CASH FINANCIAL SERVICES GROUP LIMITED
時富金融服務集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

ANNOUNCEMENT

OF

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The audited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the year ended 31 December 2020 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	(3)		
Fee and commission income		**78,286**	82,916
Interest income		**25,402**	24,576
Total revenue		**103,688**	107,492
Other income		**6,814**	818
Other gains		**4,877**	3,649
Salaries and related benefits		**(64,636)**	(82,155)
Commission expenses		**(22,204)**	(23,798)
Depreciation		**(8,769)**	(23,654)
Finance costs		**(11,083)**	(6,644)
Impairment losses under expected credit loss model, net of reversal		**(1,447)**	3,211
Impairment losses on property and equipment		**-**	(20,000)
Other operating expenses	(5)	**(47,205)**	(76,253)
Change in fair value of investment property		**824**	444
Loss before taxation		**(39,141)**	(116,890)
Income tax expense	(6)	**-**	-
Loss for the year		**(39,141)**	(116,890)

	Note	2020 HK$'000	2019 HK$'000
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income ("FVTOCI")		**(13,863)**	(2,328)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**864**	(184)
Other comprehensive expense for the year		**(12,999)**	(2,512)
Total comprehensive expense for the year		**(52,140)**	(119,402)
(Loss) profit attributable to:			
Owners of the Company		**(39,178)**	(114,048)
Non-controlling interests		**37**	(2,842)
		(39,141)	(116,890)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(52,177)**	(116,560)
Non-controlling interests		**37**	(2,842)
		(52,140)	(119,402)
			(Restated)
Loss per share	(7)		
- Basic (HK cents)		**(15.89)**	(46.03)
- Diluted (HK cents)		**(15.89)**	(46.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December **2020** **HK$'000**	2019 HK$'000
Non-current assets			
Property and equipment		**16,430**	21,748
Investment property		**18,934**	17,094
Intangible assets		**9,092**	9,092
Club debentures		**660**	660
Other assets		**8,235**	6,401
Rental and utility deposits		**1,243**	2,764
Financial assets at FVTOCI		**25,649**	39,512
Loans receivable	(9)	**-**	19,129
Financial assets at fair value through profit or loss ("FVTPL")		**5,335**	-
		85,578	116,400
Current assets			
Accounts receivable	(8)	**309,363**	308,999
Contract assets		**2,690**	1,760
Contract costs		**-**	2,444
Loans receivable	(9)	**14,091**	8,093
Prepayments, deposits and other receivables		**6,669**	6,659
Financial assets at FVTPL		**82,523**	101,357
Amounts due from related companies		**1,341**	-
Bank deposits subject to conditions		**25,231**	25,161
Bank balances - trust and segregated accounts		**732,123**	644,542
Bank balances (general accounts) and cash		**208,859**	288,192
		1,382,890	1,387,207
Current liabilities			
Accounts payable	(10)	**856,276**	794,220
Contract liabilities		**-**	4,330
Accrued liabilities and other payables		**23,223**	20,570
Taxation payable		**3,000**	3,000
Lease liabilities		**10,832**	9,085
Bank borrowings - amount due within one year		**110,804**	149,090
Amounts due to related companies		**-**	198
		1,004,135	980,493
Net current assets		**378,755**	406,714
Total assets less current liabilities		**464,333**	523,114

	At 31 December	
	2020	2019
	HK$'000	HK$'000
Non-current liabilities		
Deferred tax liabilities	**40**	40
Lease liabilities	**9,280**	17,836
Bank borrowings - amount due after one year	**-**	307
Provision of restoration	**1,133**	1,133
	10,453	19,316
Net assets	**453,880**	503,798
Capital and reserves		
Share capital	**97,049**	99,115
Reserves	**348,293**	396,182
Equity attributable to owners of the Company	**445,342**	495,297
Non-controlling interests	**8,538**	8,501
Total equity	**453,880**	503,798

Notes:

(1) Basis of preparation

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

Apart from note (2) below, the accounting policies and judgements applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2019.

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

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

(2) Application of amendments to HKFRSs

<u>Amendments to HKFRSs that are mandatorily effective for the current year</u>

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions".

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

Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "*Leases*" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated losses at 1 January 2020. The Group has benefited from a rent deferral arrangement by the lessor on lease in an office. The Group has adjusted the lease liability due to the deferral of lease payments using the discount rates originally applied to these leases, resulting in a decrease in the lease liabilities of HK$34,000, which has been recognised as variable lease payments in profit or loss for the current year.

(3) Revenue

Fee and commission income

	2020	2019
	HK$'000	HK$'000
Types of services		
Broking services	**53,209**	63,623
Investment banking services	**8,653**	8,417
Wealth management services	**7,510**	3,083
Asset management services	**3,719**	1,706
Handling and other services	**5,195**	6,087
	78,286	82,916

Interest income

	2020	2019
	HK$'000	HK$'000
Interest income arising from financial assets at amortised cost	**25,402**	24,576

(4) Segment information

The Group is principally engaged in the following activities:

- provision of online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund products;
- proprietary trading of debt and equity securities and derivatives;
- provision of margin financing and money lending services;
- provision of investment banking services; and
- provision of asset management services.

Reportable and operating segment

The Chief Executive Officer of the Company, who is also the chief executive, being the chief operating decision maker ("CODM"), regularly reviews the income from financial services (including broking, investment banking, asset management and wealth management services) and proprietary trading activities for the purposes of resource allocation and performance assessment.

Segment revenue and result

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

Right-of-use assets and lease liabilities are not allocated to segments for the measurement of segment assets and liabilities while depreciation and impairment losses of right-of-use assets and finance cost for lease liabilities are included in segment results.

For the year ended 31 December 2020

	Financial services HK$'000	**Proprietary trading HK$'000**	**Total HK$'000**
Revenue	**103,618**	**70**	**103,688**
RESULT			
Segment loss	**(26,381)**	**(889)**	**(27,270)**
Change in fair value of investment property			**824**
Unallocated expenses			**(12,695)**
Loss before taxation			**(39,141)**

For the year ended 31 December 2019

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

All the segment revenue is derived from external customers.

Segment assets and liabilities

All assets are allocated to the operating segments other than right-of-use assets included in property and equipment, investment property, financial assets at FVTOCI, financial assets at FVTPL, amounts due from related companies and certain property and equipment, other receivables and cash. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

As at 31 December 2020

	Financial services HK$'000	**Proprietary trading HK$'000**	**Total HK$'000**
ASSETS			
Segment assets	**1,288,424**	**112,800**	**1,401,224**
Property and equipment			**10,577**
Investment property			**18,934**
Financial assets at FVTOCI			**25,649**
Financial assets at FVTPL			**5,335**
Amounts due from related companies			**1,341**
Other unallocated assets			**5,408**
Consolidated total assets			**1,468,468**
LIABILITIES			
Segment liabilities	**952,499**	**37,804**	**990,303**
Lease liabilities			**20,112**
Deferred tax liabilities			**40**
Taxation payable			**3,000**
Provision for restoration			**1,133**
Consolidated total liabilities			**1,014,588**

As at 31 December 2019

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

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**	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Hong Kong (Place of domicile)	**103,688**	107,492	**29,896**	34,119
PRC	**-**	-	**23,455**	20,876
Total	**103,688**	107,492	**53,351**	54,995

There were no customers for the years ended 31 December 2020 and 2019 contributing over 10% of the Group's total revenue.

(5) Other operating expenses

	2020 HK$'000	2019 HK$'000
Handling expenses:		
- dealing in securities	**2,860**	2,857
- dealing in futures and options	**933**	1,539
Advertising and promotions expenses	**2,341**	4,342
Telecommunications expenses	**13,011**	26,283
Auditor's remuneration	**1,920**	1,600
Legal and professional fees	**3,728**	4,217
Printing and stationery expenses	**1,763**	2,023
Repair and maintenance expenses	**1,231**	1,863
Travelling and transportation expenses	**391**	1,020
Water and electricity expenses	**561**	1,111
Office management fee and rates	**2,980**	4,067
Others	**15,486**	25,331
	47,205	76,253

(6) Income tax expense

	2020 HK$'000	2019 HK$'000
Current tax	**-**	-

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

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

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

(7) 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:

	2020 **HK$'000**	2019 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	**(39,178)**	(114,048)

	2020	2019 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**246,599,214**	247,788,179
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	**246,599,214**	247,788,179

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted retrospectively for share consolidation during the year ended 31 December 2020.

For the years ended 31 December 2020 and 2019, the computation of diluted loss per share has not taken into account the effects of share options which are anti-dilutive.

(8) Accounts receivable

	Notes	**2020** **HK$'000**	2019 HK$'000
Accounts receivable arising from the business of dealing in securities:	(a)		
Clearing houses, brokers and dealers		**63,043**	30,402
Cash clients		**53,695**	62,665
		116,738	93,067
Accounts receivable arising from the business of margin financing	(a)	**149,492**	170,226
Less: allowance for impairment		**(24,137)**	(23,646)
		125,355	146,580
Accounts receivable arising from the business of dealing in futures and options:	(a)		
Cash clients		**188**	7
Clearing houses, brokers and dealers		**66,889**	69,283
		67,077	69,290
Commission receivable from brokerage of life insurance, mutual funds and mandatory provident fund products	(b)	**117**	62
Accounts receivable arising from the provision of investment banking services	(b)	**76**	-
		309,363	308,999

Notes:

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

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

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

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

	2020	2019
	HK$'000	HK$'000
0 - 30 days	**193**	62

(9) Loans receivable

	2020	2019
	HK$'000	HK$'000
Revolving loans receivable denominated in:		
Hong Kong dollars	**10,122**	22,199
Renminbi	**4,603**	4,514
United State dollars	**322**	509
Less: allowance for impairment	**(956)**	-
	14,091	27,222

All loans receivable are variable-rate loans receivable which bear interest at Hong Kong Prime Rate plus a spread for both years. As at 31 December 2020, the loans receivable included a total carrying amount of HK$3,326,000 (2019: nil), HK$2,303,000 (2019: HK$2,259,000) and HK$2,299,000 (2019: HK$2,255,000) which are loans to two (2019: nil) directors, one (2019: one) senior management and one (2019: one) staff respectively, of the Group.

(10) Accounts payable

	2020	2019
	HK$'000	HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses and brokers	**923**	12,404
Cash clients	**621,726**	524,608
Margin clients	**120,519**	112,166
Accounts payable to clients arising from the business of dealing in futures and options	**113,108**	145,042
	856,276	794,220

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$732,123,000 (2019: HK$644,542,000) 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.

(11) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings and lease liabilities, and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and other reserves. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the issue of new shares and share options as well as the issue of new debt or the redemption of existing debt. The Group’s overall strategy remains unchanged throughout the year.

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: nil).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2020, the Group recorded revenue of HK$103.7 million, representing a decrease of 3.5% as compared with HK$107.5 million in 2019.

The COVID-19 pandemic has unleashed a health and economic crisis unprecedented in scope and magnitude. Lockdowns and the closing of national borders enforced by governments have paralysed economic activities across the board, laying off millions of workers worldwide. Hong Kong's securities market endured a barren first half of 2020 due to the pandemic which triggered the most severe economic recession in nearly a century. The Hang Seng Index plunged sharply from 28,189 at the end of 2019 to 21,696 in March 2020. Against this backdrop, central banks across the world are committed to enlisting generous quantitative easing programmes. With the pandemic posing considerable risk to economic outlook over the medium term, the Federal interest rate has remained near zero until the economy is back on track. Being determined to prevent the economy downturn, some governments are already beginning to cautiously lift restrictions with a view to jumpstart their economies. The pace and sequence of recovery will largely depend on the efficacy of public health and fiscal measures, containing the spread of the virus, protecting jobs and income and restoring consumer confidence. In the second half of 2020, governments across the world have been rolling out monetary and fiscal stimulus measures to fight the pandemic and minimise the impact of a catastrophic economic downturn. Vaccination campaigns and concerted health policies also fuelled the hopes of economic recovery. The IMF expects global economic growth to pick up in 2021 and in particular, China's economic growth is foreseen to rebound to a high single digit, leading the pandemic recovery. In consequence, the Hang Seng Index had undergone a strong bounce-back in the second half of the year to reach 27,231 by the end of 2020. The volatility of the market had affected our clients who are mainly retail investors and they preferred to avoid the risk of investment and trading losses during the ups and downs of the market. As a consequence, our brokerage commission income decreased by 16.4% compared with last year. On the other hand, the pandemic fallout and low interest rate environment have favourably amplified interest in wealth management products and services, due to potentially higher investment yields in relation to the low interest rate environment and stronger preservation of assets, as a result, this brought us a considerable increase of 143.6% in revenue of our wealth management business, even though with the cross-border lockdowns between PRC and Hong Kong. In response to the changing client interest and hence revenue dynamics, the Group has resolved to transform into a fully-fledged Wealth Management Advisory Group, providing one-stop wealth management services to clients in Hong Kong and Mainland China. During the year, the Group has successfully contained our operating costs with its cost rationalisation programme, such as streamlining our workforce and reviewing organisation and salary structures. The move of the Group's headquarters from Central CBD to Kowloon East CBD has also substantially reduced our rental costs.

Overall, the Group recorded a net loss of HK$39.1 million for the year ended 31 December 2020 as compared to a net loss of HK$116.9 million last year. As part of our response to the pandemic, we have followed business continuity processes from our Board-endorsed COVID-19 Business Continuity Plan. Our Business Continuity Plan places the perseverance of our staff's health and wellbeing at the highest priority by implementing work from home arrangements for non-essential and vulnerable employees. Due to the effective mitigation efforts from our COVID-19 Business Continuity Plan, COVID-19 had limited impact on our financial results.

Liquidity and Financial Resources

The Group's total equity amounted to HK$453.9 million as at 31 December 2020 as compared to HK$503.8 million as at 31 December 2019. The decrease in the total equity was mainly due to the reported loss and the fair value loss of financial assets at FVTOCI for the year under review.

As at 31 December 2020, the Group had total outstanding bank borrowings of approximately HK$110.8 million, which were solely bank loans. Bank borrowings of HK$73.0 million were collateralised by its margin clients' securities pledged to the Group and a bank loan of HK$37.8 million was secured by a pledged Hong Kong dollar deposit of HK$25.2 million. All of the Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR.

As at 31 December 2020, our cash and bank balances including the trust and segregated accounts had slightly increased to HK$966.2 million from HK$957.9 million as at 31 December 2019. 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$153.8 million and HK$80.3 million as at 31 December 2020 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 2020 slightly decreased to 1.38 times from 1.41 times as at 31 December 2019. The gearing ratio as at 31 December 2020, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 24.4% from 29.7% as at 31 December 2019. 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

In January 2020, subscription of limited partner interests in private equity fund called"武漢老鷹創新投資中心（有限合夥）"(translated as Wuhan Eagles Innovation Investment Centre, L.P.) with capital commitment of RMB5 million (equivalent to approximately HK$5.55 million) in cash by the Group was completed. Details of the transaction were disclosed in the announcements of the Company dated 20 December 2019 and 12 May 2020.

On 31 December 2020, Celestial Investment Group Limited ("CIGL", a wholly-owned subsidiary of CASH) proposed, subject to condition precedent, to acquire additional shareholding interests in the Company from vendors upon exercise of their options in the Company at a price of HK$0.75 per share, which will trigger a possible conditional mandatory cash offers for shares in the Company upon completion. The acquisitions are subject to approval by shareholders/independent shareholders at a special general meeting of CASH to be convened. A composite offer document containing the terms of the cash offers will be despatched to the shareholders of the Company within seven days after completion or 19 October 2021, whichever is earlier. Details of the transaction were disclosed in the joint announcement dated 31 December 2020 and the subsequent announcements of the Company and CASH.

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

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

Fund Raising Activities

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

Capital Commitments

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

Material Investments

As at 31 December 2020, the market values of a portfolio of investments held for trading amounted to approximately HK$82.5 million. A net gain on investments held for trading of HK$2.4 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)	**2020**	2019 (Restated)	% change
Broking income	**53.2**	63.6	(16.4%)
Wealth management income	**7.5**	3.1	141.9%
Non broking and non wealth management income	**43.0**	40.8	5.4%
Group total	**103.7**	107.5	(3.5%)

Key Financial Metrics

	2020	2019	% change
Net loss (HK$'m)	**(39.1)**	(116.9)	66.6%
Loss per share (HK cents) (Restated)	**(15.89)**	(46.03)	65.5%
Total assets (HK$'m)	**1,468.5**	1,503.6	(2.3%)
Cash on hand (HK$'m)	**234.1**	313.4	(25.3%)
Bank borrowings (HK$'m)	**110.8**	149.4	(25.8%)
Annualised average fee income from broking per active client (HK$'000)	**4.1**	5.4	(24.1%)

Industry and Business Review

Industry Review

2020 was a challenging year with worldwide lockdowns halting global economic activity. Unprecedented in modern times, the pandemic tipped the world into recession with global GDP slumping more than 4%. In tandem, Hong Kong's GDP inevitably dropped for six straight quarters, with unemployment hitting a 16-year high of 6.6% in the fourth quarter. For the financial market, the business environment has remained highly challenging, and market sentiment has stayed frail.

Notwithstanding lacklustre economic activity, the global financial market buoyed with most markets rallying during the year. Average daily turnover of Hong Kong's securities market in 2020 was HK$129.5 billion, up 49% over 2019. The Hang Seng Index was volatile, fluctuating by more than 7,000 points over the year, closing at 27,231 at year-end.

This monstrous disconnect between the grim reality of COVID-19 on economies and market over-optimism was a result of generous quantitative easing programmes from central banks across the world and a low interest rate environment.

Business Review

Despite rallies, the Hong Kong brokerage market was unimpressive. There were 37 brokers closed in 2020, according to the Hong Kong Securities Association - a further dive from 22 in 2019. Heightened volatility and the COVID-19 pandemic scared many retail investors off, with the exception for their continued interest in several mega-IPOs.

During the year, our brokerage business recorded a 16.4% decline in commission, while our interest income increased 32.1%. With ever-increasing compliance costs, more stringent regulatory requirements and emergence of cut-throat competition, we expect our brokerage business to continue to face various headwinds, further eroding our brokerage income in the coming year.

On the other hand, the pandemic fallout and low interest rate environment have favourably amplified interest in wealth management products and services, due to potentially higher investment yields and stronger preservation of assets. Our Asset under Management (AUM) rose 53.6% compared with 2019, as we focused on leading blue chips and new economy stocks with visible and promising outlook for our clients.

In response to this changing client interest and hence revenue dynamics, the Group resolved to transform into a fully-fledged Wealth Management Advisory Group, providing 'one-stop' wealth management services to clients in Hong Kong and Mainland China, with particular focus on the Greater Bay Area (GBA) and Yangtze River Area. We took first-mover advantage to fully utilise our resources in our Shenzhen, Guangzhou and Dongguan offices.

With the formal launch of Wealth Management Connect in the Greater Bay Area, historically opening cross-border wealth management for the sector, we can tap into the vast market with a population of more than 70 million and combined GDP of USD1.6 trillion - most importantly including a fast-growing middle-class and more than 450,000 high-net-worth families, accounting for a fifth of China's households with assets over US$1 million.

Leveraging our advanced tech-based platform, extensive business relationships in Mainland China and long-established brand, the Group is dedicated to capturing this ever-increasing wealth management demand.

At the same time, the Group is committed to enhancing operating efficiency by integrating latest technology with wealth management and client service excellence. As such, CFSG scaled-up our FinTech operating platforms to enhance communication, execution effectiveness and operating efficiency, and established a new, fully-dedicated middle office for our professional, committed and expanding sales force to provide 'one-stop' wealth management solutions to our clients in Hong Kong and the Mainland.

A new online sales management system was also introduced to enhance real-time client communication, further improving customer satisfaction and client engagement. Apart from providing instant, most up-to-date information on our wealth products and services, this also seamlessly synchronises real-time data between front and middle support offices to facilitate and hasten strategic and business decision-making.

We additionally launched an instantaneous, simplified fund deposit service, Electronic Direct Debit Authorisation ("eDDA"), which has greatly improved both turnover time and customer satisfaction.

To diversify and further broaden our revenue streams, we also established a brand new division focusing on business finance - led by a team of experts with extensive connections, especially in the Mainland, leveraging synergy with our long-established offices in China's financial centres Shenzhen and Shanghai.

Outlook

Amid the continuing pandemic, contraction of Hong Kong's economy is expected to continue into early 2021. Worldwide, the IMF expects global economic growth to pick up over the year, but cautions uncertainties and downside risks. On a positive note, it expects China's economic growth to rebound to a high single digit, leading pandemic recovery.

Welcome emergence of vaccines may signal light at the end of the tunnel, but caution is warranted over their supply, delivery, take-up and ultimate efficacy. Positive filtering-through of vaccination programmes into economic activity is likely to take some time.

However, on balance, we are cautiously optimistic towards the prospect of continued economic recovery, with domestic activity and cross-border flows expected to pick up gradually. The financial sector is expected to stay resilient, and may expand further against a more favourable economic and political environment.

As a well-established and trusted Hong Kong brand in the financial services market, CFSG will transform into a fully-fledged wealth management and advisory partner to a wide and expanding client base, offering a full spectrum of products ranging from IPO subscription to wealth management solutions.

China's strong push into cross-border trading initiatives and the growing trend of US-listed Chinese companies to seek secondary listings on the Hong Kong Stock Exchange, amid strong growth already in sizeable listings, will bring diversity and vibrancy to Hong Kong's capital markets, further reinforcing Hong Kong as a fundraising centre. With demand for IPO financing anticipated to increase in tandem, CFSG will strategically leverage IPO subscriptions to expand its Mainland client base.

COVID-19 has accelerated a wave of digital transformation across various business sectors in Hong Kong, at an unprecedented pace with many companies switching to full digitalisation mode. This technology revolution in financial services is momentous. With a strong in-house FinTech-oriented IT Team and an established, reliable trading platform, CFSG is leading this transformation, continuing to invest in digitalisation and automation to further enhance our customer experience and operating efficiency.

Along the same lines, our transformational, re-engineering model encompasses identifying and remodelling business processes to improve operating efficiency and better serve our customer on a holistic level. As such, we will continue to work relentlessly and invest in process automation to actively strive towards Continuous Quality Improvement ("CQI"), further increasing adaptability, productivity and staff morale.

With a low interest rate environment likely to prolong, as central banks continue injecting liquidity to stimulate growth, investment strategy to leverage higher yields is likely sustainable, raising demand for various financing solutions. This opens a window for CFSG to boost relevant interest income from expanding our margin financing and business finance. We also expect our AUM to further increase amid this low interest rate environment.

Riding on CFSG's well-established brand, award-winning services and unique wealth management products - supported by our elite and insightful research team with proven track record - we are dedicated to becoming a leading Hong Kong-based technology driven financial services company, specialising in wealth management and investment products in Hong Kong and Mainland China. We continue striving to deliver personalised and dedicated professional services to our clients with a holistic approach, helping them better plan wealth accumulation and preservation, while driving CFSG's sales and business growth.

EMPLOYEE INFORMATION

As at 31 December 2020, the Group had 160 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$64.6 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 products knowledge, operational techniques, risk and compliance, customer service, selling techniques, graduate development and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/ comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code of Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2020, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations with explanation described below:

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

(ii) Dr Kwan (chairman of the board) also acted as chief executive officer ("CEO") of the Company during the underlying year. According to code provision A.2.1, the roles of chairman and CEO of the Company should be separate. The dual role of Dr Kwan provides a strong and consistent leadership to the board and is critical for efficient business planning and decisions of the Group. The respective CEOs of each business units of the Group assisted Dr Kwan in performing the CEO's responsibilities. The balance of power and authorities is also ensured by the operation of the board and the senior management, which comprise experienced and high calibre individuals.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2020, the Company bought back a total of 23,910,000 shares of HK$0.02 par value each and 3,969,900 shares of HK$0.4 par value each in its own issued share capital on the Stock Exchange before and after the share consolidation on 7 September 2020 respectively 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 of repurchase	Number of ordinary shares of HK$0.02 per share	Number of ordinary shares of HK$0.4 per share	Price per share Highest	Price per share Lowest	Aggregate consideration paid
			HK$	*HK$*	*HK$*
Before share consolidation					
September 2020	23,910,000	N/A	0.027	0.025	617,418
After share consolidation					
September 2020	N/A	1,359,900	0.530	0.395	603,093
October 2020	N/A	510,000	0.445	0.390	217,500
November 2020	N/A	2,100,000	0.580	0.420	1,038,120
Total	23,910,000	3,969,900			2,476,131

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

On behalf of the Board
Bankee P. Kwan
Chairman & CEO

Hong Kong, 5 March 2021

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

Executive directors:

Dr Kwan Pak Hoo Bankee, JP
Mr Li Shing Wai Lewis
Mr Kwan Teng Hin Jeffrey
Mr Kwok Ka Lok Lionel
Mr Ng Hin Sing Derek

Independent non-executive directors:

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

* *For identification purpose only*