N/A	N/A	N/A
Mr Lam Man Michael (note 5)				
2017	—	N/A	—	N/A
2018	N/A	N/A	N/A	N/A

27. 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 Company controlled by director of the Company				
Cash Guardian Limited (note 2)				
2017	—	—	29,999	—
2018	—	—	—	—
Subsidiaries of CASH				
Libra Capital Management (HK) Limited (note 1)				
2017	—	—	27,136	—
2018	—	—	5,073	—
Cashflow Credit Limited (note 1)				
2017	—	—	27,136	—
2018	—	—	—	—
Confident Profits Group (note 1)				
2017	—	—	—	—
2018	—	—	—	—

Notes:

(1) Libra Capital Management (HK) Limited, Cashflow Credit Limited and Confident Profits Group, are subsidiaries of CASH, the substantial shareholder of the Company.

(2) Cash Guardian Limited is solely owned and controlled by Dr Kwan Pak Hoo Bankee, who is a director of the Company.

(3) During the year ended 31 December 2017, Mr Chan Chi Ming Benson, Mr Kwan Teng Hin Jeffrey and Mr Ho Tsz Cheung Jack were appointed as executive directors of the Company.

(4) During the year ended 31 December 2018, Mr Cheung Wai Ching Anthony was appointed as executive director of the Company.

(5) During the year ended 31 December 2017, Ms Cheng Pui Lai Majone and Mr Lam Man Michael resigned as executive directors of the Company.

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

28. CONTRACT ASSETS

Contract assets represent the Group's rights to commission from insurers for the provision of placement services of mutual funds and insurance-linked investment products. The Group's right to commission is conditional on the payment of the premiums to the insurers. The contract assets are transferred to accounts receivable when the rights become unconditional.

The Group's contract assets are analysed as follows:

	31.12.2018	1.1.2018
	HK$'000	HK$'000
Commission arising from placement of mutual funds and insurance-linked investment products	**684**	—

At 31 December 2018, the recognition of contract assets of HK$684,000 represents management's best estimate of each contract's outcome.

Details of the impairment assessment of contract assets at 31 December 2018 are set out in note 44.

29. LOANS RECEIVABLE

	2018	2017
	HK$'000	HK$'000
Revolving loans receivable denominated in Hong Kong dollars	**1,576**	1,600

The credit quality of loans receivable is summarised as follows:

	2017
	HK$'000
Neither past due nor impaired	700
Past due but not impaired	900
	1,600

Except for the loans receivable with the carrying amount of HK$112,000 (2017: nil) which is fixed interest bearing, the remaining are variable-rate loans receivable which bear interest at Hong Kong Prime Rate plus a spread for both years.

Details of impairment assessment at 31 December 2018 are set out in note 44.

For the year ended 31 December 2017 and as at 31 December 2017, management of the Group considered no impairment allowance is necessary. 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.

29. LOANS RECEIVABLE (continued)

As at 31 December 2017, the loans receivable included a total carrying amount of HK$700,000 which is neither past due nor impaired at the end of the reporting period, which the Group believes is recoverable after taking into account the current creditworthiness of the borrowers and the past collection history of each individual borrower. As at 31 December 2017, in respect of the loan receivable which is past due but not impaired amounting to HK$900,000, the directors of the Company considered the amount was recoverable after taking into account the value of collateral and other monies withheld by the Group. As at 31 December 2017, the loans receivable are unsecured except for an amount of HK$499,000 which was fully secured by a residential property at a fair value of approximately HK$3,700,000.

The carrying amount of the loans receivable has remaining contractual maturity dates as follows:

	2018 **HK$'000**	2017 HK$'000
On demand or within one year	**1,576**	1,600

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Deposits	**7,147**	1,251
Prepayments and other receivables, net of impairment	**5,318**	10,434
	12,465	11,685

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

Included in other receivables at 31 December 2018 and 2017 is an outstanding consideration receivable of approximately HK$5,400,000 arising from the disposal of Infinity Holding in 2015. The directors of the Company have assessed the recoverability of such receivable based on negotiation with the counterparty and provided an impairment loss of HK$3,420,000 for the year ended 31 December 2018 (2017: HK$1,980,000).

Details of impairment assessment for the year ended 31 December 2018 are set out in note 44.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS HELD FOR TRADING

	2018 HK$'000	2017 HK$'000
Financial assets mandatorily measured at FVTPL/ held for trading:		
Equity securities listed in Hong Kong (note (a))	**93,535**	73,356
Debt securities (note (b))		
— Listed in Hong Kong	**38,021**	58,845
— Listed outside Hong Kong	**11,644**	62,202
	143,200	194,403

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 values of the debt securities listed in Hong Kong and overseas are determined with reference to the quoted prices provided by market makers.

32. BANK DEPOSITS SUBJECT TO CONDITIONS

	2018 HK$'000	2017 HK$'000
Other bank deposits	**25,127**	25,076

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 (2017: HK$25,000,000) 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 2018 (2017: HK$50,000,000). The pledged bank deposits will be released upon the repayment of relevant bank borrowings. The bank deposits subject to conditions carried fixed rate of 2% (2017: 2%) per annum, which is also the effective interest rate on the bank deposits. All the deposits are pledged to secure short-term loan or short-term undrawn facilities, and are therefore classified as current assets.

Details of impairment assessment for the year ended 31 December 2018 are set out in note 44.

33. BANK BALANCE AND CASH

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 and bear interest at 0.28% to 2.54% (2017: 0.1% to 1.78%) per annum. The Group has recognised the corresponding liabilities to respective external clients and other institutions as accounts payable (note 35). 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 in the range of 0.2% to 0.28% (2017: 0.1% to 0.3%) per annum with an original maturity of three months or less.

Details of impairment assessment for the year ended 31 December 2018 are set out in note 44.

34. AMOUNTS DUE TO RELATED COMPANIES

These companies are subsidiaries of CASH and are regarded as related companies of the Company. The amounts are unsecured, non-interest bearing and repayable on demand.

35. ACCOUNTS PAYABLE

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

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

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

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

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

36. CONTRACT LIABILITIES

	31.12.2018	1.1.2018
	HK$'000	HK$'000
Provision of investment banking services	**2,260**	1,150

Contract liabilities, are expected to be settled within the Group's normal operating cycle, and accordingly are classified as current.

Revenue from provision of investment banking services of HK$1,150,000 recognised in the current year relates to contract liabilities brought forward from 2017.

For acting as sponsor, the Group normally received fees by installments in accordance to the completion of milestones as specified in the mandate. This will give rise to contract liabilities over the life of the contract, until the performance obligation is satisfied when the revenue will be recognised at that point in time.

37. REDEEMABLE CONVERTIBLE BONDS

The Company issued three years 4% redeemable convertible bonds at a total principal amount of HK$620 million by cash on 27 July 2017. The bonds could be converted into ordinary shares of the Company at the holder's option at conversion price of HK$0.31 per share during the period commencing on the expiry of 6 months from the issue date and ending on five business days before the maturity date. The maximum number of shares to be converted upon full conversion of the bonds was 2,000,000,000. The bonds could be early redeemed by the Company at its discretion during the period commencing on the date immediately following the expiry of 3 months from the date of issue of the bonds to and including the maturity date at a redemption amount equal to 100% of the principal amount of the outstanding bonds together with all interest accrued thereon. The redeemable convertible bonds were hybrid instruments containing debt component, conversion and early redemption options. Upon exercising the conversion option, the Group had a right to settle either in cash or shares, accordingly, the conversion option was a derivative financial instrument. The Group designated the redeemable convertible bonds at FVTPL at initial recognition.

On 19 December 2017, the Group early redeemed all redeemable convertible bonds with a total consideration of HK$629,920,000 (representing the principal amount and accrued interest). The difference between the redemption consideration paid and the carrying amount of the redeemable convertible bonds was presented as "loss on early redemption of redeemable convertible bonds" under 'other (losses) gains' in note 9.

38. ACCRUED LIABILITIES AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accrued liabilities		
— Accrual for salaries and commission	**3,106**	2,660
— Other accrued liabilities	**11,693**	9,676
Other payables	**11,107**	8,725
	25,906	21,061

39. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank overdrafts, secured	**—**	922
Bank loans, secured	**106,431**	130,642
	106,431	131,564
Based on scheduled repayment dates set out in the loan agreements, the carrying amount of bank loans is repayable:		
Within one year	**3,539**	4,253
In the second year	**3,586**	3,445
In the third to fifth years	**306**	3,866
	7,431	11,564
Carrying amount of bank loans containing a repayment on demand clause and repayable:		
Within one year	**99,000**	120,000
	106,431	131,564
Less: Amount due within one year shown under current liabilities	**(102,539)**	(124,253)
Amount due after one year shown under non-current liabilities	**3,892**	7,311

The Group's bank borrowings as at 31 December 2018 and 2017 are 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$171,167,000 (2017: HK$289,331,000) at 31 December 2018 (with clients' consent) and the Group's investments held for trading of nil (2017: HK$54,010,000); and

(d) bank deposits of HK$25,127,000 (2017: HK$25,076,000) as disclosed in note 32.

39. BANK BORROWINGS (continued)

Bank overdrafts amounting to nil (2017: HK$922,000) carry interest at Hong Kong Prime Rate. Bank loans amounting to HK$106,431,000 (2017: HK$130,642,000) are 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.

40. 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 property HK$'000
At 1 January 2017, 31 December 2017 and 31 December 2018	(40)

At 31 December 2018, the Group has estimated unused tax losses of approximately HK$353,864,000 (2017: HK$223,065,000) and deductible temporary differences of HK$40,438,000 (2017: HK$23,412,000). No deferred tax asset has been recognised as at 31 December 2018 and 2017 in respect of these estimated unused tax losses and deductible temporary differences as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

Estimated unused tax losses of HK$4,448,000 (2017: HK$1,767,000) 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.

41. SHARE CAPITAL

	Number of shares	Amount
	‘000	HK$’000
Ordinary shares of HK$0.02 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	15,000,000	300,000
Issued and fully paid:		
At 1 January 2017	4,134,359	82,687
Issue of ordinary shares	826,000	16,520
At 31 December 2017 and 1 January 2018	4,960,359	99,207
Share repurchased	(4,596)	(92)
At 31 December 2018	4,955,763	99,115

On 20 June 2017, the Company issued 826,000,000 new ordinary shares at the subscription price of HK$0.28 per share with a par value of HK$0.02 each. The proceeds raised were approximately HK$231.3 million and were to be used for expansion of business of the Group.

During the year, the Company repurchased its own ordinary shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary share	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$’000
September	3,972,000	0.096	0.080	368
October	528,000	0.085	0.064	38
November	96,000	0.066	0.065	6
				412

The above ordinary shares were cancelled upon repurchase.

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

42. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiary HK$'000
At 1 January 2017	—
Share of loss for the year	(338)
Non-controlling interests arising on partial disposal on subsidiary (note 16)	9,716
Additional non-controlling interests arising on allotment of shares (note 16)	1,965
At 31 December 2018	11,343

43. 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 39, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 41, 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.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Mandatorily measured at FVTPL		
— held for trading	**143,200**	194,403
At FVTOCI	**26,240**	—
At amortised cost	**1,535,805**	—
Loans and receivables (including cash and cash equivalents)	**—**	1,608,434
AFS financial assets	**—**	8,415
Financial liabilities		
Amortised cost	**1,105,939**	1,121,661

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, financial assets at FVTOCI, AFS financial assets, accounts receivable, loans receivable, deposits and other receivables, other payables, bank deposits, bank balances and cash, bank borrowings, amounts due to related companies 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 and other price risks

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

In addition, the Group also invested in unlisted equity securities for long term strategic purposes which had been designated at FVTOCI (2017: AFS investments measured at cost less impairment).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks of listed equity securities held for trading at the end of the reporting period.

As at 31 December 2018, if the market bid prices of the Group's listed equity investments (2017: listed equity investments) had been 15 percent (2017: 15 percent) higher/lower, the Group's loss after taxation would decrease/increase by HK$14,030,000 (2017: HK$9,188,000). This is attributable to the changes in fair values of the listed equity investments.

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

Sensitivity analysis for unquoted equity securities with fair value measurement categorised within Level 3 are disclosed in the fair value hierarchy section of note 44.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

The Group is exposed to fair value interest rate risk in relation to bank deposits subject to condition, fixed rate loans receivable in 2018, fixed rate accounts payable and fixed-rate debt securities classified as financial assets at FVTPL. The Group currently does not have fair value hedging policy. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, loans to margin clients, loans receivable and variable rate bank borrowings carrying interest at prevailing market rates. However, management closely monitors 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 (2017: 50) basis points ("bps") change representing management's assessment of the reasonably possible change in interest rates is used.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Prime Rate and HIBOR arising from the Group's respective RMB and USD denominated financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial assets and liabilities at amortised cost bearing variable interest and debt instruments at FVTPL carrying fixed interest. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of respective reporting period were outstanding for the whole year. When reporting to management of the Group on the interest rate risk, a 50 bps increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as these are subject to minimal interest rate fluctuation. A positive number below indicates an increase in loss after taxation of the Group or vice versa.

	2018 **HK$'000**	2017 HK$'000
Loss after taxation for the year		
Increase by 50 bps	**4,941**	9,178
Decrease by 50 bps	**(4,941)**	(9,178)

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 and liabilities 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 USD and 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.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk (continued)

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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**159,900**	103,742	**211,000**	186,421
RMB	**16,440**	4,247	**48,406**	17,778

As at 31 December 2018, if RMB had strengthened/weakened by 5% (2017: 5%) against HK$ and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK$1,598,000 (2017: HK$565,000). Under the pegged exchange rate system, the financial impact in exchange fluctuation between HK$ 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 and impairment assessment

As at 31 December 2018, 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 has a policy for assessing the credit risk of accounts and loans receivable. The assessment is based on a close monitoring and evaluation of collectability and on management's judgement, including the ageing analysis of receivables, the current creditworthiness, account executives concentration analysis, collateral distribution and concentration analysis and the past collection history of each client, etc. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also invests in debt securities which expose the Group to credit risk. The Credit and Risk Management Committee regularly reviews the portfolio of debt securities held for trading and assesses the credit quality of the issuers. Those debt securities are issued by corporates primarily in the construction, property development and transportation industries. In this regard, the directors of the Company consider that the credit risk relating to debt securities held for trading is not significant.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group does not have any significant concentration of credit risk as the exposure is spread over a number of counterparties and customers, except for the bank balances and cash as disclosed below.

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

2018	Notes	**External credit rating**	**Internal credit management and assessment**	**12-month or lifetime ECL**	**Gross carrying amount**
					HK$'000
Financial assets at amortised cost					
Loans receivable	29	N/A	Note 1, 5	12-month ECL	1,518
				Credit impaired	58
					1,576
Bank balances and cash	33	Aa2 – A3	N/A	12-month ECL	1,192,095
		Baa1 – Baa3 (note 2, 5)	N/A	12-month ECL	22,441
					1,214,536
Bank deposits subject to conditions	32	A3 (note 2, 5)	N/A	12-month ECL	25,127
Accounts receivable other than from margin clients	27	N/A	Note 3	Lifetime ECL (not credit impaired)	153,734
Accounts receivable arising from the business of margin financing	27	N/A	Note 4	12-month ECL	122,221
				Lifetime ECL (not credit impaired)	1,469
				Credit impaired	27,437
					151,127
Deposits and other receivables	30	N/A	Note 5	12-month ECL	11,162
				Credit impaired	5,400
					16,562
Other item					
Contract assets	28	N/A	Note 3	Lifetime ECL (not credit impaired)	684

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

1. In order to minimise the credit risk, the management of the Group closely evaluates the borrower's financial background and repayment abilities. The assessment is based on a close monitoring and evaluation of the collectability of each individual account, with reference to the collateral value and the past collection history. During the year, the management considered an unsecured loan of HK$58,000 to be uncollectable and fully impaired. As at 31 December 2018, loans receivable of HK$1,576,000 are not overdue and are considered to have no significant increase in credit risk since initial recognition. Accordingly, these are subject to 12-month ECL.

2. The Group has concentration of credit risk arising from bank balances which are mainly deposited with three banks. The credit risk on bank balances and bank deposits is limited because the counterparties are major institutional banks with credit ratings of Baa3 or higher assigned by international credit-rating agencies. These institutional banks have a low risk of default and there is no significant increase in credit risk since initial recognition. Accordingly, they are subject to 12-month ECL.

3. For accounts receivable other than from margin clients, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the lifetime ECL on these items collectively based on the Group's historical default rates or by reference to the PD and LGD of speculative grade ratings published by international credit rating agencies ("speculative grade ratings") and adjusted for forward-looking estimates. Majority of the balances are not past due as at 31 December 2018.

4. In respect of accounts receivable from margin clients, the Group considers that there is significant increase in credit risk since initial recognition and default indicator when the LTV ratio of a particular client has increased up to certain level for a certain period of time. The PD and LGD over the expected life of the accounts receivable are estimated on a portfolio basis based on the Group's historical default and loss data and adjusted for forward-looking factors that are available without undue cost or effort.

   For credit-impaired accounts receivable from margin clients, the management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement.

5. The ECL is assessed by reference to the PD and LGD for the relevant credit rating grades published by international credit rating agencies, and adjusted for forward-looking factors that are available without undue cost or effort. For exposure from non-rated counterparties, the Group has assessed the ECL by reference to the PD and LGD of speculative grade ratings.

Except for accounts receivable arising from margin financing and other receivables, the ECL impairment allowness determined for other financial assets carried at amortised cost and contract assets is insignificant.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(a) The following table shows the reconciliation of loss allowance that has been recognised for accounts receivable arising from margin financing.

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017 under HKAS 39	—	—	17,377	17,377
Adjustment upon application of HKFRS 9	297	1,129	—	1,426
As at 1 January 2018 – as restated	297	1,129	17,377	18,803
— Transfer to lifetime ECL (credit-impaired)	(142)	(56)	198	—
— Transfer to lifetime ECL (not credit-impaired)	(70)	80	(10)	—
— Transfer to 12m ECL	29	(19)	(10)	—
— Impairment losses recognised	605	6,071	11,064	17,740
— Impairment losses reversed	(557)	(6,650)	(7,766)	(14,973)
— Write-offs	—	—	(113)	(113)
As at 31 December 2018	162	555	20,740	21,457

The overall increase of the ECL allowance was HK$2,767,000 for the year ended 31 December 2018.

The Group does not have any significant changes in loss allowance during the year, except for the loss allowance recognised for margin loan at lifetime ECL (credit-impaired). The amount of HK$11,064,000 is for three margin clients calculated with reference to the shortfall of collateral values, of which HK$7,766,000 was reversed primarily due to subsequent settlement.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

(b) The following table shows the reconciliation of loss allowance that has been recognised for other receivables

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 31 December 2017 under HKAS 39	—	—	1,980	1,980
Adjustment upon application of HKFRS 9	—	—	—	—
As at 1 January 2018	—	—	1,980	1,980
Changes due to financial instruments recognised as at 1 January:				
— Impairment losses recognised (note)	—	—	3,420	3,420
As at 31 December 2018	—	—	5,400	5,400

Note: Additional loss allowance of HK$3,420,000 was made for other receivable with gross carrying amount of HK$5,400,000. The company considers the whole balance to be uncollectable after exhausting all collection efforts during the year ended 31 December 2018.

Financial assets at FVTPL — debt securities

The following table details the aggregate credit ratings of debt securities held by the Group, as rated by well-known rating agencies.

	2018 HK$'000	2017 HK$'000
Portfolio by issuer rating		
Financial assets at FVTPL		
— BB+ to B-	**38,021**	67,039
— Non-rated (note)	**11,644**	54,008
	49,655	121,047

Note: Non-rated financial assets represent debt instruments issued by large corporations in the construction, property development and transportation industries, which are creditworthy issuers in the market.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Financial assets at FVTPL — debt securities (continued)

As at 31 December 2018, the total principal amount of the debt securities held by the Group amounted to HK$57,847,000 (2017: HK$124,161,000).

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, the 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. 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 at floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Weighted average effective interest rate %	Repayable on demand HK$'000	Less than 1 month to 3 months HK$'000	Between 3 months to 1 year HK$'000	Over 1 to 5 years HK$'000	Total contracted undiscounted cash flows HK$'000	Carrying amount at reporting date HK$'000
At 31 December 2018							
Accounts payable	**N/A**	**986,497**	**—**	**—**	**—**	**986,497**	**986,497**
Other payables	**N/A**	**11,107**	**—**	**—**	**—**	**11,107**	**11,107**
Bank borrowings	**Note**	**99,000**	**922**	**2,767**	**3,997**	**106,686**	**106,431**
Amounts due to related companies	**N/A**	**1,904**	**—**	**—**	**—**	**1,904**	**1,904**
		1,098,508	**922**	**2,767**	**3,997**	**1,106,194**	**1,105,939**

	Weighted average effective interest rate %	Repayable on demand HK$'000	Less than 1 month to 3 months HK$'000	Between 3 months to 1 year HK$'000	Over 1 to 5 years HK$'000	Total contracted undiscounted cash flows HK$'000	Carrying amount at reporting date HK$'000
At 31 December 2017							
Accounts payable	N/A	979,608	—	—	—	979,608	979,608
Other payables	N/A	8,725	—	—	—	8,725	8,725
Bank borrowings	Note	120,000	1,833	2,733	7,589	132,155	131,564
Amounts due to related companies	N/A	1,764	—	—	—	1,764	1,764
		1,110,097	1,833	2,733	7,589	1,122,252	1,121,661

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.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 December 2018, the aggregate carrying amounts of these bank borrowings amounted to approximately HK$99,000,000 (2017: HK$120,000,000). 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 2018, assuming the banks will not exercise their discretionary rights to demand immediate repayment, the aggregate principal and interest cash outflows until the maturity date for such bank loans amount to approximately HK$103,727,000 (2017: HK$120,462,000).

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.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets 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 are determined (in particular, the valuation technique(s) and input(s) used).

	Fair value as at 31 December		Fair value hierarchy	Valuation techniques	Significant unobservable input	Relationship of unobservable input to fair value
	2018 HK$'000	2017 HK$'000				
Financial assets at FVTPL						
Investments held for trading						
— Equity securities listed in Hong Kong	93,535	73,356	Level 1	Quoted prices in an active market	N/A	N/A
— Debt securities listed in Hong Kong and overseas	49,665	121,047	Level 2	Quoted by market makers	N/A	N/A
Financial assets at FVTOCI						
— Unlisted equity securities	26,240	—	Level 3	Market approach	Discount rate for lack of marketability	The higher the discount rate for lack of marketability, the lower the fair value

No sensitivity analysis of unlisted equity securities is disclosed as in the opinion of the directors of the Company, the impact to the consolidated financial statements is insignificant.

44. FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Reconciliation of level 3 fair value measurements

	31 December 2018 Financial assets at FVTOCI
	HK$'000
Opening balance upon application of HKFRS 9 (note 2)	9,584
Purchases	15,600
Total gains in other comprehensive income	1,056
Closing balance	26,240

Included in other comprehensive income is an amount of HK$1,056,000 gain related to unlisted equity securities at FVTOCI held as at 31 December 2018.

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.

Financial assets 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 cash clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis. The Group has a legally enforceable right to set off the accounts receivable and payable with margin clients and the Group intends to settle the balances on a net basis. Cash and margin clients collectively referred to as the brokerage clients.

44. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

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 2018

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'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						
Amounts due from HKSCC, brokers and brokerage clients	**298,483**	**(119,764)**	**178,719**	**(28,445)**	**(149,641)**	**633**
Deposit placed with HKSCC	**1,798**	**—**	**1,798**	**—**	**—**	**1,798**

As at 31 December 2017

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'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						
Amounts due from HKSCC, brokers and brokerage clients	639,490	(320,873)	318,617	(28,021)	(238,686)	51,910
Deposit placed with HKSCC	4,353	—	4,353	—	—	4,353

44. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

Note: The directors of the Company consider that the net amount of accounts payable to HKSCC, brokers and brokerage clients as at 31 December 2018 presented in the consolidated statement of financial position of HK$842,092,000 (2017: HK$818,304,000) do not expose the Group to significant risk. Accordingly, the relevant offsetting disclosures for accounts payable are not presented.

* These represents market value of shares pledged by customers, which are capped at the outstanding balances of respective customers.

The gross amounts of financial assets 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.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings HK$'000 (note 39)	Redeemable convertible bonds HK$'000	Amounts due to related companies HK$'000 (note 34)	Interest payable HK$'000 (note 38)	Total HK$'000
At 1 January 2017	164,332	—	1,807	85	166,224
Financing cash flows:					
— Borrowings raised for margin financing	491	—	—	—	491
— Repayment of other bank borrowings	(33,259)	—	—	—	(33,259)
— Issuance of redeemable convertible bonds	—	620,000	—	—	620,000
— Redemption of redeemable convertible bonds	—	(629,920)	—	—	(629,920)
— Advances from related companies	—	—	2,261	—	2,261
— Repayments to related companies	—	—	(2,304)	—	(2,304)
— Interest paid	—	—	—	(5,520)	(5,520)
Loss on early redemption of redeemable convertible bonds (note 9)	—	9,920	—	—	9,920
Interest expense	—	—	—	5,523	5,523
At 31 December 2017	131,564	—	1,764	88	133,416

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Borrowings HK$'000 (note 39)	Redeemable convertible bonds HK$'000	Amounts due to related companies HK$'000 (note 34)	Interest payable HK$'000 (note 38)	Total HK$'000
At 1 January 2018	**131,564**	**—**	**1,764**	**88**	**133,416**
Financing cash flows:					
— Advances from other bank borrowings	**59,000**	**—**	**—**	**—**	**59,000**
— Repayment of other bank borrowings	**(84,245)**	**—**	**—**	**—**	**(84,245)**
— Advances from related companies	**—**	**—**	**944**	**—**	**944**
— Repayments to related companies	**—**	**—**	**(804)**	**—**	**(804)**
— Interest paid	**(6,424)**	**—**	**—**	**(88)**	**(6,512)**
Interest expense	**6,536**	**—**	**—**	**—**	**6,536**
At 31 December 2018	**106,431**	**—**	**1,904**	**—**	**108,335**

46. SHARE OPTION SCHEMES

The New Share Option Scheme was adopted pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 8 June 2018 to replace the previous Share Option Scheme dated 22 February 2008 ("Old Share Option Scheme").

Under the terms of the Old Share Option Scheme, unless otherwise cancelled or amended, the Old Share Option Scheme would remain in force for a period of 10 years from the date of its adoption. Accordingly, the Old Share Option Scheme had been expired and terminated on 21 February 2018, and no further option could thereafter be offered under the Old Share Option Scheme. However, the rules of the Old Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any option granted prior to its termination, or otherwise to the extent as may be required in accordance with the rules of the Old Share Option Scheme. All options granted under the Old Share Option Scheme prior to its termination will continue to be valid and exercisable in accordance with the rules of the Old Share Option Scheme.

The terms of the New Share Option Scheme and the Old Share Option Scheme are broadly similar. A few changes have been made to reflect changes to the Listing Rules and to market practice in this area since the Old Share Option Scheme was adopted.

The major terms of the New 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.

46. SHARE OPTION SCHEMES (continued)

(iii) The maximum number of shares in respect of which options might be granted under the New Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 496,035,958 (2017: 496,035,958) shares, representing around 10% (2017: 10%) of the issued share capital of the Company as at 31 December 2018. 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 New 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 New 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 New Share Option Scheme is effective for 10 years from the date of adoption until 7 June 2028.

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.

46. SHARE OPTION SCHEMES (continued)

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

	2018			2017	
	Number of share options	**Weighted average exercise price HK$**	Notes	Number of share options	Weighted average exercise price HK$
Outstanding at 1 January	**671,400,000**	**0.277**	(a)	338,000,000	0.315
Additions	**—**	**—**	(b)	413,400,000	0.253
Lapsed	**(78,000,000)**	**—**	(c)	(80,000,000)	—
Outstanding at 31 December	**593,400,000**	**0.272**		671,400,000	0.277
Exercisable at 31 December	**—**	**—**		—	—

Notes:

(a) During the year ended 31 December 2015, a total of 338,000,000 options were granted to directors and employees of the Group and were arranged with other service providers of the Group for the provision of satisfactory services to the Group and the granting of the options are subject to the achievement of performance targets (for directors and employees) and satisfactory delivery of services to the Group (for other service providers) determined at the sole discretion of the Board for the financial years ended/ending 31 December 2016 to 2019. At 31 December 2018 and 31 December 2017, the performance targets have not been achieved or do not expect to be achieved by the directors and employees and there was no satisfactory delivery of services to the Group by other service providers, thus no share-based compensation expense was recognised in the consolidated financial statements.

(b) During the year ended 31 December 2017, 219,000,000 options were granted to directors and employees of the Group for the provision of satisfactory services to the Group and will only be vested subject to the achievement of performance targets for the financial years ended/ending 31 December 2017 to 2020. At 31 December 2018, the performance targets have not been achieved or do not expect to be achieved and thus no share-based compensation expense was recognised in the consolidated financial statements. In addition, the Group entered into arrangement with other service providers in respect of 194,400,000 options on 31 August 2017 for the provision of satisfactory services to the Group up to 31 December 2020. The service providers will be entitled to the options upon the satisfactory delivery of services to the Group determined at the sole discretion of the Board. The options must be exercised within one month from the date the Board approves the entitlement of the options. At 31 December 2018 and 31 December 2017, there was no satisfactory delivery of services to the Group and thus no share-based compensation expense was recognised in the consolidated financial statements.

(c) During the year ended 31 December 2018, 20,000,000 (2017: 80,000,000) options lapsed as the relevant employees resigned from the Group. In addition, 58,000,000 options lapsed as the service providers terminated their services with the Group.

The weighted average remaining contractual life of share options outstanding as at 31 December 2018 is 1.8 years (2017: 2.3 years).

No share-based compensation expenses has been recognised in profit or loss for the years ended 31 December 2018 and 2017. No liabilities were recognised due to share-based payment transactions.

During the years ended 31 December 2018 and 2017, no share options were cancelled.

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.

47. 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:

	Notes	**2018** **HK$'000**	2017 HK$'000
Management fee paid to CASH	(a)	**—**	1,294
Management fee paid to CASH	(b)	**—**	1,304
Commission, handling fee and interest income received from the related company			
Confident Profits Group	(c)	**—**	1,617
Commission and interest income received from a company controlled by a director of the Company			
Cash Guardian Limited	(d)	**—**	17
Commission and interest income received from the following directors of the Company			
Dr Kwan Pak Hoo Bankee		**21**	15
Mr Chan Chi Ming Benson	(e)	**14**	3
Mr Law Ping Wah Bernard		**14**	13
Mr Cheung Wai Ching Anthony	(f)	**4**	N/A
Mr Kwan Teng Hin Jeffrey	(e)	**10**	3
Mr Ho Tsz Cheung Jack	(e)	**12**	3
Ms Cheng Pui Lai Majone	(g)	**N/A**	29
		75	66

47. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) The Company was regarded as a subsidiary of CASH prior to the shares issuance on 20 June 2017 under the definition of control and the related guidance set out in HKFRS 10 "Consolidated financial statements". Amount represented the management fee paid to ultimate holding company.

(b) Upon the completion of shares issuance, the Company ceased to be a subsidiary and became an associate of CASH with effect from 20 June 2017. Amount represented the management fee paid to a company with significant influence over the Company.

(c) Confident Profits Group are subsidiaries of CASH and the companies were regarded as related companies of the Company prior to the shares issuance on 20 June 2017.

(d) Cash Guardian Limited is solely owned and controlled by Dr Kwan Pak Hoo Bankee, who is the director of the Company and CASH.

(e) During the year ended 31 December 2017, Mr Chan Chi Ming Benson, Mr Kwan Teng Hin Jeffrey and Mr Ho Tsz Cheung Jack were appointed as executive directors of the Company.

(f) During the year ended 31 December 2018, Mr Cheung Wai Ching Anthony was appointed as executive director of the Company.

(g) During the year ended 31 December 2017, Ms Cheng Pui Lai Majone resigned as executive director of the Company.

Remuneration of key management personnel represents amounts paid to the Company's directors as disclosed in note 11.

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

48. 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:

	2018 **HK$'000**	2017 HK$'000
Within one year	**17,272**	18,235
In the second to fifth year inclusive	**2,970**	14,400
	20,242	32,635

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.

49. 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 issued share capital held by the Company 2018 Direct interest %	2018 Indirect interest %	2017 Direct interest %	2017 Indirect interest %	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 and investment holding and trading
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
CASH Trinity Buillion Limited	Hong Kong	Ordinary HK$2	—	100	—	100	Investment holding and trading
Agostini Limited	Hong Kong	Ordinary HK$1	—	100	—	100	Investment holding and trading
Victory Glory Investments Limited	Hong Kong	Ordinary HK$1	—	100	—	100	Investment trading
icoupon Limited	British Virgin Islands	Ordinary US$1	—	100	—	100	Investment holding and trading
Think Right Investments Limited	British Virgin Islands	Ordinary US$1	—	100	—	100	Properties holding
Celestial Financial Services Limited	British Virgin Islands	Ordinary US$10,000	100	—	100	—	Investment holding

49. SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of issued share capital held by the Company 2018 Direct interest %	2018 Indirect interest %	2017 Direct interest %	2017 Indirect interest %	Principal activities
CASH Mobile Financial Services Limited	Hong Kong	Ordinary HK$10,000,000	—	100	—	100	Provision of management services for group companies
Celestial (China) Asset Management Limited	British Virgin Islands	Ordinary US$500,000	—	100	—	100	Investment holding
Weever FinTech Limited	Hong Kong	Ordinary HK$48,500,000	—	76.1	—	—	Brokerage of cryptocurrencies
CASH VB Limited	Hong Kong	Ordinary HK$1	100	—	—	—	Investment holding
Libra Capital Manager Limited	British Virgin Islands	Ordinary US$3	—	100	—	100	Investment holding

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 is 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.

50. 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 10, 11 and 12.

51. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2018	2017
	HK$'000	HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**472,256**	472,256
Amounts due from subsidiaries	**424,025**	486,655
	896,281	958,911
Current assets		
Amounts due from subsidiaries	**1,588**	—
Bank balances (general accounts)	**1,178**	233
	2,766	233
Current liabilities		
Accrued liabilities and other payables	**5,716**	454
Amounts due to subsidiaries	**417,929**	396,960
Amounts due to related companies	**796**	1,710
	424,441	399,124
Net current liabilities	**(421,675)**	(398,891)
Net assets	**474,606**	560,020
Capital and reserves		
Share capital	**99,115**	99,207
Reserves	**375,491**	460,813
Total equity	**474,606**	560,020

51. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (continued)

(b) Reserves movement of the Company

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	390,101	80	(130,667)	259,514
Issue of ordinary shares	214,761	—	—	214,761
Loss and total comprehensive expense for the year	—	—	(13,462)	(13,462)
At 31 December 2017	604,862	80	(144,129)	460,813
Share repurchased	(320)	—	—	(320)
Loss and total comprehensive expense for the year	—	—	(85,002)	(85,002)
At 31 December 2018	604,542	80	(229,131)	375,491

Note: As at 1 January 2018 and 31 December 2018, financial assets at amortised cost are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. The management estimated that the credit loss allowance to be recognised is immaterial and accordingly, no ECL has been recognised.

The non-current amounts due from subsidiaries are not held for the purpose of cash flows that are solely payments of principal and interest on the principal amount outstanding. Accordingly, the balance is reclassified as financial assets at FVTPL from financial assets at amortised cost upon application of HKFRS 9 on 1 January 2018.

Appendix I — Investment Property

Held as at 31 December 2018

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

Appendix II — Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**123,445**	133,607	166,830	252,290	198,063
(Loss) profit before taxation	**(144,470)**	(46,033)	(53,400)	11,755	70,960
Taxation (charge) credit	**—**	(49)	2,202	1,655	(16,633)
(Loss) profit for the year	**(144,470)**	(46,082)	(51,198)	13,410	54,327
Attributable to:					
Owners of the Company	**(144,132)**	(46,082)	(51,198)	13,606	32,675
Non-controlling interests	**(338)**	—	—	(196)	21,652
	(144,470)	(46,082)	(51,198)	13,410	54,327

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**9,246**	8,420	13,577	19,445	38,136
Intangible assets	**9,092**	9,092	9,092	9,752	9,752
Other non-current assets	**50,617**	43,651	39,664	202,649	243,011
Current assets	**1,680,992**	1,804,902	1,648,590	2,070,842	1,795,830
Total assets	**1,749,947**	1,866,065	1,710,923	2,302,688	2,086,729
Current liabilities	**1,122,106**	1,129,686	1,157,060	1,622,915	1,391,026
Non-current liabilities	**3,932**	7,351	10,685	84,198	99,376
Total liabilities	**1,126,038**	1,137,037	1,167,745	1,707,113	1,490,402
Net assets	**623,909**	729,028	543,178	595,575	596,327
Non-controlling interests	**11,343**	—	—	—	5,586

Note: In the current year, the Group has applied HKFRS 9 and HKFRS 15 that are effective for accounting periods beginning on or after 1 January 2018 without restating comparatives. Accordingly, the corresponding comparative amounts in prior years are not comparable with amounts shown for current year.

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), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board. It is the substantial Shareholder indirectly held through CIGL
"CASH Asset Management"	CASH Asset Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO which is engaged in type 9 (asset management) regulated activity
"CASH Group"	CASH and its subsidiaries
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands with limited liability, is the substantial shareholder of CASH and an associate of Dr Kwan Pak Hoo Bankee
"CASH Wealth Management"	CASH Wealth Management Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is 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
"Cashflow Credit"	Cashflow Credit Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of CASH
"Celestial Capital"	Celestial Capital Limited, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company. It is 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, is a wholly-owned subsidiary of the Company. It is 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, is a wholly-owned subsidiary of the Company. It is 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, is an indirect wholly-owned subsidiary of CASH. It is the substantial Shareholder

"Company" or "CFSG"	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board. It is an associate of CASH
"Company Secretary"	the company secretary of the Company
"Confident Profits"	Confident Profits Limited, a company incorporated in the British Virgin Islands with limited liability, 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
"COO"	the chief operating officer of the Company
"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
"INED(s)"	the independent non-executive Director(s) of the Company
"Libra Capital"	Libra Capital Management (HK) Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of CASH
"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
"New Share Option Scheme"	the existing share option scheme of the Company adopted by the Company pursuant to an ordinary resolution passed at an AGM held on 8 June 2018. The New Share Option Scheme, which replaced the Old Share Option Scheme, took effect on 8 June 2018
"Old 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. The Old Share Option Scheme was expired and terminated on 21 February 2018
"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

Definitions

"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$0.02 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"PRC"	the People's Republic of China
"UK"	United Kingdom
"US"	United States

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