

ANNUAL REPORT 2020



EMPOWER YOUR WEALTH WITH OUR TALENT

CASH FINANCIAL SERVICES GROUP LIMITED
(STOCK CODE: 510)

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COMPANY PROFILE

CASH Financial Services Group (“CFSG”; SEHK: 510), the holding company of CASH Wealth Management Limited and Celestial Securities Limited, has been providing wealth management, securities and futures brokerage services since 1972.

Full-Licensed Operations, Providing Comprehensive Financial and Wealth Management Services

CFSG is one of few full-licensed Hong Kong financial services institutions currently holding five types of SFC licenses – Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management). Providing comprehensive financial and wealth management services including investment, wealth management, asset management and investment banking, CFSG is also a licensed money lender in Hong Kong, a licensed insurance broker registered by the Hong Kong Insurance Authority, and a principal intermediary registered by the Hong Kong Mandatory Provident Fund Authority. Other diversified products and services include securities and futures trading, IPO and placing, margin financing, asset management, insurance, investment banking, corporate financing, funds and bonds, Hong Kong Mandatory Provident Funds, overseas properties, investment immigration and overseas education advisory services.

From Hong Kong’s Firm Foothold into Mainland China and Worldwide

CFSG is branching out beyond firm foundations in Hong Kong to extend global reach and embrace historic opportunity in China, where the Group established branches in the two major international financial centres of Shanghai and Shenzhen in 2001 and 2004, respectively to provide wealth management services to clients in the Yangtze River Delta and the Pearl River Delta regions. In 2018, CASH Wealth Management Limited, a subsidiary of CFSG, was among the first Hong Kong financial institutions authorised by the Asset Management Association of China to provide Hong Kong stock investment advisory services. In full support of China’s National Economic Development Plan to integrate the Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta, CFSG has strengthened institutional cooperation and strategically expanded operations in the regions to capture the thriving developments resulted from the National Plans. New wealth management centres were established in Guangzhou and Dongguan in 2019, with more centres and strategic alliances planned in the Greater Bay Area and Yangtze River Delta region to provide even more comprehensive wealth management and financial services to local residents and financial institutions. CFSG also operates overseas via its affiliated companies in New York, US and Bangkok, Thailand – extending one-stop financial services to corporations, financial institutions and individual investors to the US, Europe and Southeast Asia.

At Forefront of FinTech, Innovating Financial Services

CFSG is at the forefront of FinTech development and innovation, investing significantly in its digital platforms to enhance user experience and operational efficiency. Since becoming the first financial institution in Hong Kong to provide online securities and futures trading services in 1998, CFSG has continued improving efficiency of its trading platform – introducing various cutting-edge technology systems and services that meet growing client needs and expectations for speedy and convenient trading services, and thereby increasing client satisfaction. In 2010, CFSG was the first Hong Kong financial institution to launch stocks and futures trading apps for iPhone, iPad and Android. In 2018, CFSG launched the mobile trading app, Alpha i – employing most advanced technology such as big data and artificial intelligence (A.I.) to provide FinTech services to a new generation of tech-savvy and mobile-driven millennial investors.

Professional Management with Wide Range of Expert Experience

CFSG’s management team has extensive experience of the regional regulations and regulated activities in Hong Kong, Mainland China and global markets; comprising highly educated, qualified professionals in various specialties, including securities and futures, corporate lending, investment banking, wealth and asset management, property investment, financial audit, legal and corporate governance. Group businesses are managed by responsible officers and representatives of these regulated activities under different established regulators in Hong Kong.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	(Chairman & CEO)
LI Shing Wai Lewis	(CFO)
KWAN Teng Hin Jeffrey	(ED)
KWOK Ka Lok Lionel	(ED)
NG Hin Sing Derek	(ED)

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, *FCG, FCS*

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee
KWAN Teng Hin Jeffrey
(alternate: LUKE Wing Sheung Suzanne)

PRINCIPAL BANKERS

Bank of Communications Co. Ltd., Hong Kong Branch
OCBC Wing Hang Bank, Limited
The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Limited

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITORS

Sidley Austin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

22/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
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 54, 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

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

2020 was a challenging year for almost everyone, worldwide. The unprecedented COVID-19 pandemic wrought chaos across the global economy; further exacerbating prevailing difficult, complex issues including strained China-US trade and political relations, UK's Brexit from the EU, low interest rates, massive quantitative easing programmes and sweeping technological changes. Not surprisingly, Hong Kong's economy historically contracted for two straight years, with business inevitably testing and problematical.

Against this extraordinarily challenging backdrop, the Group fortunately stayed resilient. Our cost leadership strategy to reduce operating costs helped us retain financial strength to weather the storm – with pre-determined containment measures in preceding years successfully reducing overall operational costs by 27.6% during the year.

We were also persistent and agile pursuing our strategic initiative to transform into a “total caring” wealth management advisory leader; advancing our three-year plan to reform and transform from an interest-rate prone brokerage into a value-added wealth management specialist.

To facilitate speedy growth of our wealth management business, the Group's organisational structure was redefined with new business lines developed, new teams recruited and new wealth products added. We also consolidated and re-demarcated our back office duties to establish a new, lean middle office. This strengthened organisational structure now better supports our frontline sales to close deals, and dedication of resources on lucrative businesses.

Additionally, we re-vitalised our senior management team, adding experienced specialists in the wealth management and business finance fields. This new blood not only injected vitality to the Group, but also new synergies in cross-selling our broadened range of products and services. We adopt a distinctive approach to serving our wealth management clients by deepening our relationship and hence understanding of their financial needs from a broad 360-degree aspect. In this way, our revenue streams from a full suite of products and services. As a result, our revenue from wealth management business more than doubled over the year.

Looking ahead, we are cautiously optimistic about the Group's development. We believe CFSG can be successfully transformed from a pure brokerage into a “total caring” wealth management specialist. In particular, the exciting new “Wealth Management Connect (WMC)” cross-border initiative, expected to kick off this year, will for the first time allow Greater Bay Area (GBA) residents to invest in wealth management products through Hong Kong, with reciprocal investment enabled in mainland China wealth products. We are excited about the opportunities offered by our country's 14th Five-Year Strategic Plan, expanding our reach and services in the GBA.

With the Group's established presence, connections and licenses in the Greater Bay Area, we will therefore further leverage our first-mover advantage in the historic opening of this wealthy region's vast potential.

To cater for this expanding catchment area for wealth management, we will deepen our client and partner networks in the region and develop flexible business models. We envisage this much greater customer base in the Greater Bay Area, together with our businesses in the Yangtze River Delta, will generate a healthy growth engine for the Group.

Our inroads in wealth management expansion in preceding years were somewhat hindered during the year, with cross-border business curtailed by pandemic border lockdowns. Communication between our wealth management professionals and clients in the Greater Bay Area was largely restricted to “virtual” meetings for most of 2020.

But as massive vaccination programmes now roll-out, we believe cross-border travel and business will soon re-open, re-activating our economy and accelerating our business activities in the GBA. The Group is therefore cautiously optimistic of development in the coming year – while at the same time remaining vigilant on our costs and expansion plan.

Finally, I would like to reiterate my heartfelt gratitude to our entire team of staff for their cohesion, cooperative spirit and professionalism as the driving force behind our business. Their unreserved dedication and relentless efforts reinforce and fortify our business philosophy, “Empower Your Wealth with Our Talent”.

Yours sincerely,



Dr Bankee P. Kwan, JP

Chairman & CEO

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 141.9% 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.

FINANCIAL REVIEW

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(有限合伙)” (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 report, there is no important event affecting the Group which has occurred since the end of the financial year.

Fund Raising Activity

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 REVIEW

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%)

MANAGEMENT DISCUSSION AND ANALYSIS

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 "total caring" 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 "total caring" 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN, JP

Chairman & CEO

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

Dr Kwan, aged 61, 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. He is a Justice of Peace (JP) of the HKSAR.

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 vice 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 member of the 5th Council of the China Overseas Friendship Association; 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 Labour Advisory Board of the HKSAR; a member of the Marketing Management Committee of the Hong Kong Management Association (HKMA); a director of the Hong Kong Justice of Peace Association; an honorary advisor of Hong Kong Small and Medium Enterprises Association. 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. In December 2019, The Hang Seng University of Hong Kong bestowed the "Junzi Entrepreneur Award" on Dr Kwan, recognising his continuous contribution to the society of Hong Kong.

Dr Kwan is a substantial Shareholder of the Company and a member of the Remuneration Committee. He is also an executive director, chairman and chief executive officer of CASH, as well as a member of the remuneration committee of CASH. He is the father of Mr Kwan Teng Hin Jeffrey (executive director of the Company and CASH).

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Lewis Shing-wai LI

CFO

BBus, CPA(Aus), CPA

Mr Li, aged 47, joined the Board on 2 September 2019. He oversees the accounting and financial management functions of the Group. 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. Mr Li is also an executive director and the chief financial officer of CASH.

Jeffrey Teng-hin KWAN

ED

BA, MHKSI

Mr Kwan, aged 31, joined the Board on 12 June 2017. He is in charge of the strategic and corporate development of the Group. He has extensive experience in the fields of financial technology, corporate and strategic management, private equity and investment management. Mr Kwan received a Bachelor of Arts Degree in Psychology from The Johns Hopkins University, US. 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). Mr Kwan is also an executive director of CASH.

Lionel Ka-lok KWOK

ED

BSSc, CFA, CFP^{CM}, FRM, FAIQ

Mr Kwok, aged 61, joined the Board on 8 December 2020. He is the President and in charge of the wealth management and business development of the Group. He has extensive experience in the fields of investment, wealth management, international financial markets, private banking, investment banking, asset management, trading and sales. Mr Kwok received a Bachelor of Social Science Degree in Economics from The Chinese University of Hong Kong. He is a Chartered Financial Analyst of CFA Institute, US, a CERTIFIED FINANCIAL PLANNER^{CM} of the Institute of Financial Planners, Hong Kong, a Financial Risk Manager of the Global Association of Risk Professionals, US and a holder of International Certificate for Financial Advisers jointly organised by the Chartered Insurance Institute and the Institute of Financial Planners, Hong Kong. He is a responsible officer of CASH Wealth Management and Celestial Securities.

Derek Hin-sing NG

ED

MBA, BA, PD, CFP^{CM}, MHKSI

Mr Ng, aged 52, joined the Board on 27 March 2020. He is in charge of the investment and wealth advisory business of the Group. He has extensive experience in the financial and retail sectors and corporate management. Mr Ng received a Master of Business Administration Degree from Southern Illinois University Carbondale, US and a Bachelor of Arts Degree from Ottawa University, US. He holds a Professional Diploma in Financial Planning from The University of Hong Kong, and is a CERTIFIED FINANCIAL PLANNER^{CM} of the Institute of Financial Planners, Hong Kong and a member of the Hong Kong Securities and Investment Institute. In 2014, Mr Ng was bestowed with the "Asia Pacific Entrepreneurship Awards 2014 - Outstanding Entrepreneurship Award", as organised by Enterprise Asia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

INED

Mr Cheng, aged 65, 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 the chairman of The Hospital Authority New Territories West Cluster Hospitals Charitable Trust and is 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

John Kwok-hung LO

INED

MBA, LL.B, FCCA

Mr Lo, aged 62, joined the Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance fields. 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 71, 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

William Wai-lim CHEUNG

COO

MBS, BA, CPA

Mr Cheung, aged 45, joined the Group in September 2016. He is in charge of the overall administrative and operational functions of the Group. He has extensive experience in the fields of banking, accounting and auditing. Mr Cheung received a Master of Business Studies Degree from the University of Kent at Canterbury, UK and a Bachelor of Arts (Hons) in Accountancy Degree from City University of Hong Kong. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Patrick Ho-yin YIU

Managing Director, Asset Management

BEcon

Mr Yiu, aged 47, joined the Group in April 2006. He is in charge of the asset management services of the Group. He has extensive experience in the financial services and asset management fields. 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.

Frederick Kan-tat WONG

Managing Director, Wealth Advisory and Planning

PhD, MBA

Dr Wong, aged 57, joined the Group in December 2020. He is in charge of the wealth advisory and planning services of the Group. He has extensive experience in information technology, asset management, wealth management and fund portfolio management. Dr Wong received a Master of Business Administration Degree from Newport University, US and a Doctor of Philosophy Degree.

Kit-cheung PANG

Managing Director, Business Finance

MBA

Mr Pang, aged 51, joined the Group in January 2021. He is in charge of the business finance development of the Group. He has extensive experience in the fields of corporate banking and business finance. Mr Pang received a Master of Business Administration Degree from The Open University of Hong Kong.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

William Hon-kei CHAN

Managing Director, China Business

MBA, BSc

Mr Chan, aged 36, joined the Group in December 2007. He is in charge of the overall business development in mainland China of the Group. He has extensive experience in brokerage service and wealth management fields. Mr Chan received a Master of Business Administration Degree from Cheung Kong Graduate School of Business, China 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, Celestial Commodities and Celestial Capital.

Barry Chi-lun HO

Assistant Vice President, Investment Banking

MSc, BEng, PCLL

Mr Ho, aged 41, joined the Group in October 2014. He is in charge of the investment banking business of the Group. He has extensive experience in the fields of corporate finance and legal and has advised clients in relation to merger and acquisitions and regulatory compliance matters. Mr Ho received a Master of Science Degree in Structural Engineering and a Bachelor of Engineering Degree in Civil Engineering from the University of Wales, Cardiff, UK, and a Postgraduate Certificate in Laws from The University of Hong Kong. He is a solicitor (non-practising) of the High Court of Hong Kong. He is a responsible officer of Celestial Capital.

Ernest Ling-yip FUNG

Financial Controller

BBA, CPA

Mr Fung, aged 43, joined the Group in June 2018. He is assisting the CFO in overseeing the financial and accounting matters of the Group. 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.

Anthony Wai-ching CHEUNG

Head of Client Services

MA, BBA

Mr Cheung, aged 47, joined the Group in July 1997. He is in charge of the overall client services matters 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. He is a responsible officer of CASH Asset Management, Celestial Securities and Celestial Commodities.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Winky Wing-hang YAN

Head of WealthTech

BEng

Mr Yan, aged 44, joined the Group in September 1998. He is responsible for the FinTech and WealthTech businesses of the Group. He has extensive experience in computer and information technology in the financial services industry. Mr Yan received a Bachelor of Engineering Degree in Computer Science from The Hong Kong University of Science and Technology.

Gian Chi-yan CHOI

Head of Legal and Compliance

LL.B, PCLL, GFEng

Ms Choi, aged 36, joined the Group in October 2017. She is in charge of overseeing and monitoring the legal and compliance matters 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 Operations, Back Office (Hong Kong)

BA

Ms Luk, aged 40, joined the Group in July 2004. She is in charge of overseeing the daily operation of the back office 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.

Jacky Jie-jun LI

Head of Operations, Back Office (Shanghai)

IFA

Mr Li, aged 38, joined the Group in July 2006. He is in charge of the business development and management of the Shanghai head office of the Group. He has extensive experience in the wealth management and fund management business. Mr Li is a member of the Institute of Financial Accountants, UK.

Hilda Ying-ying HUANG

Head of WealthTech Accelerator

MSc, BSc

Ms Huang, aged 36, joined the Group in May 2011. She is responsible for the FinTech project management of the Group. She has extensive experience in mobile trading and mobile technology. Ms Huang received a Master of Science Degree in Electronic Business Management from The University of Warwick, UK and a Bachelor of Science Degree in Business Management and Business Information Technology from The University of Gloucestershire, UK.

Suzanne Wing-sheung LUKE

Company Secretary

FCG, FCS

Ms Luke, aged 52, 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 Chartered Governance Institute, 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.

Carrie Chiu-mei LAW

Director, Human Resources & Administration

BBA

Ms Law, aged 47, joined the Group in August 2001. She is in charge of the human resources and administrative functions of the Group. She has extensive experience in human capital management, including strategic human resources planning, talent management, succession planning and human resources measurements. She is also experienced in managing human resources and administrative operations across regional offices. Ms Law received a Bachelor of Business Administration (Hons) Degree in Human Resources Management from the Hong Kong Baptist University. She is a professional member of Hong Kong Institute of Human Resources Management. She is also appointed as Assessor for the Recognition of Prior Learning Scheme with Vocational Training Council. Ms Law is also the Director of Human Resources & Administration of CASH.

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 2020, the Company has complied with all the code provisions of the CG Code, except for the deviation 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 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.

THE BOARD COMPOSITION

Up to the publication date of this report, the Board comprised 8 Directors (5 EDs and 3 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 11 to 13 of this annual report under the "Board of Directors and Senior Management" section.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr Kwan Pak Hoo Bankee, the ED, Chairman of the Board and the CEO of the Company, is responsible for formulating the strategies and policies of the business development of the Group, providing leadership and overseeing the functioning of the Board. The CEOs of respective business units of the Group will be responsible for formulating business plans and monitoring the business operation and development of the Group, and report regularly to the Chairman. In addition, the 3 INEDs provide independent and impartial opinion on issues to be considered by the Board. The Board is of the opinion that the current Board structure functions effectively.

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 1 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

CORPORATE GOVERNANCE REPORT

RELATIONSHIP BETWEEN THE BOARD MEMBERS

Dr Kwan Pak Hoo Bankee (the ED, Chairman and CEO of the Company) 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 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 (including online webinars), 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)
Li Shing Wai Lewis	(b), (c)
Kwan Teng Hin Jeffrey	(a) to (e)
Kwok Ka Lok Lionel (<i>was appointed on 8 December 2020</i>)	(a), (e)
Ng Hin Sing Derek (<i>was appointed on 27 March 2020</i>)	(b), (e)
Cheung Wai Ching Anthony (<i>resigned on 8 December 2020</i>)	(b)
Chan Chi Ming Benson (<i>resigned on 27 March 2020</i>)	(b)
Cheng Shu Shing Raymond	(b)
Lo Kwok Hung John	(b)
Lo Ming Chi Charles	(a) to (e)

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.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AND TIME COMMITMENT

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

Name of Directors	Meetings attended/held					
	Executive Committee Meeting	Full Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Annual General Meeting	Special General Meeting
EDs						
Kwan Pak Hoo Bankee	10/10	4/4	N/A	1/1	1/1	1/1
Li Shing Wai Lewis	10/10	4/4	N/A	N/A	1/1	1/1
Kwan Teng Hin Jeffrey	10/10	4/4	N/A	N/A	1/1	1/1
Kwok Ka Lok Lionel <i>(was appointed on 8 December 2020)</i>	1/1	N/A	N/A	N/A	N/A	N/A
Ng Hin Sing Derek <i>(was appointed on 27 March 2020)</i>	8/8	3/3	N/A	N/A	1/1	1/1
Cheung Wai Ching Anthony <i>(resigned on 8 December 2020)</i>	8/9	3/4	N/A	N/A	1/1	1/1
Chan Chi Ming Benson <i>(resigned on 27 March 2020)</i>	1/2	1/1	N/A	N/A	N/A	N/A
INEDs						
Cheng Shu Shing Raymond	N/A	4/4	4/4	1/1	1/1	1/1
Lo Kwok Hung John	N/A	3/4	3/4	N/A	1/1	0/1
Lo Ming Chi Charles	N/A	4/4	4/4	1/1	0/1	1/1
Total number of meetings held:	10	4	4	1	1	1

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

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

BOARD MEETINGS AND PROCEEDINGS

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

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

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

CORPORATE GOVERNANCE REPORT

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

The Audit Committee comprises 3 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 the financial reporting system, risk management and internal control procedures. The Audit Committee held 4 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 2 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 1 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;
- 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; and
- iii. reviewed and approved the cost rationalisation measures and business re-engineering plan of the Group.

CORPORATE GOVERNANCE REPORT

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, 2 meetings were held by the executive Directors in resolving the appointments and resignations of EDs 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 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibilities for establishing and maintaining 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.

CORPORATE GOVERNANCE REPORT

(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. A risk-based approach is adopted in developing the annual internal audit work plan that is reviewed and endorsed by the Audit Committee. The audit progress and audit observations are reported 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 Compliance Department, which will evaluate the complaint and determine whether an investigation is appropriate. Compliance Department coordinates with relevant departments for investigation where necessary and recommendations on improvements are communicated to the respective management for implementation. Audit procedures, investigation results and subsequent follow-up actions taken are reported to the Audit Committee on a biannual basis.

CORPORATE GOVERNANCE REPORT

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 2020, 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 2020.

CONSTITUTIONAL DOCUMENTS

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

CORPORATE GOVERNANCE REPORT

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 2 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 6 weeks before the meeting in case of a requisition requiring notice of a resolution or not less than 1 week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date 6 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 54, 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.

CORPORATE GOVERNANCE REPORT

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	1,920,000
Non-audit services:	
Tax advisory	339,300
Review of the continuing connected transactions	58,500
Review of the preliminary results announcement	19,800
	<hr/>
	2,337,600
	<hr/>

On behalf of the Board

Dr Bankee P. Kwan, JP

Chairman & CEO

Hong Kong, 5 March 2021

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 2020 (“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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2020, the Group received Certificate of Merit in Servicing and Trading sector at 2019 Hong Kong Awards for Environmental Excellence, Hong Kong Green Organisation Certificate and 2019 Hong Kong Green Organisation Certification - Wastewi\$e Certificate (Excellence 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 3,053.69 kg¹ (2019: 4,747.76 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 paper recycling at our office in the Reporting Period is 2,783 kg. Plastic bottles and aluminum cans are collected by recycling agents of Building Management Office.

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;
- 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;

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- 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 Wastewiße Certificate (Excellence Level) by Environmental Campaign Committee.

Use of electricity and carbon emissions

The major source of our carbon emissions is the use of electricity. The total electricity consumption of the Group during the Reporting Period was 358,213 kWh¹ (2019: 520,936 kWh) and the corresponding carbon dioxide equivalent (CO₂e) generated was 268.07 tonnes² (2019: 386.39 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The total workforce of the Group is summarised as follows:

Gender	No. of staff	
	2020	2019
Male	92	86
Female	68	72
Total	160	158

Employment type	No. of staff	
	2020	2019
Full-time	156	157
Part-time	4	0
Temporary and contract	0	1
Total	160	158

Age	No. of staff	
	2020	2019
<30	39	45
30–50	96	89
>50	25	24
Total	160	158

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 customer service, knowledge on products, operational and selling techniques, career orientation, risk and compliance, graduate development, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 of 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.

On behalf of the Board

Dr Bankee P. Kwan, JP

Chairman & CEO

Hong Kong, 5 March 2021

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 2020.

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 life insurance, mutual funds and mandatory provident fund 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 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55 of this annual report.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: 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 45 to the consolidated financial statements.

The financial risk management objectives and policies of the Group are shown in note 45 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 report, there is no important event affecting the Group that has occurred since the end of the financial year ended 31 December 2020.

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.

DIRECTORS' REPORT

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 asset 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 are the "Family-Friendly Employer" under the scheme 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.

In year 2020, we received a Top Breakthrough Exchange Participant award from the Hong Kong Exchanges and Clearing Ltd (HKEX) in the HKEX ETF Awards 2019, in recognition of the excellent liquidity growth and fund performance of the Group from 2018 to 2019.

DIRECTORS' REPORT

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 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 "15 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.

The Social Capital Builder Logo Award (2018-2020) from the Labour and Welfare Bureau recognised 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 2020, we received Certificate of Merit in Servicing and Trading sector at 2019 Hong Kong Awards for Environmental Excellence and WastewiŹe Certificate (Excellence 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 2020 is set out on page 149 of this annual report.

DIRECTORS' REPORT

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in note 21 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 42 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 58 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

Continuing connected transactions for financial year ended 31 December 2020

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

Celestial Securities entered into the margin financing agreements all dated 7 December 2018 with each of the following connected clients:

- (a) Dr Kwan Pak Hoo Bankee
- (b) Mr Kwan Teng Hin Jeffrey
- (c) Mr Ng Hin Sing Derek (*was appointed on 27 March 2020*)
- (d) Mr Cheung Wai Ching Anthony
- (e) Mr Ho Tsz Cheung Jack
- (f) Mr Chan Chi Ming Benson (*resigned on 27 March 2020*)
- (g) Cash Guardian
- (h) Libra Capital
- (i) Cashflow Credit
- (j) Confident Profits

DIRECTORS' REPORT

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.

During the year ended 31 December 2019, Mr Ho Tsz Cheung Jack (item (1)(e)) had resigned as executive director of the Company but remained as director of subsidiaries of the Group and connected person of the Company. During the year ended 31 December 2020, (i) Mr Chan Chi Ming Benson (item (1)(f)) resigned as executive director of the Group but remained as connected person of the Company until 27 March 2021 (ie after 12 months of his resignation from the Group); (ii) Mr Ng Hin Sing Derek (item (1)(c)) was appointed as executive director of the Group and the margin financing agreement with Mr Ng became connected transaction of the Company since his appointment on 27 March 2020; and (iii) Mr Cheung Wai Ching Anthony (item (1)(d)) had resigned as executive director of the Company but remained as director of subsidiaries of the Group and connected person of the Company.

The above margin financing agreements were disclosed in the Company's announcement dated 7 December 2018 and circular dated 9 January 2019 as well as approved by the independent Shareholders at a SGM held on 30 January 2019 and/or disclosed in the Company's announcement dated 13 May 2020.

During the year ended 31 December 2020, the maximum amount of margin financing facilities utilised by each of the above connected clients did not exceed the annual cap of HK\$30 million.

DIRECTORS' REPORT

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

On 7 December 2018, 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 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.

During the year ended 31 December 2020, the aggregate amount of brokerage fees received by the Group from the Confident Profits Group did not exceed the annual cap of HK\$30 million. Details of the amount of brokerage fees received by the Group during the year under review are set out in notes to the consolidated financial statements.

The aforesaid continuing connected transactions of the Company for the financial year ended 31 December 2020 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 2020 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.

DIRECTORS' REPORT

RELATED PARTIES TRANSACTIONS

The Group has entered into related party transactions under the applicable accounting standards as disclosed in note 48 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.

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

Li Shing Wai Lewis

Kwan Teng Hin Jeffrey

Kwok Ka Lok Lionel (*was appointed on 8 December 2020*)

Ng Hin Sing Derek (*was appointed on 27 March 2020*)

Cheung Wai Ching Anthony (*resigned on 8 December 2020*)

Chan Chi Ming Benson (*resigned on 27 March 2020*)

Independent Non-executive Directors:

Cheng Shu Shing Raymond

Lo Kwok Hung John

Lo Ming Chi Charles

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

- (i) Dr Kwan Pak Hoo Bankee and Mr Kwan Teng Hin Jeffrey, being EDs, shall retire at least once in every 3 years at the AGM in accordance with the Company's bye-laws and corporate governance code;
- (ii) Mr Kwok Ka Lok Lionel, being newly appointed ED, shall retire at the AGM in accordance with the Company's bye-laws; and
- (iii) Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the AGM in each year in accordance with their terms of office of directorship.

DIRECTORS' REPORT

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 2020, 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	Corporate	Shareholding (%)
		(Number of Shares)	Interest (Number of Shares)	
Kwan Pak Hoo Bankee	Interest in a controlled corporation	–	86,140,854*	35.50
Lo Kwok Hung John	Beneficial owner	62,775	–	0.02
		62,775	86,140,854	35.52

* 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 49.79% 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.

DIRECTORS' REPORT

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$) (Note (5))	Notes	Number of options					outstanding as at 31 December 2020	Percentage to issued shares as at 31 December 2020 (%)
					outstanding as at 1 January 2020	granted during the year (Notes (6)&(7))	adjusted during the year (Note (7))	reallocated upon change of directorate	lapsed during the year (Note (8))		
Kwan Pak Hoo Bankee	31/08/2017	01/01/2018 – 31/12/2020	5.06	(2)&(3)	49,000,000	–	(46,552,000)	–	(2,448,000)	–	–
	29/03/2019	01/05/2019 – 30/04/2022	1.42	(1)&(3)	48,000,000	–	(34,200,000)	–	(12,000,000)	1,800,000	0.74
	29/04/2020	01/05/2020 – 30/04/2022	0.48	(2)&(4)	–	49,500,000	(47,028,000)	–	–	2,472,000	1.01
Li Shing Wai Lewis	29/03/2019	01/05/2019 – 30/04/2022	1.42	(1)&(3)	12,000,000	–	(8,550,000)	–	(3,000,000)	450,000	0.18
	29/04/2020	01/05/2020 – 30/04/2022	0.48	(2)&(4)	–	49,500,000	(47,028,000)	–	–	2,472,000	1.01
Kwan Teng Hin Jeffrey	31/08/2017	01/01/2018 – 31/12/2020	5.06	(2)&(3)	24,000,000	–	(22,800,000)	–	(1,200,000)	–	–
	29/03/2019	01/05/2019 – 30/04/2022	1.42	(1)&(3)	48,000,000	–	(34,200,000)	–	(12,000,000)	1,800,000	0.74
	29/04/2020	01/05/2020 – 30/04/2022	0.48	(2)&(4)	–	49,500,000	(47,028,000)	–	–	2,472,000	1.01
Kwok Ka Lok Lionel (Note (9))	29/03/2019	01/05/2019 – 30/04/2022	1.42	(1)&(3)	N/A	–	–	900,000	–	900,000	0.37
Ng Hin Sing Derek (Note (9))	29/04/2020	01/05/2020 – 30/04/2022	0.48	(2)&(4)	N/A	49,500,000	(47,028,000)	–	–	2,472,000	1.01
Cheung Wai Ching Anthony (Note (10))	31/08/2017	01/01/2018 – 31/12/2020	5.06	(2)&(3)	24,000,000	–	(22,800,000)	(1,200,000)	–	N/A	N/A
	29/03/2019	01/05/2019 – 30/04/2022	1.42	(1)&(3)	24,000,000	–	(17,100,000)	(900,000)	(6,000,000)	N/A	N/A
	29/04/2020	01/05/2020 – 30/04/2022	0.48	(2)&(4)	–	49,500,000	(47,028,000)	(2,472,000)	–	N/A	N/A
Chan Chi Ming Benson (Note (10))	31/08/2017	01/01/2018 – 31/12/2020	5.06	(2)&(3)	49,000,000	–	–	–	(49,000,000)	N/A	N/A
	29/03/2019	01/05/2019 – 30/04/2022	1.42	(1)&(3)	48,000,000	–	–	–	(48,000,000)	N/A	N/A
					326,000,000	247,500,000	(421,342,000)	(3,672,000)	(133,648,000)	14,838,000	6.07

Notes:

- The options are vested in 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively. Any option that is not vested before the expiry date of each tranche period shall lapse automatically.
- 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 1 month from the date on which the Board's approval of the vesting of the options.
- The options were fully vested as at 31 December 2020 and the options are exercisable at any time during the exercise period as approved by the Board.
- The number and the exercise price of share options which remained outstanding on 7 September 2020 have been adjusted due to the share consolidation of the Company for every 20 existing shares into 1 share with effect from 7 September 2020. The exercise prices per share were adjusted from HK\$0.253 to HK\$5.06, from HK\$0.071 to HK\$1.42 and from HK\$0.024 to HK\$0.48 respectively.
- The closing price of the share immediately before the date of grant of options on 29 April 2020 was HK\$0.023.
- The value of the options granted during the year ended 31 December 2020 was HK\$4,945,000, details of the calculation of value of the options are set out in note 47 to the consolidated financial statements.
- The lapsed options were due to expiry of the options in accordance with the terms of the share options and/or cessation of employment of participants with members of the Group.
- Mr Kwok Ka Lok Lionel and Mr Ng Hin Sing Derek were appointed as Directors during the year.
- Mr Cheung Wai Ching Anthony and Mr Chan Chi Ming Benson resigned as Directors during the year.
- No option was exercised or cancelled during the year.
- The options were held by the Directors in the capacity of beneficial owners.

Save as disclosed above, as at 31 December 2020, 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).

DIRECTORS' REPORT

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 are set out in note 47 to the consolidated financial statements.

The following table discloses details of the Company's share options granted under the New Share Option Scheme and 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 2020.

Name of scheme	Date of grant	Exercise period	Exercise price per share (HK\$) (Note (7))	Notes	Number of options					
					outstanding as at 1 January 2020	granted during the year (Notes (8)&(9))	adjusted during the year (Note (7))	reallocated upon change of directorate	lapsed during the year (Note (10))	outstanding as at 31 December 2020
Directors										
The Old Share Option Scheme	31/08/2017	01/01/2018 – 31/12/2020	5.06	(1)	146,000,000	-	(92,152,000)	(1,200,000)	(52,648,000)	-
The New Share Option Scheme	29/03/2019	01/05/2019 – 30/04/2022	1.42	(1)	180,000,000	-	(94,050,000)	-	(81,000,000)	4,950,000
	29/04/2020	01/05/2020 – 30/04/2022	0.48	(1)	-	247,500,000	(235,140,000)	(2,472,000)	-	9,888,000
					326,000,000	247,500,000	(421,342,000)	(3,672,000)	(133,648,000)	14,838,000
Employees and other grantees										
The Old Share Option Scheme	31/08/2017	01/01/2018 – 31/12/2020	5.06	(3)&(5)	73,000,000	-	(69,352,000)	1,200,000	(4,848,000)	-
	31/08/2017	01/01/2018 – 31/12/2020	5.06	(4)&(5)	194,400,000	-	(184,686,000)	-	(9,714,000)	-
The New Share Option Scheme	29/03/2019	01/05/2019 – 30/04/2022	1.42	(2),(3)&(5)	243,000,000	-	(148,926,000)	-	(86,250,000)	7,824,000
	04/06/2019	04/06/2019 – 03/06/2022	1.04	(4)&(5)	56,000,000	-	(53,210,000)	-	-	2,790,000
	29/04/2020	01/05/2020 – 30/04/2022	0.48	(3)&(6)	-	148,000,000	(140,608,000)	2,472,000	(1,200,000)	8,664,000
	29/04/2020	01/05/2020 – 30/04/2022	0.48	(4)&(6)	-	99,000,000	(94,056,000)	-	-	4,944,000
					566,400,000	247,000,000	(690,838,000)	3,672,000	(102,012,000)	24,222,000
					892,400,000	494,500,000	(1,112,180,000)	-	(235,660,000)	39,060,000

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 3 tranches as to 25% exercisable from 1 May 2019 to 30 April 2020, 25% exercisable from 1 May 2020 to 30 April 2021 and 50% exercisable from 1 May 2021 to 30 April 2022 respectively. Any option that is not vested before the expiry date of each tranche period shall lapse automatically.
- (3) 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.
- (4) The vesting of the options is subject to the satisfactory delivery of services to members of the Group as approved by the Chairman of the Board and/or the Board determined at their sole discretion.
- (5) The options must be exercised within 1 month from the date on which the Board's approval of the vesting of the options.
- (6) The options were fully vested as at 31 December 2020 and the options are exercisable at any time during the exercise period as approved by the Board.

DIRECTORS' REPORT

- (7) The number and the exercise price of share options which remained outstanding on 7 September 2020 have been adjusted due to the share consolidation of the Company for every 20 existing shares into 1 share with effect from 7 September 2020. The exercise prices per share were adjusted from HK\$0.253 to HK\$5.06, from HK\$0.071 to HK\$1.42, from HK\$0.052 to HK\$1.04 and from HK\$0.024 to HK\$0.48 respectively.
- (8) The closing price of the share immediately before the date of grant of options on 29 April 2020 was HK\$0.023.
- (9) The value of the options granted during the year ended 31 December 2020 was HK\$4,945,000, details of the calculation of value of the options are set out in note 47 to the consolidated financial statements.
- (10) The lapsed options were due to expiry of the options in accordance with the terms of the share options and/or cessation of employment of participants with members of the Group.
- (11) No option was exercised or cancelled during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, 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	86,140,854	35.50
Cash Guardian (Note (1))	Interest in a controlled corporation	86,140,854	35.50
CASH (Note (1))	Interest in a controlled corporation	86,140,854	35.50
Praise Joy Limited (Note (1))	Interest in a controlled corporation	86,140,854	35.50
CIGL (Note (1))	Beneficial owner	86,140,854	35.50
Ever Billion Group Limited ("Ever Billion") (Note (2))	Beneficial owner	41,300,000	17.02

Notes:

- (1) This refers to the same number of 86,140,854 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 49.79% by Dr Kwan, being approximately 49.05% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan) and approximately 0.74% 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) The shareholding interest of Ever Billion was based on the notice dated 20 June 2017 filed by it pursuant to Divisions 2 and 3 of Part XV of the SFO after adjusting the number of Shares held by it due to the 20-to-1 share consolidation of the Company which took effect on 7 September 2020. Based on the said notice, 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 2020, 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.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED 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		Aggregate consideration paid HK\$
			Highest	Lowest	
			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.

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 2020.

EQUITY-LINKED AGREEMENTS

Save as the share option schemes of the Company as disclosed in note 47 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year.

DIRECTORS' REPORT

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 & CEO

Hong Kong, 5 March 2021

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 55 to 147, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 ("HKSAAs") 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

Impairment assessment under expected credit loss ("ECL") model for accounts receivable arising from margin financing

We identified the impairment assessment under ECL model 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 estimates required in the ECL measurement.

As set out in note 4 to the consolidated financial statements, the ECL measurement involves significant management judgement and estimates 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 accounts receivable arising margin financing involves consideration of other factors, including the realisable values of securities or collaterals held by the Group.

The total gross carrying amount of accounts receivable from clients arising from margin financing amounted to HK\$149,492,000 with impairment provision of HK\$24,137,000 as at 31 December 2020 as disclosed in note 27 to the consolidated financial statements.

Our procedures performed for the impairment assessment under ECL for accounts receivable from clients 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 "Financial Instruments", including continuous review of the appropriateness of the model, 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 from clients arising from margin financing at different staging (stage 1, 2 or 3) during the year and as at 31 December 2020;
- evaluating, together with our internal valuation specialists, the reasonableness and appropriateness of the ECL model and the critical assumptions, inputs and parameters used in the model;
- for a sample of accounts receivable arising from margin financing, assessing the fair value of securities or collaterals, and examining underlying documentation supporting the fair value of the securities or collaterals; and
- on a sample basis, examining significant data inputs into the ECL model, including PD and LGD after taking into consideration forward-looking information.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of financial assets at fair value through other comprehensive income ("FVTOCI") classified as level 3 under fair value hierarchy</i>	
We identified the valuation of level 3 financial assets measured 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.	Our audit procedures for the valuation of the level 3 financial assets at FVTOCI include: <ul style="list-style-type: none">evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge;
The total fair value of financial assets at FVTOCI classified as level 3 amounted to HK\$25,649,000 as at 31 December 2020 and the key source of estimation uncertainty are disclosed in notes 45 and 4 to the consolidated financial statements.	<ul style="list-style-type: none">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; andperforming 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 (CONTINUED)

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 HKSAAs 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 HKSAAs, 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, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 Ho, Chung Kai.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

5 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue			
Fee and commission income	5	78,286	82,916
Interest income	6	25,402	24,576
Total revenue		103,688	107,492
Other income	8	6,814	818
Other gains	9	4,877	3,649
Salaries and related benefits	10	(64,636)	(82,155)
Commission expenses		(22,204)	(23,798)
Depreciation	21	(8,769)	(23,654)
Finance costs	13	(11,083)	(6,644)
Impairment losses under expected credit loss model, net of reversal	14	(1,447)	3,211
Impairment losses on property and equipment	21	–	(20,000)
Other operating expenses	15	(47,205)	(76,253)
Change in fair value of investment property	22	824	444
Loss before taxation		(39,141)	(116,890)
Income tax expense	16	–	–
Loss for the year	18	(39,141)	(116,890)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income		(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	19		
– Basic (HK cents)		(15.89)	(46.03)
– Diluted (HK cents)		(15.89)	(46.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property and equipment	21	16,430	21,748
Investment property	22	18,934	17,094
Intangible assets	23	9,092	9,092
Club debentures	24	660	660
Other assets	25	8,235	6,401
Rental and utility deposits		1,243	2,764
Financial assets at fair value through other comprehensive income	26	25,649	39,512
Loans receivable	30	–	19,129
Financial assets at fair value through profit or loss	32	5,335	–
		85,578	116,400
Current assets			
Accounts receivable	27	309,363	308,999
Contract assets	28	2,690	1,760
Contract costs	29	–	2,444
Loans receivable	30	14,091	8,093
Prepayments, deposits and other receivables	31	6,669	6,659
Financial assets at fair value through profit or loss	32	82,523	101,357
Amounts due from related companies	35	1,341	–
Bank deposits subject to conditions	33	25,231	25,161
Bank balances – trust and segregated accounts	34	732,123	644,542
Bank balances (general accounts) and cash	34	208,859	288,192
		1,382,890	1,387,207
Current liabilities			
Accounts payable	36	856,276	794,220
Contract liabilities	37	–	4,330
Accrued liabilities and other payables	38	23,223	20,570
Taxation payable		3,000	3,000
Lease liabilities	41	10,832	9,085
Bank borrowings – amount due within one year	39	110,804	149,090
Amounts due to related companies	35	–	198
		1,004,135	980,493
Net current assets		378,755	406,714
Total assets less current liabilities		464,333	523,114

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Deferred tax liabilities	40	40	40
Lease liabilities	41	9,280	17,836
Bank borrowings – amount due after one year	39	–	307
Provision for restoration		1,133	1,133
		10,453	19,316
Net assets			
		453,880	503,798
Capital and reserves			
Share capital	42	97,049	99,115
Reserves		348,293	396,182
Equity attributable to owners of the Company		445,342	495,297
Non-controlling interests	43	8,538	8,501
Total equity			
		453,880	503,798

The consolidated financial statements on pages 55 to 147 were approved and authorised for issue by the Board of Directors on 5 March 2021 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LI SHING WAI LEWIS
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company								Total	Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Contributed surplus	Share-based payment reserve	Investments revaluation reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	99,115	604,542	29,209	117,788	-	2,225	(1,324)	(239,698)	611,857	11,343	623,200
Loss for the year	-	-	-	-	-	-	-	(114,048)	(114,048)	(2,842)	(116,890)
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	(2,328)	-	-	(2,328)	-	(2,328)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(184)	-	(184)	-	(184)
Other comprehensive expense for the year	-	-	-	-	-	(2,328)	(184)	-	(2,512)	-	(2,512)
Total comprehensive expense for the year	-	-	-	-	-	(2,328)	(184)	(114,048)	(116,560)	(2,842)	(119,402)
At 31 December 2019 and 1 January 2020	99,115	604,542	29,209	117,788	-	(103)	(1,508)	(353,746)	495,297	8,501	503,798
(Loss) profit for the year	-	-	-	-	-	-	-	(39,178)	(39,178)	37	(39,141)
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	(13,863)	-	-	(13,863)	-	(13,863)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	864	-	864	-	864
Other comprehensive (expense) income for the year	-	-	-	-	-	(13,863)	864	-	(12,999)	-	(12,999)
Total comprehensive (expense) income for the year	-	-	-	-	-	(13,863)	864	(39,178)	(52,177)	37	(52,140)
Recognition of equity-settled share-based payment (Note 47)	-	-	-	-	4,698	-	-	-	4,698	-	4,698
Shares repurchased (Note 42)	(2,066)	(410)	-	-	-	-	-	-	(2,476)	-	(2,476)
At 31 December 2020	97,049	604,132	29,209	117,788	4,698	(13,966)	(644)	(392,924)	445,342	8,538	453,880

Notes:

- 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.
- 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 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Operating activities			
Loss before taxation		(39,141)	(116,890)
Adjustments for:			
Depreciation of property and equipment	21	8,769	23,654
Interest expense	13	11,083	6,644
Interest income	6, 8 & 9	(26,189)	(28,163)
Dividend income	9	(245)	(772)
Change in fair value of investment property	22	(824)	(444)
Negative variable lease payment	21	(34)	–
Loss on fair value changes of financial assets at fair value through profit or loss		4,150	9,704
Write-off of property and equipment	9	–	32
Share-based payments	47	4,698	–
Impairment losses under expected credit loss model, net of reversal	14	1,447	(3,211)
Impairment losses on property and equipment		–	20,000
Operating cash flows before movements in working capital		(36,286)	(89,446)
Increase in other assets		(1,834)	(399)
Increase in contract assets		(930)	(1,076)
Decrease (increase) in contract costs		2,444	(2,444)
Increase in accounts receivable		(855)	(27,784)
Decrease (increase) in loans receivable		12,175	(25,646)
Decrease in prepayments, deposits and other receivables		1,348	9,070
Decrease in financial assets at fair value through profit or loss		14,899	32,139
(Increase) decrease in bank balances – trust and segregated accounts		(87,581)	193,163
Increase (decrease) in accounts payable		62,056	(192,277)
Increase (decrease) in accrued liabilities and other payables		2,653	(5,336)
(Decrease) increase in contract liabilities		(4,330)	2,070
Cash used in operations		(36,241)	(107,966)
Interest received		26,311	27,996
Dividend received		245	772
Net cash used in operating activities		(9,685)	(79,198)
Investing activities			
Purchase of property and equipment	21	(1,768)	(9,840)
Purchase of financial assets at fair value through other comprehensive income		–	(15,600)
Purchase of financial assets at fair value through profit or loss		(5,550)	–
Net cash outflow on acquisition of subsidiaries		–	(255)
Payments for rental deposits		(56)	–
Advances to related companies		(1,402)	–
Repayment from a related company		61	–
Net cash used in investing activities		(8,715)	(25,695)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Financing activities			
Payment on repurchase of shares	42	(2,476)	–
Repayments of lease liabilities	46	(8,426)	(18,560)
Advances from bank borrowings	46	16,356,600	58,500
Repayment of bank borrowings	46	(16,395,225)	(15,547)
Advances from related companies	46	667	26,631
Repayments to related companies	46	(865)	(28,337)
Interest paid on lease liabilities	46	(970)	(1,061)
Interest paid on bank borrowings	46	(10,081)	(5,570)
Net cash (used in) from financing activities		(60,776)	16,056
Net decrease in cash and cash equivalents		(79,176)	(88,837)
Cash and cash equivalents at beginning of year		288,192	376,831
Effect of change in foreign exchange rate		(157)	198
Cash and cash equivalents at end of year		208,859	288,192
Bank balances (general accounts) and cash		208,859	288,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 (the “Stock Exchange”). The Company is an associate of Celestial Investment Group Limited (“CIGL”), a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited (“CASH”), a company incorporated in Bermuda. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, while the address of the principal place of business of the Company is 22/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

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 life insurance, mutual funds and mandatory provident fund (“MPF”) 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

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 Hong Kong Institute of Certified Public Accountants (“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”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

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.

2.1 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.

2.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

2.2 Impacts on early application of Amendment to HKFRS 16 “COVID-19-Related Rent Concessions” (continued)

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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

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.

Amendments to HKFRS 3 “Reference to the Conceptual Framework”

The amendments:

- update a reference in HKFRS 3 “Business Combinations” so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC) – Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 “Financial Instruments: Disclosures” to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate (“HIBOR”) bank loans which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”

The amendments provide clarification and additional guidance on assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 accounted for in accordance with HKFRS 16, 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 unobservable inputs are to be used 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies

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.

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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 Company.

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 Company. 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 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable assets or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Revenue from contracts with customers

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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

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 life insurance, mutual funds and MPF 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.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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.

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.

Contract costs

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Contract costs (continued)

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 services are transferred to the customer. The asset is subject to impairment review.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted for on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments); and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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 if the changes are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

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.

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 deferred tax 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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 property and equipment, intangible assets and contract cost 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.

Impairment losses on property and equipment (including right-of-use assets), intangible assets and contract costs

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment (including right-of-use assets) and contract costs 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). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment (including right-of-use assets) and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15 "Revenue from contracts with customers", the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related services less the costs which relate directly to providing those services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment losses on property and equipment (including right-of-use assets), intangible assets and contract costs (continued)

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 or the group of CGUs. 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 or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or the group of CGUs) 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 CGU or the group of CGUs) 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 any directly attributable expenditure. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

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. 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 ("FVTPL")) 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 FVTPL 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 assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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 fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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.

All other financial assets are subsequently measured at FVTPL, except that at 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 applies.

A financial asset is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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. Dividends are included in the "other income" line item in profit or loss.

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 gains" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, loans receivable, amounts due from related companies, deposits and other receivables, bank deposits and bank balances) and other items (representing contract assets) which are subject to impairment assessment under HKFRS 9. 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, 12-month ECL ("12-m 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, commission receivable from brokerage of life insurance, mutual funds and MPF products and accounts receivable arising from the provision of investment banking services. The ECL on these assets are assessed 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(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.

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 (without taking into account any collaterals held by the Group).

In respect 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

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

(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 and 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.

Lifetime ECL for contract assets and accounts receivable except for those from margin clients are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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

All financial liabilities are subsequently measured at amortised cost using the effective interest method or 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

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

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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 payment reserve).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees (continued)

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 payment reserve.

When share options are exercised, the amount previously recognised in share-based payment 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 payment reserve will be transferred to accumulated losses.

Share options granted to non-employees

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. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to offices. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

Determination on lease term of contracts with renewal options (continued)

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs); and
- current geographical and global economic uncertainty.

On commencement dates of relevant leases, management did not consider that it is reasonably certain to exercise the renewal option in the relevant leases. As at 31 December 2020, the undiscounted potential future lease payments not included in lease liabilities amounted to approximately HK\$16,278,000 (2019: HK\$16,818,000).

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.

Impairment assessment under ECL model for accounts receivable arising from margin financing

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

In applying the accounting requirements for measuring ECL, the management involves significant judgements, estimates and assumptions to determine criteria for significant increase in credit risk, select appropriate models and assumptions for the measurement of ECL and consider 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 45. 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 qualitatively and quantitatively 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 based on significant management judgement and estimates. For non-credit impaired accounts receivable arising from margin financing, the management performed collective assessment and ECL 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 receivable arising from margin financing, the management performed individual assessment for each client by considering various factors, including the realisable value of securities or collaterals held by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment assessment under ECL for accounts receivable arising from margin financing (continued)

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.

Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the PD in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates. Details of the impairment assessment of accounts receivable arising from margin financing are disclosed in note 45.

Estimated impairment of property and equipment (including right-of-use assets) and intangible assets

Property and equipment (including right-of-use assets) and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, the higher of the net present value of future cash flows which are estimated based upon the continued use of the asset in the case of value in use or fair value less cost of disposal; and (3) the appropriate key inputs to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate in determining value in use and certain adjustments in determining fair value as disclosed in note 21. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the inputs and estimates could materially affect the relevant value in use or fair value of the various CGUs.

In view of impairment indicators, the Group performed impairment assessment on property and equipment (including right-of-use assets) of HK\$16,430,000 (2019: HK\$21,748,000). Impairment losses of nil (2019: HK\$20,000,000) has been recognised on property and equipment during the year ended 31 December 2020. Details of the impairment assessment of property and equipment are disclosed in note 21.

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\$479,843,000 (2019: HK\$449,570,000) and deductible temporary differences of HK\$47,917,000 (2019: HK\$45,390,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially in the current year given the significant uncertainty on the potential disruption of the Group's operations due to the COVID-19 pandemic. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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 as at the reporting date. These investments are valued by independent external valuation specialists based on generally accepted valuation models. 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, discount rate and adjusted net assets value, the determination of these unobservable inputs and other assumptions used in the model may involve subjective judgement and estimates.

Whilst the Group considers these valuations are the best estimates, the ongoing COVID-19 pandemic may cause volatility and uncertainty to the investees' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions or inputs could affect the reported fair values of these instruments. Details of valuation methodologies or inputs are set out in note 45 to the consolidated financial statements.

5. FEE AND COMMISSION INCOME

(i) Disaggregation of revenue from contracts with customers

	2020 HK\$'000	2019 HK\$'000
Type 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
Total	78,286	82,916

	2020 HK\$'000	2019 HK\$'000
Timing of revenue recognition		
A point in time	74,151	81,210
Over time	4,135	1,706
Total	78,286	82,916

Fee and commission income of HK\$78,286,000 (2019: HK\$82,916,000) and interest income of HK\$25,332,000 (2019: HK\$24,542,000) are presented as financial services segment revenue and interest income of HK\$70,000 (2019: HK\$34,000) is presented as proprietary trading revenue for the year ended 31 December 2020 in the segment information in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

5. FEE AND COMMISSION INCOME (continued)

(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.

Investment banking services

The Group provides underwriting, sub-underwriting, placing, sponsor and financial advisory services to customers. Included in the revenue derived from investment banking services, HK\$416,000 (2019: nil) is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, while the remaining 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 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 instalments 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 life insurances, mutual funds and MPF 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 a certain percentage of the premium paid 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

5. FEE AND COMMISSION INCOME (continued)

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

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.

(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 services that are unsatisfied (or partly unsatisfied).

6. INTEREST INCOME

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

7. SEGMENT INFORMATION

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment revenue and result (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. SEGMENT INFORMATION (continued)

Reportable and operating segment (continued)

Segment assets and liabilities (continued)

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
Amounts due to related companies			198
Taxation payable			3,000
Provision for restoration			1,133
Consolidated total liabilities			999,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. SEGMENT INFORMATION (continued)

Other information

For the year ended 31 December 2020

	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	1,535	–	1,911	3,446
Interest income	25,332	70	–	25,402
Depreciation of property and equipment	(8,339)	–	(430)	(8,769)
Finance costs	(9,451)	(1,632)	–	(11,083)
Net gains (losses) on financial assets at FVTPL	–	2,649	(215)	2,434
Impairment losses, net of reversal				
– accounts receivable	(491)	–	–	(491)
– loans receivable	(956)	–	–	(956)
Net foreign exchange gain (loss)	2,663	(133)	(87)	2,443

For the year ended 31 December 2019

	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	8,432	1,155	27,758	37,345
Interest income	24,542	34	–	24,576
Depreciation of property and equipment	(23,359)	–	(295)	(23,654)
Write-off of property and equipment	(32)	–	–	(32)
Finance costs	(4,108)	(2,536)	–	(6,644)
Net gains on financial assets at FVTPL	–	3,617	–	3,617
Impairment losses, net of reversal				
– accounts receivable	(2,189)	–	–	(2,189)
– other receivables	–	–	5,400	5,400
Net foreign exchange gain (loss)	177	(114)	1	64
Impairment losses on property and equipment	(18,227)	(1,155)	(618)	(20,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. SEGMENT INFORMATION (continued)

Other information (continued)

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

	Revenue from external customers		Non-current assets	
	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.

8. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Imputed interest income on rental deposits	99	214
Sundry income	507	604
Government grants	6,208	–
	6,814	818

During the current year, the Group recognised government grants of HK\$6,208,000 in respect of COVID-19-related subsidies, of which HK\$6,108,000 relates to Employment Support Scheme provided by the Hong Kong government for compensating the Group's staff costs and HK\$100,000 related to an unconditional subsidy under Subsidy Scheme for the Securities Industry specified in the Hong Kong government's "Anti-epidemic Fund".

9. OTHER GAINS

	2020 HK\$'000	2019 HK\$'000
Net gains on financial assets at FVTPL (note)	2,434	3,617
Write-off of property and equipment	–	(32)
Net foreign exchange gain	2,443	64
	4,877	3,649

Note: The amount includes dividend income of HK\$245,000 (2019: HK\$772,000) and interest income amounting to HK\$688,000 (2019: HK\$3,587,000) from financial assets at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

10. SALARIES AND RELATED BENEFITS

	2020 HK\$'000	2019 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	57,149	77,820
Contributions to retirement benefits schemes	2,789	4,335
Share-based payment	4,698	–
	64,636	82,155

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 2020

	Kwan Pak Hoo Bankee HK\$'000 (note (a))	Cheung Wai Ching Anthony HK\$'000 (note (g))	Li Shing Wai Lewis HK\$'000 (note (b))	Kwan Teng Hin Jeffrey HK\$'000 (note (c))	Chan Chi Ming Benson HK\$'000 (notes (c) &(g))	Kwok Ka Lok Lionel HK\$'000 (note (h))	Ng Hin Sing Derek HK\$'000 (note (h))	Total 2020 HK\$'000
(A) EXECUTIVE DIRECTORS								
Fees	–	–	–	–	–	–	–	–
Other emoluments:								
Salaries and allowances	1,394	865	830	740	300	60	640	4,829
Retirement benefits	36	33	31	29	15	1	21	166
Share-based payment	494	494	494	494	–	–	494	2,470
Sub-total	1,924	1,392	1,355	1,263	315	61	1,155	7,465
				Lo Kwok Hung John HK\$'000	Lo Ming Chi Charles HK\$'000	Cheng Shu Shing Raymond HK\$'000		Total 2020 HK\$'000
(B) INDEPENDENT NON-EXECUTIVE DIRECTORS								
Fees			150	150	150		450	
Sub-total			150	150	150		450	
Total							7,915	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

For the year ended 31 December 2019

	Kwan Pak Hoo Bankee HK\$'000 (note (a))	Cheung Wai Ching Anthony HK\$'000 (note (g))	Li Shing Wai Lewis HK\$'000 (note (b))	Kwan Teng Hin Jeffrey HK\$'000 (notes (c) & (g))	Chan Chi Ming Benson HK\$'000 (note (d))	Law Ping Wah Bernard HK\$'000 (note (d))	Ho Tsz Cheung Jack HK\$'000 (note (d))	Ng Tze Wai Anthony HK\$'000 (note (e))	Total 2019 HK\$'000
(A) EXECUTIVE DIRECTORS									
Fees	-	-	-	-	-	-	-	-	-
Other emoluments:									
Salaries and allowances	828	1,020	200	972	1,720	180	560	720	6,200
Retirement benefits	41	51	10	49	86	9	28	36	310
Sub-total	869	1,071	210	1,021	1,806	189	588	756	6,510
				Lo Kwok Hung John HK\$'000	Lo Ming Chi Charles HK\$'000	Cheng Shu Shing Raymond HK\$'000			Total 2019 HK\$'000
(B) INDEPENDENT NON-EXECUTIVE DIRECTORS									
Fees				150	150	150			450
Sub-total				150	150	150			450
Total									6,960

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Notes:

- (a) Dr Kwan Pak Hoo Bankee was appointed as Acting Chief Executive of the Company with effect from 1 January 2020. During the year ended 31 December 2020, he was appointed as Chief Executive 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 2019, Mr Li Shing Wai Lewis was appointed as executive director of the Company.
- (c) Mr Chan Chi Ming Benson had been the executive director and Chief Executive of the Company. During the year ended 31 December 2019, he resigned as Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive and before his resignation as the Chief Executive.
- (d) During the year ended 31 December 2019, Mr Law Ping Wah Bernard and Mr Ho Tsz Cheung Jack resigned as executive directors of the Company.
- (e) During the year ended 31 December 2019, Mr Ng Tze Wai Anthony was appointed as Chief Executive and executive director of the Company. He resigned as Chief Executive and executive director of the Company with effect from 1 January 2020 and his emoluments disclosed above include those for services rendered by him as the Chief Executive before his resignation as the Chief Executive.
- (f) During the years ended 31 December 2020 and 2019, 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 2020 and 2019.
- (g) During the year ended 31 December 2020, Mr Chan Chi Ming Benson and Mr Cheung Wai Ching Anthony resigned as executive directors of the Company.
- (h) During the year ended 31 December 2020, Mr Kwok Ka Lok Lionel and Mr Ng Hin Sing Derek were appointed as executive directors of the Company.

12. EMPLOYEES' REMUNERATION

Five (2019: two) of the five individuals with the highest emoluments in the Group were directors of the Company for the year ended 31 December 2020. Details of these directors' emolument are included in the disclosures in note 11 above. For the year ended 31 December 2019, the emolument of the remaining three individuals were as follows:

	2019 HK\$'000
Salaries and allowances	5,422
Contributions to retirement benefits schemes	271
Share-based payment	–
Amount as inducement to join the Group	–
	<u>5,693</u>

For the year ended 31 December 2019, the remuneration of the three individuals (other than directors) was within the following bands:

	Number of employees 2019
HK\$1,500,001 to HK\$2,000,000	2
HK\$2,000,001 to HK\$2,500,000	1
	<u>3</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

13. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank overdrafts and borrowings	10,113	5,583
Interest on lease liabilities	970	1,061
	11,083	6,644

14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 HK\$'000	2019 HK\$'000
Net impairment losses recognised (reversed) on:		
Accounts receivable	491	2,189
Loans receivable	956	–
Other receivables	–	(5,400)
	1,447	(3,211)

For the year ended 31 December 2019, impairment loss of HK\$5,400,000 was reversed because the Group recovered the full amount from the counterparties.

Details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in note 45.

15. 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 promotion 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

16. 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 (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.

The income tax expense 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:

	2020 HK\$'000	2019 HK\$'000
Loss before taxation	(39,141)	(116,890)
Taxation at income tax rate of 16.5%	(6,458)	(19,287)
Tax effect of expenses not deductible for tax purpose	2,359	3,312
Tax effect of income not taxable for tax purpose	(1,321)	(720)
Tax effect of deductible temporary differences not recognised	690	3,858
Tax effect of utilisation of tax losses previously not recognised	(979)	(2,270)
Tax effect of utilisation of temporary differences previously not recognised	(273)	(2,324)
Tax effect of tax losses not recognised	5,974	17,386
Others	8	45
Income tax expense	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

17. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 15 May 2019, the Group acquired 100% of the issued share capital of CFSG FinTech Group Limited ("CASH FinTech") from CASH Dynamic Opportunities Investment Limited, a wholly-owned subsidiary of CASH, for a consideration of US\$1. The consideration paid is equal to the share of net asset of CASH FinTech.

On 31 October 2019, the Group acquired 100% of the issued share capital of Shanghai Yirui Equity Investment Fund Management Company Limited ("Shanghai Yirui") from Sky Rich Investments Limited, a wholly-owned subsidiary of CASH, for a consideration of RMB1,600,000 (equivalent to approximately HK\$1,776,000). The consideration paid is equal to the share of net asset of Shanghai Yirui.

The acquisitions are considered as acquisitions of assets through acquisition of a subsidiary rather than a business combination as defined in HKFRS 3.

	HK\$'000
Consideration transferred:	
Cash	1,776
Assets acquired at the date of acquisition were as follows:	
Bank balance and cash	1,521
Other receivables	255
Total	1,776
Net cash outflow on acquisition of the subsidiary:	
Cash consideration paid	1,776
Less: cash and cash equivalent balances acquired	(1,521)
Total	255

18. LOSS FOR THE YEAR

	2020 HK\$'000	2019 HK\$'000
Loss for the year has been arrived at after charging:		
Depreciation of property and equipment (note 21)	8,769	23,654
Auditor's remuneration	1,920	1,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

19. 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

	2020 HK\$'000	2019 HK\$'000
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.

20. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

21. PROPERTY AND EQUIPMENT

	Right-of- use assets – leased properties	Leasehold improvements	Furniture and fixtures	Computer and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST OR VALUATION					
As 1 January 2019	36,437	20,522	2,484	43,649	103,092
Exchange adjustments	–	(37)	(38)	–	(75)
Additions	27,505	7,312	1,251	1,277	37,345
Written-off	–	(17,892)	(1,047)	(34,964)	(53,903)
At 31 December 2019	63,942	9,905	2,650	9,962	86,459
Exchange adjustments	–	–	12	–	12
Additions	1,678	1,454	153	161	3,446
Written-off upon end of leases	(15,777)	–	–	–	(15,777)
At 31 December 2020	49,843	11,359	2,815	10,123	74,140
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
As 1 January 2019	17,553	17,670	1,604	38,135	74,962
Exchange adjustments	–	–	(34)	–	(34)
Provided for the year	19,796	1,482	105	2,271	23,654
Impairment loss recognised in profit or loss	12,000	4,117	1,178	2,705	20,000
Written-off	–	(17,892)	(1,047)	(34,932)	(53,871)
At 31 December 2019	49,349	5,377	1,806	8,179	64,711
Exchange adjustments	–	–	7	–	7
Provided for the year	5,694	1,465	305	1,305	8,769
Written-off upon end of leases	(15,777)	–	–	–	(15,777)
At 31 December 2020	39,266	6,842	2,118	9,484	57,710
CARRYING VALUES					
At 31 December 2020	10,577	4,517	697	639	16,430
At 31 December 2019	14,593	4,528	844	1,783	21,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

21. PROPERTY AND EQUIPMENT (continued)

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

Right-of-use assets – leased properties	Over the shorter of the lease terms and 5 years
Leasehold improvements	Over the shorter of the lease terms and 5 years
Furniture and fixtures	5 years
Computer and equipment	5 years

During the year ended 31 December 2019, property and equipment of cost of HK\$53,855,000, which were fully depreciated, were written off.

Total cash outflow for leases for the year ended 31 December 2020 amounted to HK\$9,396,000 (2019: HK\$19,621,000).

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of two years to five years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has extension options in a number of leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise are summarised below:

	Lease liabilities recognised as at 31 December 2020 HK\$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK\$'000
Offices at Hong Kong	15,774	16,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

21. PROPERTY AND EQUIPMENT (continued)

	Lease liabilities recognised as at 31 December 2019 HK\$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK\$'000
Offices at Hong Kong	20,407	16,818

Restrictions or covenants on leases

In addition, lease liabilities of HK\$20,112,000 (2019: HK\$26,921,000) are recognised with related right-of-use assets of HK\$10,577,000 (2019: HK\$14,593,000) as at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Rent concessions

During the year ended 31 December 2020, lessor of the office provided rent concessions to the Group through rent deferral.

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in HKFRS16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to rent deferral arrangement by the lessor for the relevant leases of HK\$34,000 were recognised as negative variable lease payments in profit or loss during the year ended 31 December 2020.

Impairment assessment

For the years ended 31 December 2020 and 2019, as a result of the recurring losses of the Group and significant uncertainty on global and local economic environment, the management of the Group concluded there was indicator for impairment on property and equipment. The Group estimates the recoverable amount of the various CGUs of broking, investment banking, asset management, wealth management which in aggregate are reported as financial services segment and proprietary trading which is a separate segment to which the asset belongs, using the higher of value in use and fair value less cost of disposal of the respective CGU.

As at 31 December 2020 and 2019, the recoverable amounts of the CGUs are determined by the directors of the Company using fair value less costs of disposal with reference to a valuation report issued by Peak Vision Appraisals Limited, the independent qualified professional valuer not connected to the Group, which is based on market transactions of comparable operations, adjusted to reflect the underlying assets included in the relevant CGUs for the purpose of impairment assessment. The fair value hierarchy of the valuation is classified as Level 3.

For the year ended 31 December 2019, management of the Group determined that the recoverable amounts of certain CGUs based on the fair value less cost of disposal were lower than the respective carrying amounts. For such CGUs, the impairment amount of HK\$20,000,000 has been allocated to each category of property and equipment with reference to their relative carrying amounts such that the carrying amount of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. For the year ended 31 December 2020, based on the results of the assessment, management of the Group determined that no further impairment or reversal of impairment on property and equipment is required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

22. INVESTMENT PROPERTY

	HK\$'000
FAIR VALUE	
At 1 January 2019	17,025
Net increase in fair value recognised in profit or loss	444
Exchange adjustments	<u>(375)</u>
At 31 December 2019	17,094
Net increase in fair value recognised in profit or loss	824
Exchange adjustments	<u>1,016</u>
At 31 December 2020	<u>18,934</u>
Unrealised 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 2020	<u>824</u>
For the year ended 31 December 2019	<u>444</u>

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

The investment property of the Group is situated:

	2020 HK\$'000	2019 HK\$'000
Outside Hong Kong	<u>18,934</u>	<u>17,094</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

22. INVESTMENT PROPERTY (continued)

Fair value measurement of the Group's investment property

The fair value of the Group's investment property as at 31 December 2020 and 2019 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.

The fair value of the 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 status 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 2020 and 2019				
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:	Level adjustment on individual floors of the property of range of -5% to +2% (2019: -5% to +2%) View adjustment on the site view of the property of +2% (2019: +2%)	The higher level, the higher the fair value The better view, the higher the fair value The larger size, the lower the price per square meter
		(1) Level adjustment	Size adjustment on the size of	
		(2) View adjustment	the property of -10% (2019:	
		(3) Size adjustment	-10%)	

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

23. INTANGIBLE ASSETS

**Trading
rights**
HK\$'000

COST AND CARRYING VALUES

At 31 December 2020 and 31 December 2019

9,092

At 31 December 2020, intangible assets amounting to HK\$9,092,000 (2019: 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 the replacement cost and accordingly, no impairment is recognised in profit or loss for both years.

24. CLUB DEBENTURES

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

25. OTHER ASSETS

	2020 HK\$'000	2019 HK\$'000
Statutory deposits with exchanges and clearing houses	8,235	6,401

The above deposits are non-interest bearing.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets designated at FVTOCI:

	2020 HK\$'000	2019 HK\$'000
Unlisted equity investments at fair value	25,649	39,512

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

27. ACCOUNTS RECEIVABLE

	Notes	2020 HK\$'000	2019 HK\$'000
Accounts receivable arising from the business of dealing in securities:			
Clearing houses, brokers and dealers	(a)	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:			
Cash clients	(a)	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 MPF 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

27. ACCOUNTS RECEIVABLE (continued)

Notes: (continued)

(a) (continued)

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 2020, accounts receivable from margin clients are secured by clients' pledged securities with fair value of approximately HK\$321,745,000 (2019: HK\$556,915,000), of which 82% (2019: 87%) 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 45.

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 MPF 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 HK\$'000	2019 HK\$'000
0 – 30 days	193	62

As at 1 January 2019, commission receivable from brokerage of life insurance, mutual funds and MPF products as well as accounts receivable arising from the provision of investment banking services amounted to HK\$414,000.

Details of the credit risk profile disclosure and movements in the allowance for impairment for the years ended 31 December 2020 and 2019 are set out in "credit risk and impairment assessment" in note 45.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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 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
Directors of the Company				
Dr Kwan Pak Hoo Bankee				
2020	–	–	26,310	–
2019	–	–	5,999	–
Mr Li Shing Wai Lewis (note (2))				
2020	–	–	2,793	–
2019 (from 2.9.2019 to 31.12.2019)	N/A	–	515	–
Mr Kwan Teng Hin Jeffrey				
2020	–	–	26,654	–
2019	–	–	273	–
Mr Ng Hin Sing Derek (note (4))				
2020 (from 27.3.2020 to 31.12.2020)	N/A	2,730	28,788	580
2019	N/A	N/A	N/A	N/A
Mr Cheung Wai Ching Anthony (note (3))				
2020 (from 1.1.2020 to 7.12.2020)	–	N/A	22,064	N/A
2019	–	–	7,718	–
Mr Law Ping Wah Bernard (note (1))				
2020	N/A	N/A	N/A	N/A
2019 (from 1.1.2019 to 30.6.2019)	–	N/A	11,577	N/A
Mr Ho Tsz Cheung Jack (note (1))				
2020	N/A	N/A	N/A	N/A
2019 (from 1.1.2019 to 1.9.2019)	–	N/A	655	N/A
A subsidiary of CASH				
Libra Capital Management (HK) Limited (note (5))				
2020	–	–	22,909	–
2019	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

27. ACCOUNTS RECEIVABLE (continued)

Notes:

- (1) During the year ended 31 December 2019, Mr Law Ping Wah Bernard and Mr Ho Tsz Cheung Jack resigned as executive directors of the Company.
- (2) During the year ended 31 December 2019, Mr Li Shing Wai Lewis was appointed as executive director of the Company.
- (3) During the year ended 31 December 2020, Mr Cheung Wai Ching Anthony resigned as executive director of the Company.
- (4) During the year ended 31 December 2020, Mr Ng Hin Sing Derek was appointed as executive director of the Company.
- (5) Libra Capital Management (HK) Limited, a subsidiary of CASH, the substantial shareholder 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 life insurance, mutual funds and MPF products. The Group recognises revenue when the placement is successful whilst 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:

	2020 HK\$'000	2019 HK\$'000
Commission arising from placement of mutual funds and insurance-linked investment products	2,690	1,760

As at 1 January 2019, contract assets amounted to HK\$684,000.

At 31 December 2020, the recognition of contract assets of HK\$2,690,000 (2019: HK\$1,760,000) represents management's best estimate of each contract's outcome.

Details of the impairment assessment of contract assets at 31 December 2020 and 2019 are set out in note 45.

29. CONTRACT COSTS

	2020 HK\$'000	2019 HK\$'000
Costs to fulfil contracts for financial advisory and sponsor services	–	2,444

Contract costs capitalised as at 31 December 2019 related to the salaries and other direct costs incurred to satisfy the performance obligation in the contracts of relevant sponsor and financial advisory services. Contract costs are recognised in the profit or loss when revenue from the related services is recognised. The Group has considered there was no impairment in relation to the costs capitalised. The amount of capitalised costs brought forward from prior year recognised in profit or loss during the year was HK\$2,444,000 (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

30. 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.

Details of impairment assessment at 31 December 2020 and 2019 are set out in note 45.

Details of loans receivable from directors of the Company are as follows:

Name	Balance at	Balance at	Maximum
	1 January	31 December	amount
	HK\$'000	HK\$'000	outstanding
			during
			the year
			HK\$'000
Directors of the Company			
Dr Kwan Pak Hoo Bankee (note (1))			
2020	–	2,820	2,820
2019	–	–	–
Mr Kwok Ka Lok Lionel (note (2))			
2020 (from 8.12.2020 to 31.12.2020)	N/A	506	5,500
2019	N/A	N/A	N/A

Notes:

- (1) The amount is unsecured, bear interest at Hong Kong Prime Rate and is repayable on 9 November 2021.
- (2) The amount is unsecured, bear interest at Hong Kong Prime Rate and is repayable on 23 August 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

30. LOANS RECEIVABLE (continued)

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

	2020 HK\$'000	2019 HK\$'000
On demand or within one year	14,091	8,093
In more than one year but not more than two years	–	19,129
	14,091	27,222

31. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Deposits	1,618	2,889
Prepayments and other receivables, net of impairment	5,051	3,770
	6,669	6,659

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

Details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in note 45.

32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Financial assets mandatorily measured at FVTPL:		
Listed securities held for trading:		
– Equity securities listed in Hong Kong (note (a))	82,523	87,846
– Debt securities listed in Hong Kong (note (b))	–	13,511
	82,523	101,357
Other investment		
– Unlisted fund investment (note (c))	5,335	–
	87,858	101,357

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 are determined with reference to the quoted prices provided by market makers.
- (c) The fair value of the unlisted fund investment is determined with reference to the net asset value of the fund.

	2020 HK\$'000	2019 HK\$'000
Analysed for reporting purposes as:		
Current assets	82,523	101,357
Non-current assets	5,335	–
	87,858	101,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

33. BANK DEPOSITS SUBJECT TO CONDITIONS

	2020 HK\$'000	2019 HK\$'000
Other bank deposits	25,231	25,161

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 (2019: 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\$37,500,000 was utilised as at 31 December 2020 (2019: HK\$47,500,000). 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% (2019: 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 years ended 31 December 2020 and 2019 are set out in note 45.

34. 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 commercial rate. The Group has recognised the corresponding liabilities to respective external clients and other institutions as accounts payable (note 36). 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 a short-term bank deposit at market interest rate of 0.25% (2019: 0.25%) per annum with an original maturity of three months or less.

Details of impairment assessment for the years ended 31 December 2020 and 2019 are set out in note 45.

35. AMOUNTS DUE FROM (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

36. ACCOUNTS PAYABLE

	2020 HK\$'000	2019 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 other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

37. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Provision of investment banking services	–	4,330

As at 1 January 2019, contract liabilities amounted to HK\$2,260,000.

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\$4,330,000 (2019: HK\$1,260,000) recognised in the current year relates to contract liabilities brought forward from prior periods.

For acting as sponsor, the Group normally receives fees by instalments 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.

38. ACCRUED LIABILITIES AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Accrued liabilities		
– Accrual for salaries and commission	3,843	2,417
– Other accrued liabilities	7,904	8,178
Other payables	11,476	9,975
	23,223	20,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

39. BANK BORROWINGS

	2020	2019
	HK\$'000	HK\$'000
Bank loans, secured	110,804	149,397
Based on scheduled repayment dates set out in the loan agreements, the carrying amount of bank loans is repayable:		
Within one year	304	3,577
In the second year	–	307
In the third to fifth year	–	–
	304	3,884
Carrying amount of bank loans containing a repayment on demand clause and repayable:		
Within one year	110,500	145,513
	110,804	149,397
Less: Amount due within one year shown under current liabilities	(110,804)	(149,090)
	–	307

The Group's bank borrowings as at 31 December 2020 and 2019 are guaranteed and/or 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\$196,897,000 (2019: HK\$216,015,000) at 31 December 2020 (with clients' consent); and
- (d) bank deposits of HK\$25,231,000 (2019: HK\$25,161,000) as disclosed in note 33.

Bank loans amounting to HK\$110,804,000 (2019: HK\$149,397,000) are variable-rate borrowings which carry interest with reference to HIBOR.

The effective interest rates on the Group's borrowings are also equal to the contracted interest rates of 1.3% to 4.6% (2019: 2.2% to 5.3%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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 2019, 31 December 2019 and 31 December 2020	(40)

At 31 December 2020, the Group has estimated unused tax losses of approximately HK\$479,843,000 (2019: HK\$449,570,000) and deductible temporary differences of HK\$47,917,000 (2019: HK\$45,390,000). No deferred tax asset has been recognised as at 31 December 2020 and 2019 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\$2,250,000 (2019: HK\$2,881,000) 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. LEASE LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Lease liabilities payable:		
Within one year	10,832	9,085
More than one year but not exceeding two years	8,011	8,742
More than two years but not exceeding three years	1,269	9,094
	20,112	26,921
Less: amount due for settlement with 12 months shown under current liabilities	(10,832)	(9,085)
Amount due for settlement after 12 months shown under non-current liabilities	9,280	17,836

The weighted average incremental borrowing rates applied to lease liabilities ranged from 4% to 4.125% (2019: from 4% to 4.125%).

The Group leases various properties to operate its business and these liabilities were measured at the present value of the lease payments that are not yet paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

42. SHARE CAPITAL

	Number of shares ('000)		HK\$'000
	of HK\$0.02 per share	of HK\$0.4 per share	
Authorised:			
At 1 January 2019 and 31 December 2019	15,000,000	–	300,000
Effect of share consolidation (note i)	(15,000,000)	750,000	–
At 31 December 2020	–	750,000	300,000
Issued and fully paid:			
At 1 January 2019 and 31 December 2019	4,955,763	–	99,115
Effect of share consolidation (note i)	(4,931,853)	246,593	–
Shares repurchased	(23,910)	(3,970)	(2,066)
At 31 December 2020	–	242,623	97,049

For the year ended 31 December 2020, the Company repurchased its own ordinary shares through the Stock Exchange 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		Aggregate consideration paid HK\$'000
			Highest	Lowest	
			HK\$	HK\$	
Before share consolidation					
September 2020	23,910,000	N/A	0.027	0.025	617
After share consolidation					
September 2020	N/A	1,359,900	0.530	0.395	603
October 2020	N/A	510,000	0.445	0.390	218
November 2020	N/A	2,100,000	0.580	0.420	1,038
Total	23,910,000	3,969,900			2,476

The above ordinary shares were cancelled upon repurchase.

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

Note:

- i) Pursuant to the share consolidation completed on 7 September 2020, the authorised share capital of the Company of HK\$300,000,000 was divided into 750,000,000 shares, of which 247,788,179 consolidated shares was issued and fully paid. After the shares consolidation, every twenty of the then existing issued and unissued shares of par value of HK\$0.02 each in the share capital of the Company was consolidated into one consolidated share of par value of HK\$0.4 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

43. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiary
	HK\$'000
At 1 January 2019	11,343
Share of loss for the year	<u>(2,842)</u>
At 31 December 2019 and 1 January 2020	8,501
Share of profit for the year	<u>37</u>
At 31 December 2020	<u>8,538</u>

44. 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 lease liabilities disclosed in note 41, and equity attributable to owners of the Company, comprising issued share capital disclosed in note 42, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
Financial assets		
At FVTPL	87,858	101,357
At FVTOCI	25,649	39,512
At amortised cost	1,297,961	1,302,609
Financial liabilities		
Amortised cost	978,556	953,790

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, accounts receivable, loans receivable, deposits and other receivables, bank deposits, bank balances, bank borrowings, lease liabilities, amounts due from (to) related companies, other payables 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 equity securities held for trading which are measured at FVTPL and expose the Group to price risk. In both years, the directors of the Company manage the exposure by closely monitoring the portfolio of equity securities held for trading and imposing trading limits on individual trades.

In addition, the Group also invested in unlisted equity investments and unlisted fund investment for long-term strategic purposes which had been designated at FVTOCI and classified at FVTPL respectively.

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 2020, if the market bid prices of the Group's listed equity investments had been 15 percent (2019: 15 percent) higher/lower, the Group's loss after taxation would decrease/increase by HK\$12,378,000 (2019: HK\$13,177,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

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.

The Group is exposed to fair value interest rate risk in relation to bank deposits subject to condition, accounts payable to clients arising from business of dealing in securities, lease liabilities and fixed-rate debt securities classified as financial assets at FVTPL (for 2019 only). 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, accounts receivable arising from the business of margin financing, loans receivable and 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 (2019: 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 (for 2019 only). 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 a decrease in loss after taxation of the Group or vice versa.

	2020	2019
	HK\$'000	HK\$'000
Loss after taxation for the year		
Increase by 50 bps	(143)	78
Decrease by 50 bps	143	(78)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk

The group entities have financial assets and liabilities denominated in currencies other than their respective functional currencies. Consequently, the Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Group's assets 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 arise. The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view that Hong Kong dollar is pegged to USD.

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

	Liabilities		Assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
USD	105,221	82,782	183,353	125,333
RMB	3,068	1,474	40,841	43,818

As at 31 December 2020, if RMB had strengthened/weakened by 5% (2019: 5%) against HK\$ and all other variables were held constant, the Group's loss after taxation would decrease/increase by HK\$1,889,000 (2019: HK\$2,117,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Except for debt securities at FVTPL held by the Group as at 31 December 2019, the Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposure and related impairment assessment are summarised below.

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.

	2020 HK\$'000	2019 HK\$'000
Portfolio by issuer rating		
Financial assets at FVTPL rated at B-	–	13,511
	–	13,511

As at 31 December 2020, the total principal amount of the debt securities held by the Group amounted to nil (2019: HK\$15,600,000).

In order to minimise the credit risk on brokerage, financing and investment banking services, 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 judgment, 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.

As at 31 December 2019, the Group also invested in debt securities which exposed 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 were 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 at FVTPL is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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

	Notes	External credit rating	Internal credit management and assessment	12-month or lifetime ECL	2020 Gross carrying amount HK\$'000	2019 Gross carrying amount HK\$'000
Financial assets at amortised cost						
Loans receivable	30	N/A	Notes 1,5	12-month ECL Credit-impaired	14,091 956	27,222 –
					15,047	27,222
Bank balances	34	A3 – Aa1 Baa3 – Baa1 (notes 2,5)	N/A N/A	12-month ECL 12-month ECL	902,214 38,768	877,546 55,188
					940,982	932,734
Bank deposits subject to conditions	33	A3 (notes 2,5)	N/A	12-month ECL	25,231	25,161
Accounts receivable arising from contracts with customers under HKFRS 15	27	N/A	Note 3	Lifetime ECL (not credit-impaired)	193	62
Accounts receivable arising from the business of dealing in securities, futures and options	27	N/A	Note 6	12-month ECL	183,815	162,357
Accounts receivable arising from the business of margin financing	27	N/A	Note 4	12-month ECL Lifetime ECL (not credit-impaired) Credit-impaired	108,828 13,199 27,465	144,191 588 25,447
					149,492	170,226
Deposits and other receivables	31	N/A	Note 5	12-month ECL	6,953	8,493
Amounts due from related companies	35	N/A	Note 5	12-month ECL	1,341	–
Other item						
Contract assets	28	N/A	Note 3	Lifetime ECL (not credit-impaired)	2,690	1,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. 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 and the past collection history. As at 31 December 2020, the Group had concentration of credit risk on loans receivable as 70% (2019: 70%) of the outstanding balance is from the top four (2019: one) borrowers. During the year, the management considered an unsecured loan overdue more than 90 days of HK\$956,000 to be uncollectable and fully impaired. The loans receivable of HK\$14,091,000 (2019: HK\$27,222,000) 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 contract assets, commission receivable from brokerage of life insurance, mutual funds and MPF products and accounts receivable arising from the provision of investment banking services, 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 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") over the expected life and is adjusted for forward-looking estimates. Majority of the balances are not past due as at 31 December 2020 and 2019.
4. As at 31 December 2020, the Group had concentration of credit risk on the accounts receivable from margin clients as the aggregate balances with the five largest clients represent approximately 45% (2019: 45%) of total 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 non-credit impaired accounts receivable arising from margin financing, the management performed collective assessment and ECL 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.
6. For accounts receivable from cash clients was accounts receivable from clients arising from the business of dealing in securities, futures and options, are which normally had a delivery-against payment settlement term of one or two days.

The Group ensures that the exposures are limited to reputable counterparties, such as the financial institutions, brokers, dealers or clearing houses, which are governed by regulators including the Hong Kong Monetary Authority, the SFC and other overseas regulators. The risk of default in repayment is considered to be minimal by the directors. Accordingly, they are subject to 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Except for accounts receivable arising from margin financing and other receivables, the ECL impairment allowance determined for other financial assets carried at amortised cost and contract assets is insignificant and accordingly no provision has been made.

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

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2019	162	555	20,740	21,457
– Transfer to lifetime ECL (credit-impaired)	(4)	(10)	14	–
– Transfer to lifetime ECL (not credit-impaired)	(17)	87	(70)	–
– Transfer to 12m ECL	16	(13)	(3)	–
– Impairment losses recognised	419	2,386	4,432	7,237
– Impairment losses reversed	(396)	(2,460)	(2,192)	(5,048)
As at 31 December 2019 and 1 January 2020	180	545	22,921	23,646
– Transfer to lifetime ECL (credit-impaired)	(6)	(16)	22	–
– Transfer to lifetime ECL (not credit-impaired)	(63)	91	(28)	–
– Transfer to 12m ECL	7	(3)	(4)	–
– Impairment losses recognised	669	1,579	5,208	7,456
– Impairment losses reversed	(598)	(1,599)	(4,768)	(6,965)
As at 31 December 2020	189	597	23,351	24,137

The net increase of the ECL allowance was HK\$491,000 (2019: HK\$2,189,000) for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. 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 loans receivable.

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 31 December 2019 and 1 January 2020	–	–	–	–
– Impairment losses recognised	–	–	956	956
As at 31 December 2020	–	–	956	956

(c) 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 1 January 2019	–	–	5,400	5,400
Changes due to financial instruments recognised as at 1 January:				
– Impairment losses reversed (note)	–	–	(5,400)	(5,400)
As at 31 December 2019 and 2020	–	–	–	–

Note: In prior years, the Company considered the other receivables with gross carrying amount of HK\$5,400,000 to be uncollectible. The amount was subsequently recovered in 2019 and the impairment had been reversed.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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.

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 2020							
Accounts payable	0.001	817,077	39,199	–	–	856,276	856,276
Other payables	N/A	11,476	–	–	–	11,476	11,476
Bank borrowings	Note	110,500	308	–	–	110,808	110,804
Lease liabilities	4 – 4.125	–	2,967	8,484	9,542	20,993	20,112
		939,053	42,474	8,484	9,542	999,553	998,668
	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 2019							
Accounts payable	0.001	742,012	52,208	–	–	794,220	794,220
Other payables	N/A	9,975	–	–	–	9,975	9,975
Bank borrowings	Note	145,513	922	2,767	308	149,510	149,397
Lease liabilities	4 – 4.125	–	2,670	7,347	18,661	28,678	26,921
Amounts due to related companies	N/A	198	–	–	–	198	198
		897,698	55,800	10,114	18,969	982,581	980,711

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

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 December 2020, the aggregate carrying amounts of these bank borrowings amounted to approximately HK\$110,500,000 (2019: HK\$145,513,000). 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 disclosed in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

As at 31 December 2020, 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\$110,921,000 (2019: HK\$148,376,000).

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 measurements of financial instruments

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 2020 HK\$'000	Fair value hierarchy 31 December 2019 HK\$'000	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Reasonable significant change in unobservable inputs	Increase(+)/ decrease(-) in fair value of financial instruments by reasonable change in unobservable inputs
							HK\$'000
Financial assets							
Financial assets at FVTPL							
Investments held for trading							
– Equity securities listed in Hong Kong	82,523	87,846	Level 1	Quoted prices in an active market	N/A	N/A	N/A
– Debt securities listed in Hong Kong	-	13,511	Level 2	Quoted by market makers	N/A	N/A	N/A
Investment held for long-term strategic purpose							
– Unlisted fund investment	5,335	-	Level 3	Net asset value of the fund calculated based on the discounted cash flows of underlying investments.	Net assets value	The higher the net assets value, the higher the fair value.	10% 2020: +534/-534 (2019: N/A)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

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

	Fair value as at 31 December 2020 HK\$'000	Fair value as at 31 December 2019 HK\$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Reasonable significant change in unobservable inputs	Increase(+)/ decrease(-) in fair value of financial instruments by reasonable change in unobservable inputs
								HK\$'000
Financial assets at FVTOCI								
- Unlisted equity investment	17,940	15,600	Level 3	Discounted cash flow method	Discount rate: 2020: 7%	The higher the discount rate, the lower the fair value.	10%	2020: -238/+232
- Unlisted equity investment	5,354	8,312	Level 3	Market approach	Discount rate for lack of marketability: 2020: 20%	The higher the discount rate for lack of marketability, the lower the fair value.	10%	2020: -102/+102
- Unlisted equity investment (note)	2,355	-	Level 3	Adjusted net assets value method	Adjusted net assets value	The higher the adjusted net assets value, the higher the fair value.	10%	2020: +236/-236
	-	15,600	Level 3	N/A	N/A	N/A	N/A	N/A

Note: As at 31 December 2019, the cost of the investment was considered as the best estimate of fair value by reference to recent transaction price. As at 31 December 2020, the fair value was determined using valuation technique based on significant unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Reconciliation of level 3 fair value measurements

	Financial assets at FVTPL
	HK\$'000
As at 1 January 2019 and 31 December 2019	–
Purchases	5,550
Total losses in profit or loss	<u>(215)</u>
As at 31 December 2020	<u>5,335</u>
	Financial assets at FVTOCI
	HK\$'000
As at 1 January 2019	26,240
Purchases	15,600
Total losses in other comprehensive income	<u>(2,328)</u>
As at 31 December 2019 and 1 January 2020	39,512
Total losses in other comprehensive income	<u>(13,863)</u>
As at 31 December 2020	<u>25,649</u>

Included in other comprehensive income is an amount of unrealised loss of HK\$13,863,000 (2019: loss of HK\$2,328,000) related to unlisted equity investments at FVTOCI held as at 31 December 2020.

Included in profit or loss is an amount of unrealised loss of HK\$215,000 related to unlisted fund investment at FVTPL held as at 31 December 2020.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

As at 31 December 2020

	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Gross amounts of recognised financial assets presented 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		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral received* HK\$'000	
Financial assets						
Accounts receivable arising from the business of dealing in securities and margin financing	826,078	(583,985)	242,093	(6,555)	(172,495)	63,043

As at 31 December 2019

	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Gross amounts of recognised financial assets presented 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		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral received* HK\$'000	
Financial assets						
Accounts receivable arising from the business of dealing in securities and margin financing	537,600	(297,953)	239,647	(4,498)	(204,747)	30,402

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities offsetting (continued)

As at 31 December 2020

	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Gross amounts of recognised financial liabilities presented in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral paid HK\$'000	
Financial liabilities						
Accounts payable arising from the business of dealing in securities	1,327,153	(583,985)	743,168	-	-	743,168

As at 31 December 2019

	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Gross amounts of recognised financial liabilities presented in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK\$'000
				Financial instruments HK\$'000	Collateral paid HK\$'000	
Financial liabilities						
Accounts payable arising from the business of dealing in securities	947,131	(297,953)	649,178	-	-	649,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

46. 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)	Amounts due to related companies HK\$'000 (note 35)	Lease liabilities HK\$'000 (note 41)	Total HK\$'000
At 1 January 2019	106,431	1,904	19,386	127,721
Financing cash flows:				
– Advances from bank borrowings	58,500	–	–	58,500
– Repayment of bank borrowings	(15,547)	–	–	(15,547)
– Repayments to related companies	–	(28,337)	–	(28,337)
– Advances from related companies	–	26,631	–	26,631
– Repayments of lease liabilities	–	–	(18,560)	(18,560)
– Interest paid	(5,570)	–	(1,061)	(6,631)
Inception of new leases	–	–	26,095	26,095
Interest expense	5,583	–	1,061	6,644
At 31 December 2019 and 1 January 2020	149,397	198	26,921	176,516
Financing cash flows:				
– Advances from bank borrowings	16,356,600	–	–	16,356,600
– Repayment of bank borrowings	(16,395,225)	–	–	(16,395,225)
– Repayments to related companies	–	(865)	–	(865)
– Advances from related companies	–	667	–	667
– Repayments of lease liabilities	–	–	(8,426)	(8,426)
– Interest paid	(10,081)	–	(970)	(11,051)
Inception of new leases	–	–	1,651	1,651
Negative variable lease payment	–	–	(34)	(34)
Interest expense	10,113	–	970	11,083
At 31 December 2020	110,804	–	20,112	130,916

Non-cash transaction

During the year, the Group entered into various lease agreements for the use of leased properties for one to two years (2019: two to five years). On the commencement, the Group recognised right-of-use assets of HK\$1,678,000 (2019: HK\$27,228,000) and lease liabilities of HK\$1,651,000 (2019: HK\$26,095,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

47. 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 (the "New Share Option Scheme") to replace the previous share option scheme dated 22 February 2008 (the "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.
- (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 24,778,817 (2019: 495,576,358) shares, representing around 10% (2019: 10%) of the issued share capital of the Company as at 31 December 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

47. SHARE OPTION SCHEMES (continued)

- (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.

Share options to the directors, employees and others providing similar services and business consultants, and exercise price are as follows for the reporting periods presented:

Name	Date of grant	Exercise period	Exercise price (HK\$)	Notes	Number of options ('000)					As at 31 December 2020
					As at 1 January 2020	Granted during the year	Reallocated upon change of directorate	Lapsed during the year	Adjustment for shares consolidation	
Directors	31/08/2017	01/01/2018 - 31/12/2020	5.06	(b)	146,000	-	(1,200)	(52,648)	(92,152)	-
	29/03/2019	01/05/2019 - 30/04/2022	1.42	(c)	180,000	-	-	(81,000)	(94,050)	4,950
	29/04/2020	01/05/2020 - 30/04/2022	0.48	(e)	-	247,500	(2,472)	-	(235,140)	9,888
Employees and others providing similar services	31/08/2017	01/01/2018 - 31/12/2020	5.06	(b)	73,000	-	1,200	(4,848)	(69,352)	-
	29/03/2019	01/05/2019 - 30/04/2022	1.42	(c)	195,000	-	-	(74,250)	(114,726)	6,024
	29/04/2020	01/05/2020 - 30/04/2022	0.48	(e)	-	247,000	2,472	(1,200)	(234,664)	13,608
Business consultants	31/08/2017	01/01/2018 - 31/12/2020	5.06	(b)	194,400	-	-	(9,714)	(184,686)	-
	29/03/2019	01/05/2019 - 30/04/2022	1.42	(c)	48,000	-	-	(12,000)	(34,200)	1,800
	04/06/2019	04/06/2019 - 03/06/2022	1.04	(d)	56,000	-	-	-	(53,210)	2,790
					892,400	494,500	-	(235,660)	(1,112,180)	39,060
Exercisable as at 31 December 2020										23,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

47. SHARE OPTION SCHEMES (continued)

Name	Date of grant	Exercise period	Exercise price (HK\$) (note (f))	Notes	Number of options ('000)				
					As at 1 January 2019	Granted during the year	Reallocated upon change of directorate	Lapsed during the year	As at 31 December 2019
Directors	03/12/2015	03/12/2015 – 31/12/2019	0.315	(a)	122,000	-	(42,000)	(80,000)	-
	31/08/2017	01/01/2018 – 31/12/2020	0.253	(b)	219,000	-	(73,000)	-	146,000
	29/03/2019	01/05/2019 – 30/04/2022	0.071	(c)	-	240,000	(60,000)	-	180,000
Employees	03/12/2015	03/12/2015 – 31/12/2019	0.315	(a)	58,000	-	2,000	(60,000)	-
	31/08/2017	01/01/2018 – 31/12/2020	0.253	(b)	49,000	-	24,000	-	73,000
	29/03/2019	01/05/2019 – 30/04/2022	0.071	(c)	-	200,000	12,000	(17,000)	195,000
Business consultants	03/12/2015	03/12/2015 – 31/12/2019	0.315	(a)	-	-	40,000	(40,000)	-
	31/08/2017	01/01/2018 – 31/12/2020	0.253	(b)	145,400	-	49,000	-	194,400
	29/03/2019	01/05/2019 – 30/04/2022	0.071	(c)	-	-	48,000	-	48,000
	04/06/2019	04/06/2019 – 03/06/2022	0.052	(d)	-	56,000	-	-	56,000
					593,400	496,000	-	(197,000)	892,400

Exercisable as at 31 December 2019

-

Notes:

- (a) During the year ended 31 December 2015, a total of 338,000,000 options were granted to directors, employees and business consultants of the Group and the granting of the options are subject to the achievement of performance targets determined at the sole discretion of the Board for the financial years ended/ending 31 December 2016 to 2019. As at 31 December 2019, all the remaining options lapsed as the relevant employees resigned from the Group or the options had expired. At 31 December 2019, 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, a total of 413,400,000 options were granted to directors, employees and business consultants of the Group and will only be vested subject to the achievement of performance targets for the financial years ended 31 December 2017 to 2020. The options must be exercised within one month from the date the Board approves the entitlement of the options. As at 31 December 2020, all options (2019: nil) lapsed as the relevant employees resigned from the Group or the options had expired. At 31 December 2020 and 31 December 2019, 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.
- (c) During the year ended 31 December 2019, a total of 440,000,000 options were granted to directors, employees and business consultants of the Group and the granting of the options are subject to the achievement of performance targets determined at the sole discretion of the Board for the financial years ended/ending 31 December 2019 to 2022. As at 31 December 2020, 167,250,000 options (2019: 17,000,000 options) lapsed as the relevant employees resigned from the Group. At 31 December 2020 and 31 December 2019, 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.
- (d) During the year ended 31 December 2019, the Group entered into arrangement with business consultants in respect of 56,000,000 options on 4 June 2019 for the provision of satisfactory services to the Group up to 31 December 2022. The business consultants 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 2020 and 31 December 2019, there was no satisfactory delivery of services to the Group and thus no share-based compensation expense was recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

47. SHARE OPTION SCHEMES (continued)

Notes: (continued)

- (e) During the year ended 31 December 2020, a total of 494,500,000 options were granted to directors, employees and others providing similar services of the Group and the granting of the options are subject to the achievement of certain targets during the financial years ended 31 December 2020 to 2022. At 31 December 2020, the relevant targets have been achieved and share-based compensation expense was recognised in the consolidated financial statements.
- (f) The number and the exercise price of options which remained outstanding have been adjusted due to share consolidation of the Company with effect on 7 September 2020.

Included in the number of share options outstanding, 23,496,000 options are exercisable from 1 May 2020 to 30 April 2022. HK\$4,698,000 (2019: nil) share-based compensation expenses have been recognised in profit or loss for the year ended 31 December 2020.

During the years ended 31 December 2020 and 2019, 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.

The fair value of share options granted on 29 April 2020 has been calculated using the Black-Scholes option pricing model. The estimated fair value of these share options calculated by the Black-Scholes option pricing model was HK\$4,945,000.

The inputs into the Black-Scholes Option Pricing Model were as follows:

Weighted average share price at the date of issue	HK\$0.024
Exercise price*	HK\$0.48
Average expected volatility (%)	70.9
Expected life (years)	1.3
Average risk-free rate (%)	1.0
Dividend yield (%)	0

* The exercise price have been adjusted due to 20-to-1 share consolidation of the Company which took effect on 7 September 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

48. 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	2020 HK\$'000	2019 HK\$'000
Financial advisory fee received from CASH		200	–
Management fee expense paid to CASH		1,467	2,760
Commission income from Libra Capital Management (HK) Limited	(e)	9	–
Interest income from Libra Capital Management (HK) Limited	(e)	25	–
Commission income received from the following directors of the Company:			
Dr Kwan Pak Hoo Bankee		641	17
Mr Li Shing Wai Lewis	(a)	3	1
Mr Kwan Teng Hin Jeffrey		17	6
Mr Kwok Ka Lok Lionel	(d)	5	N/A
Mr Ng Hin Sing Derek	(d)	17	N/A
Mr Cheung Wai Ching Anthony	(c)	10	4
Mr Chan Chi Ming Benson	(c)	2	1
Mr Law Ping Wah Bernard	(b)	N/A	4
Mr Ho Tsz Cheung Jack	(b)	N/A	5
		695	38
Interest income received from the following directors of the Company:			
Dr Kwan Pak Hoo Bankee		236	10
Mr Li Shing Wai Lewis	(a)	9	1
Mr Kwan Teng Hin Jeffrey		81	1
Mr Kwok Ka Lok Lionel	(d)	2	N/A
Mr Ng Hin Sing Derek	(d)	103	N/A
Mr Cheung Wai Ching Anthony	(c)	52	5
Mr Law Ping Wah Bernard	(b)	N/A	5
Mr Ho Tsz Cheung Jack	(b)	N/A	2
		483	62

Notes:

- (a) During the year ended 31 December 2019, Mr Li Shing Wai Lewis was appointed as executive director of the Company.
- (b) During the year ended 31 December 2019, Mr Law Ping Wah Bernard and Mr Ho Tsz Cheung Jack resigned as executive directors of the Company.
- (c) During the year ended 31 December 2020, Mr Cheung Wai Ching Anthony and Mr Chan Chi Ming Benson resigned as executive directors of the Company.
- (d) During the year ended 31 December 2020, Mr Kwok Ka Lok Lionel and Mr Ng Hin Sing Derek were appointed as executive directors of the Company.
- (e) Libra Capital Management (HK) Limited, a subsidiary of CASH, the substantial shareholder 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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				Principal activities
			2020		2019		
			Direct interest %	Indirect interest %	Direct interest %	Indirect interest %	
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
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
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	–	76.1	Brokerage of cryptocurrencies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

49. SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of issued share capital held by the Company				Principal activities
			2020		2019		
			Direct interest %	Indirect interest %	Direct interest %	Indirect interest %	
Libra Capital Manager Limited	British Virgin Islands	Ordinary US\$3	-	100	-	100	Investment holding
CFSG China Investment Limited	British Virgin Islands	Ordinary US\$1	-	100	-	100	Investment holding
Golden Riverside Industrial Limited	Hong Kong	Ordinary HK\$102	-	100	-	100	Investment holding
CFSG FinTech Group Limited	British Virgin Islands	Ordinary US\$1	100	-	100	-	Investment holding
上海懿睿股權投資基金管理有限公司 (translated as Shanghai Yirui Equity Investment Fund Management Company Limited) ("Shanghai Yirui")*	PRC	Ordinary RMB7,000,000	-	100	-	100	Investment holding

* Shanghai Yirui is a limited liability company established in the PRC. Shanghai Yirui is indirectly held by the Company through contractual arrangements by the registered owners, being Ms Wei Li (holder of 95% of the equity interests) and Ms Mao Jie (holder of 5% of the equity interests), of Shanghai Yirui.

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.

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 the mandatory contribution amount was HK\$1,500 per employee per month. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited voluntary contributions. None of the forfeited contributions was utilised in this manner for the year ended 31 December 2020 and 2019.

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 Scheme and various benefits schemes in the PRC are disclosed separately in notes 10, 11 and 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

(a) Statement of financial position of the Company

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Unlisted investments in subsidiaries	118,060	134,280
Amounts due from subsidiaries	563,743	571,502
	681,803	705,782
Current assets		
Amount due from a subsidiary	2,075	1,588
Bank balances (general accounts)	2,377	1,209
	4,452	2,797
Current liabilities		
Accrued liabilities and other payables	284	643
Amounts due to subsidiaries	324,661	307,586
	324,945	308,229
Net current liabilities	(320,493)	(305,432)
Net assets	361,310	400,350
Capital and reserves		
Share capital	97,049	99,115
Reserves	264,261	301,235
Total equity	361,310	400,350

(b) Reserves movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2019	604,542	80	–	(229,131)	375,491
Loss and total comprehensive expense for the year	–	–	–	(74,256)	(74,256)
At 31 December 2019	604,542	80	–	(303,387)	301,235
Loss and total comprehensive expense for the year	–	–	–	(41,262)	(41,262)
Recognition of equity-settled share-based payment	–	–	4,698	–	4,698
Shares repurchased	(410)	–	–	–	(410)
At 31 December 2020	604,132	80	4,698	(344,649)	264,261

APPENDIX I – INVESTMENT PROPERTY

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				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	103,688	107,492	123,445	133,607	166,830
Loss before taxation	(39,141)	(116,890)	(144,470)	(46,033)	(53,400)
Taxation (charge) credit	–	–	–	(49)	2,202
Loss for the year	(39,141)	(116,890)	(144,470)	(46,082)	(51,198)
Attributable to:					
Owners of the Company	(39,178)	(114,048)	(144,132)	(46,082)	(51,198)
Non-controlling interests	37	(2,842)	(338)	–	–
	(39,141)	(116,890)	(144,470)	(46,082)	(51,198)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Property and equipment	16,430	21,748	9,246	8,420	13,577
Intangible assets	9,092	9,092	9,092	9,092	9,092
Other non-current assets	60,056	85,560	50,617	43,651	39,664
Current assets	1,382,890	1,387,207	1,680,992	1,804,902	1,648,590
Total assets	1,468,468	1,503,607	1,749,947	1,866,065	1,710,923
Current liabilities	1,004,135	980,493	1,122,106	1,129,686	1,157,060
Non-current liabilities	10,453	19,316	3,932	7,351	10,685
Total liabilities	1,014,588	999,809	1,126,038	1,137,037	1,167,745
Net assets	453,880	503,798	623,909	729,028	543,178
Non-controlling interests	8,538	8,501	11,343	–	–

Note: In 2019, the Group has applied HKFRS 16 that is effective for accounting periods beginning on or after 1 January 2019 without restating comparatives. In 2018, the Group had applied HKFRS 9 and HKFRS 15 that were 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 2020, 2019 and 2018.

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

DEFINITIONS

“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 associated company 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

DEFINITIONS

“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
“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\$0.4 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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