CASH

INTERIM RESULTS 2017

Celestial Asia Securities Holdings Limited
(Stock Code:1049)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The unaudited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the six months ended 30 June 2017, together with the comparative figures for the last corresponding period, are as follows:

	Notes	Unaudited Six months ended 30 June 2017 HK$'000	 2016 HK$'000 (Restated)
Continuing operations			
Revenue	(3)	**633,968**	687,214
Other income		**4,009**	3,653
Cost of inventories and services		**(348,862)**	(388,288)
Net gains on investments held for trading		**1,308**	30,481
Salaries, allowances and commission		**(131,529)**	(110,076)
Other operating, administrative and selling expenses		**(185,434)**	(204,659)
Depreciation of property and equipment		**(11,076)**	(13,782)
Finance costs		**(4,136)**	(3,571)
(Loss) profit before taxation		**(41,752)**	972
Income tax expense	(5)	**(1,200)**	—
(Loss) profit for the period from continuing operations		**(42,952)**	972
Discontinued operations	(6)		
Profit (loss) for the period from discontinued operations		**224,519**	(32,613)
Profit (loss) for the period		**181,567**	(31,641)
Other comprehensive income (expense) for the period, net of income tax			
Exchange difference on translation of foreign operations		**(208)**	(226)
Total other comprehensive expense for the period		**(208)**	(226)
Total comprehensive income (expense) for the period		**181,359**	(31,867)

	Note	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000 (Restated)
Profit (loss) for the period attributable to:			
Owners of the Company			
— from continuing operations		(42,952)	972
— from discontinued operations		246,895	(13,762)
		203,943	(12,790)
Non-controlling interests			
— from continuing operations		681	606
— from discontinued operations		(23,057)	(19,457)
		(22,376)	(18,851)
		181,567	(31,641)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		204,516	(12,991)
Non-controlling interests		(23,157)	(18,876)
		181,359	(31,867)
Earnings (loss) per share	(7)		
From continuing and discontinued operations:			
— Basic and diluted (HK cents)		24.5	(1.5)
From continuing operations:			
— Basic and diluted (HK cents)		(5.2)	0.1
From discontinued operations:			
— Basic and diluted (HK cents)		29.7	(1.6)

Condensed Consolidated Statement of Financial Position

	Note	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Non-current assets			
Property and equipment		41,796	63,911
Investment properties		—	16,508
Goodwill		39,443	60,049
Intangible assets		43,460	53,212
Available-for-sale financial assets		—	8,415
Rental and utilities deposits		48,466	43,138
Other assets		—	5,039
Interest in associate		492,007	—
Deferred tax assets		5,550	5,550
		670,722	255,822
Current assets			
Inventories — finished goods held for sale		66,601	56,605
Accounts receivable	(8)	139,154	598,612
Loans receivable		7,647	7,881
Other assets		—	3,528
Prepayments, deposits and other receivables		51,483	46,496
Tax recoverable		7,362	1,948
Investments held for trading		12,408	33,317
Amount due from associate companies		2,365	—
Bank deposits subject to conditions		41,575	66,601
Bank balances — trust and segregated accounts		—	819,803
Bank balances (general accounts) and cash		233,427	629,553
		562,022	2,264,344

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Current liabilities			
Accounts payable	(9)	183,948	1,168,913
Accrued liabilities and other payables		100,602	168,064
Taxation payable		18,668	14,968
Obligations under finance leases			
— amount due within one year		276	407
Borrowings — amount due within one year		235,133	395,055
		538,627	1,747,407
Net current assets		23,395	516,937
Total assets less current liabilities		694,117	772,759
Capital and reserves			
Share capital	(11)	83,122	83,122
Reserves		582,533	378,798
Equity attributable to owners of the Company		665,655	461,920
Non-controlling interests		(23,177)	293,270
Total equity		642,478	755,190
Non-current liabilities			
Deferred tax liabilities		7,757	6,689
Accrued liabilities and other payables		38,919	—
Obligations under finance leases			
— amount due after one year		163	235
Borrowings — amount due after one year		4,800	10,645
		51,639	17,569
		694,117	772,759

Condensed Consolidated Statement of Changes In Equity

Unaudited
Six months ended 30 June 2017

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	**83,122**	**591,437**	**88,926**	**1,160**	**59,649**	**11,712**	**5,032**	**11,164**	**(390,282)**	**461,920**	**293,270**	**755,190**
Loss for the period	—	—	—	—	—	—	—	—	(59,223)	(59,223)	(22,376)	(81,599)
Gain of deemed disposal of CFSG Group	—	—	—	—	—	—	—	—	263,166	263,166	(294,071)	(30,905)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(208)	—	—	—	(208)	—	(208)
Total comprehensive income (expense) for the period	83,122	591,437	88,926	1,160	59,649	11,504	5,032	11,164	(186,339)	665,655	(23,177)	642,478
At 30 June 2017	**83,122**	**591,437**	**88,926**	**1,160**	**59,649**	**11,504**	**5,032**	**11,164**	**(186,339)**	**665,655**	**(23,177)**	**642,478**

	Unaudited Six months ended 30 June 2016											
	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	83,122	591,437	88,926	1,160	59,649	9,406	4,458	11,164	(359,423)	489,899	322,013	811,912
Loss for the period	—	—	—	—	—	—	—	—	(12,790)	(12,790)	(18,851)	(31,641)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(201)	—	—	—	(201)	(25)	(226)
Total comprehensive income (expense) for the period	83,122	591,437	88,926	1,160	59,649	9,205	4,458	11,164	(372,213)	476,908	303,137	780,045
At 30 June 2016	83,122	591,437	88,926	1,160	59,649	9,205	4,458	11,164	(372,213)	476,908	303,137	780,045

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Net cash used in operating activities	(69,942)	(321,258)
Net cash (used in) generated from investing activities	(264,240)	65,190
Net cash (used in) generated from financing activities	(61,944)	39,819
Net decrease in cash and cash equivalents	(396,126)	(216,249)
Cash and cash equivalents at beginning of period	629,553	636,632
Cash and cash equivalents at end of period	233,427	420,383
Bank balances and cash	233,427	420,383

Notes:

(1) **Basis of preparation**

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

(2) **Significant accounting policies**

Except for the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA, which are mandatory for the accounting periods beginning on or after 1 January 2017, the accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2016.

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses

The directors of the Company consider that the adoption of these new and revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in the Group's unaudited consolidated financial statements.

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

HKFRS 9	Financial instruments [1]
HKFRS 16	Leases [2]
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration [1]
HK(IFRIC) — Int 23	Uncertainty over income tax treatments [2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instrument with HKFRS 4 Insurance contracts [1]
Amendments to HKFRS 10 and HKAS 28	Sales or contribution of assets between an investor and its associate or joint venture [3]
Amendments to HKAS 40	Transfer of investment property [1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle except for amendments to HKFRS 12 [1]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.

(3) Revenue

An analysis of the Group's revenue for the period from continuing operations is as follows:

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**633,959**	686,776
Online game subscription income and licensing income	**9**	438
	633,968	687,214

(4) Business and geographical segments

Business segments

Information reported to the Executive Directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Upon the completion of issue of 826 million new subscription shares in CASH Financial Services Group Limited ("CFSG", the holding company of the Group's financial services business) to the subscriber on 20 June 2017, CFSG ceased to be a subsidiary of the Group and became an associate of the Group with effect from 20 June 2017. As a result, the operating results of the Group's financial services business for the six months ended 30 June 2017 was considered as discontinued operations which was disclosed in note 6 below. Accordingly, the comparatives of segment information for the corresponding period last year have been restated.

Specifically, the Group's operating and reportable segments are as follows:

Retailing	Sales of furniture and household goods and electrical appliances
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services

Segment revenue and results

For the six months ended 30 June 2017

	Continuing operations		
	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Revenue	633,959	9	633,968
Segment profit (loss)	7,551	(1,255)	6,296
Net gain on investments held for trading			1,308
Unallocated corporate expenses			(45,220)
Finance costs			(4,136)
Loss before taxation from continuing operations			(41,752)

For the six months ended 30 June 2016 (Restated)

	Continuing operations		
	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Revenue	686,776	438	687,214
Segment profit (loss)	7,708	(1,314)	6,394
Net gain on investments held for trading			30,481
Unallocated corporate expenses			(32,332)
Finance costs			(3,571)
Profit before taxation from continuing operations			972

Segment result represents the profit before taxation earned or loss incurred by each segment without allocation of share of results of an associate. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC"). No analysis of the Group's revenue by geographical locations is disclosed because no significant portion of the revenue from external customers are derived outside Hong Kong.

(5) Income tax expense

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Income tax expense	(1,200)	—

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit or adjusted losses for both periods.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

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

No deferred tax asset arising from tax losses brought forward has been recognised in the financial statements due to the uncertainty of future profit streams against which the asset can be utilised.

(6) Discontinued operations

In March 2017, CFSG (as issuer) signed a share subscription agreement with a subscriber relating to the subscription of 826 million new shares of CFSG at a subscription price of HK$0.28 per share of CFSG. The transaction was approved by the shareholders at a special general meeting of the Company held on 16 June 2017 and the new shares were duly issued to the subscriber on 20 June 2017. Upon completion of the aforesaid share subscription on 20 June 2017, the shareholding interest of the Company in CFSG was diluted from approximately 40.34% to 33.62%. Therefore, CFSG ceased to be a subsidiary of the Company and became an associate of the Company with effect from 20 June 2017. As a result, the operating results of the Group's financial services business for the six months ended 30 June 2017 was classified as discontinued operations.

The profit for the period from the discontinued operations is analysed as follows:

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Loss of financial services business for the period	(38,647)	(32,613)
Gain on deemed disposal of CFSG Group (Note)	263,166	—
Profit (loss) for the period from discontinued operations	224,519	(32,613)

Note: The Company recorded a gain on deemed disposal of CFSG Group of approximately HK$263,166,000, which was calculated by the fair value of the Company's shareholding interest in CFSG of approximately HK$492,007,000 (based on the closing price of shares in CFSG on 20 June 2017), less the carrying value of such shareholding interest and goodwill of CFSG as at 20 June 2017.

The results of the financial services business for the six months ended 30 June 2017 and the corresponding six months ended 30 June 2016 were as follows:

	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Revenue	62,863	90,202
Other income	582	937
Salaries, allowances and commission	(54,491)	(59,260)
Depreciation of property and equipment	(3,275)	(5,017)
Finance costs	(2,626)	(2,481)
Other operating and administrative expenses	(29,612)	(44,792)
Change in fair value of investment properties	—	(14,600)
Net gains (loss) on investments held for trading	3,284	(11)
Provision of bad debt	(15,372)	—
Loss before taxation	(38,647)	(35,022)
Income tax credit	—	2,409
Loss for the period	(38,647)	(32,613)

(7) **Earnings (loss) per share**

For continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company for the six months ended 30 June 2017 together with the comparative figures for the prior period are based on the following data:

	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000 (Restated)
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	203,943	(12,790)

For continuing operations

	Unaudited Six months ended 30 June 2017 HK$'000	 2016 HK$'000 (Restated)
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	(42,952)	972

For discontinued operations

	Unaudited Six months ended 30 June 2017 HK$'000	 2016 HK$'000 (Restated)
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	246,895	(13,762)

The denominators used for the calculation of various basic and diluted earnings (loss) per share from continuing and discontinued operations respectively are the same as those detailed below.

	Unaudited Six months ended 30 June 2017 '000	 2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	831,222	831,222

(8) Accounts receivable

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	—	59,469
Cash clients	—	42,336
Margin clients	—	233,271
Accounts receivable arising from the business of dealing in futures and options:		
Clients	—	150
Clearing houses, brokers and dealers	136,307	258,330
Commission receivable from brokerage of mutual funds and insurance-linked investment products	—	1,521
Accounts receivable arising from the business of provision of corporate finance services	—	540
Accounts receivable arising from the business of provision of online game services	99	—
Accounts receivable arising from the business of retailing	2,748	2,995
	139,154	598,612

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

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

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

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
0–30 days	1,749	1,885
31–60 days	164	226
61–90 days	—	74
Over 90 days	934	810
	2,847	2,995

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

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

Name	Balance at 1 January 2017 HK$'000	Balance at 30 June 2017 HK$'000	Maximum amount outstanding during the period HK$'000	Market value of pledged securities at fair value at 30 June 2017 HK$'000
Directors of the Company				
Mr Law Ping Wah Bernard and associates (Note (b))	—	—	1,082	—
Directors of CFSG				
Mr Ho Tsz Cheung Jack and associates (Note (c))	—	—	44	—
Ms Cheng Pui Lai Majone and associates	—	—	17,353	—
Mr Ng Kung Chit Raymond and associates (Note (d))	—	—	14,699	—
Other connected clients				
Mr Kwan Pak Leung Horace and associates (Note (e))	—	—	5,019	—
Ms Chan Siu Fei Susanna and associates (Note (e))	—	—	7,964	—

Notes:

(a) Associates are defined in accordance with the Listing Rules.

(b) Mr Law Ping Wah Bernard is also the executive director of CFSG.

(c) Mr Ho Tsz Cheung Jack was appointed as executive director of CFSG during the period.

(d) Mr Ng Kung Chit Raymond resigned as executive director of CFSG during the year 2016.

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

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

(9) Accounts payable

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses and brokers	—	7,370
Cash clients	—	582,997
Margin clients	—	117,043
Accounts payable to clients arising from the business of dealing in futures and options	—	251,147
Trade creditors arising from retailing business	183,656	210,064
Accounts payable arising from the online game services	292	292
	183,948	1,168,913

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

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

At 30 June 2017, the accounts payable that were payable to external clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities had no outstanding balance (31 December 2016: HK$819,803,000). However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Trade creditors arising from retailing business principally comprise amount outstanding for trade purpose and ongoing cost. The credit period taken for trade purchase ranges from 30 to 90 days.

The following is an ageing analysis (from trade date) of trade creditors arising from retailing business at reporting date:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
0–30 days	**50,533**	74,679
31–60 days	**51,134**	57,146
61–90 days	**48,680**	50,588
Over 90 days	**33,309**	27,651
	183,656	210,064

The accounts payable arising from online game services are aged (from the invoice date) over 90 days.

(10) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses as disclosed in consolidated statement of changes in equity. The management of the Group 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 as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the period.

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

Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable and payable, deposits and other receivables, financial assets/liabilities at FVTPL, available-for-sale financial assets, bank balances, bank deposits, loans receivable, other payables, obligations under finance leases and borrowings. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity price risk

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

In addition, the Group is exposed to equity price risk as a result of changes in fair value of its unlisted equity investments classified as available-for-sale financial assets. No sensitivity analysis on equity price risk has been presented in relation to unlisted equity investment classified as available-for-sale financial assets because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair value cannot be measured reliably.

Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients, accounts payable to cash and margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management of the Group 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.

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

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, equity securities listed outside Hong Kong and accounts payable to clients denominated in United States dollars ("USD") and Renminbi ("RMB"). The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arises. The directors of the Company do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar pegged system to the USD.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group has no significant concentration of credit risk as the exposure spread over a number of counterparties and customers, except for the loans receivable.

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

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of borrowings and ensures compliance with all the loan covenants.

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

Fair values

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.

(11) Share capital

	Par value of each ordinary share HK$	Number of shares '000	Amount HK$'000
Ordinary shares			
Authorised:			
At 1 January 2017 and 30 June 2017	0.10	3,000,000	300,000
Issued and fully paid:			
At 1 January 2017 and 30 June 2017	0.10	831,222	83,122

(12) Related party transactions

The Group had the following transactions with related parties during the period:

	Notes	Unaudited Six months ended 30 June 2017 HK$'000	 2016 HK$'000
Commission and interest income received from the following subsidiary of the Company			
Libra Capital Management (HK) Limited		6	—
Commission and interest income received from the following directors of the Company			
Mr Kwan Pak Hoo Bankee and associates	(a)	2	17
Mr Law Ping Wah Bernard and associates	(a)	6	6
Mr Ng Hin Sing Derek and associates		—	1
		8	24
Commission and interest income received from the following directors of CFSG			
Mr Kwan Teng Hin Jeffrey and associates	(b) & (d)	4	—
Ms Cheng Pui Lai Majone and associates		18	12
Mr Ng Kung Chit Raymond and associates	(c)	14	10
		36	22
Commission and interest income received from other connected clients	(d)		
Mr Kwan Pak Leung Horace and associates		6	8
Ms Chan Siu Fei Susanna and associates		15	9
		21	17
Handling fee and commission received from Confident Profits Limited and its subsidiaries ("Confident Profits Group")	(e)	1,600	5,408

Notes:

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

(b) Mr Kwan Teng Hin Jeffrey was appointed as executive director of CFSG during the period.

(c) Mr Ng Kung Chit Raymond resigned as executive director of CFSG during the year 2016.

(d) Mr Kwan Teng Hin Jeffrey, Mr Kwan Pak Leung Horace and Ms Chan Siu Fei Susanna are associates of Mr Kwan Pak Hoo Bankee.

(e) Confident Profits Group is an indirect wholly-owned subsidiary of the Company.

(13) Events after the reporting period

In July 2017, subsequent to the reporting period, the convertible bonds of CFSG with an aggregate principal amount of HK$620 million were fully placed to placees and the certificates in respect of the convertible bonds of CFSG were duly issued to the placees. Details are more particularly described in the paragraph headed "Material Acquisitions and Disposals" in the section "Review and Outlook" below.

(14) Interim dividend

No interim dividend in respect of the six months ended 30 June 2017 and 30 June 2016 was declared by the Board.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2017 (2016: nil).

Review and Outlook

Financial Review

Financial Performance

For the six months ended 30 June 2017, the Group recorded revenue of HK$634.0 million as compared to HK$687.2 million for the same period last year.

The Group recorded a gain on deemed disposal of CFSG Group of approximately HK$263.2 million upon the completion of the issue of 826 million new shares in CFSG to an investor in June 2017 and reported a net profit of HK$181.6 million (comprising the operating losses of HK$43.0 million and HK$38.6 million from the continuing and discontinued operations respectively and the aforesaid gain on deemed disposal of CFSG Group) for the period under review as compared to the net loss of HK$31.6 million for the same period last year.

Retail Management Business — CRMG

The economic conditions of Hong Kong had shown gradual improvement during the period under review. The prevailing favourable employment and income conditions rendered a solid support to both domestic demand and local consumption sentiment. The strong demand in the residential property market, especially those from investors and young couples looking for small flats, showed no sign of shrinking. These factors had both positive and negative impacts on our retailing business. Thanks to the unabated strong demand in the property market, we could still achieve a 13.9% same-store-growth for our furniture sales in our flagship stores. The low unemployment rate which remained steady at between 3.1% and 3.2% during the first six months of the year had continuously been pushing up the staff costs to a new high, whilst the positive consumption sentiment and promising retailing business outlook helped further inflate the rental costs of our outlets, most of which are located in shopping malls and streets selling goods for daily consumption to the local population. Facing the ever rising staff and rental costs, we had embarked on network optimization of our retail stores by closing down 2 underperforming stores over the past few months, which contributed to the overall fall in revenue by 7.7% as compared with the last corresponding period. On the other hand, the rental costs, accounting for approximately 35.1% of the total operating costs, had been down by 13.1% as compared with the same period last year. After the recent network optimization of our retail stores, we still could have our hero products prominently displayed in a chic and spacious shopping environment in our flagship stores by pulling off their shelves some bulky electrical appliances and household products with low margins and shifting them to our online store. Together with our full range furniture and household products, we were still able to offer the most comprehensive product range to our customers for their shopping and buying online and have persistently enhanced e-shopping experience for our customers by deploying the most advanced information technology and the latest e-marketing solutions to our online store. To keep our leading position in the retailing business amid the rapidly changing business environments, we had adopted a multi-brand business strategy to cater for the ever-increasing demands of our customers in different segments. As such, we had recruited a team of specialists with experiences in various aspects of retailing business to pursue our multi-brand business strategy, which had inevitably led to an increase in staff costs for the period under review. Even though the Group recorded a drop in revenue as mentioned above as a result of the closure of the 2 shops in the first half of the year, it had successfully implemented effective company-wide cost conscious measures and therefore been able to keep the net profit almost the same as the last corresponding period.

For the six months ended 30 June 2017, CRMG recorded revenue of HK$634.0 million, representing a drop of 7.7% or HK$52.8 million year-on-year, while keeping a net profit of HK$7.6 million, almost the same as the last corresponding period.

Mobile Internet Services Business — Net2Gather

For the six months ended 30 June 2017, the Group's Mobile Internet Services business recorded revenue of HK$9,000 and a net loss of HK$1.3 million as compared to the revenue of HK$0.4 million and a net loss of HK$1.3 million for the same period last year.

CFSG (Associate)

Financial Services Business — CFSG

For the six months ended 30 June 2017, CFSG recorded revenue of HK$62.9 million, represented a decrease of 30.3% as compared with HK$90.2 million for the same corresponding period last year.

The local brokerage industry has come across tremendous landscape changes and been faced with challenging environments in recent years. More and more compliance requirements have been introduced and enforced by the relevant regulatory authorities to wipe out all sorts of improper practices in dealing and trading in securities and futures, including but not limited to insider dealings, to ensure all public investors are well protected when making their investments and daily trading activities in this highly regulated securities market. As such, most securities firms need to incur large amounts of compliance and legal costs to meet these requirements and their operating results have inevitably been adversely affected. The stringent compliance requirements such as financial resources rules have made CFSG, being a Hong Kong based securities house with limited capital, more difficult to achieve impressive growth for its margin financing-driven broking business even though the investment sentiment in the local stock market had been gradually improving since the end of last year. Having exercised restraint in making excessive margin loans to our clients for their trading and investment activities due to our limited working capital had caused a drop of approximately 9% in securities brokerage incomes for the first half of the year. Some of our clients who are mostly retail investors had incurred huge losses these days when making their investment strategies and trading activities in complex securities, especially commodity futures and options which had exhibited extremely high volatility over the first half of the year. As more and more leading financial institutions, corporate investors and hedge-fund managers have been using the most advanced technologies to formulate their sophisticated strategies and models to execute their trading activities, our client investors find it more difficult to take profit from trading commodity futures and options and therefore had adopted more risk-averse attitude in these securities dealings and reduced the trading volume drastically during the six months ended 30 June 2017. CFSG's commodity broking business recorded a drop of 58% in revenue for the first half of 2017 as compared with the same corresponding period last year.

During the period under review, CFSG made a provision for bad debts of HK$15.4 million in respect of the over losses incurred by a few margin clients in late June during which several small-cap stocks in Hong Kong suffered a price crash. In order to avoid incurring the similar losses for these doubtful and bad debts, a thorough review on the existing credit risk management had been undertaken immediately after the crisis and much more stringent control measures had been put in place since then. Taking into account the aforesaid provision for bad debts and the six-month operating results, CFSG recorded a net loss attributable to the owners of the Company of HK$38.6 million for the six months ended 30 June 2017 as compared to a net loss of HK$32.6 million in the same corresponding period last year.

To strengthen its financial services business by providing more funding for its margin financing and underwriting businesses, CFSG had completed two fund raising activities. In June, 826 million new shares at a subscription price of HK$0.28 per share were issued and allotted to an investor, raising approximately HK$231.3 million. In July, convertible bonds with an aggregate principal amount of HK$620 million at the initial conversion price of HK$0.31 per share were issued and placed to several investors, raising HK$620 million.

Liquidity and Financial Resources

Upon CFSG becoming an associated company of the Group, its assets and liabilities would no longer be consolidated in the Group's financial statements. The Group's interest in CFSG had been accounted as investments in associate in its statement of financial position as at 30 June 2017 accordingly.

The equity attributable to owners of the Company amounted to HK$665.7 million as at 30 June 2017 as compared to HK$461.9 million at the end of last year. The increase in the equity was mainly due to the reported profit for the period under review.

As at 30 June 2017, the Group had total outstanding borrowings of approximately HK$239.9 million as compared to HK$405.7 million as at 31 December 2016. The decrease in bank borrowings was mainly due to the fact that CFSG's bank borrowings which had been included in the Group's total borrowings at the end of the last year were no longer consolidated in its total borrowings as at 30 June 2017. The bank borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately of HK$138.5 million payable to certain independent third parties and secured loans of approximately of HK$101.4 million. The above bank loans of approximately HK$101.4 million were secured by the Group's pledged deposits of HK$41.6 million and corporate guarantees.

As at 30 June 2017, our cash and bank balances totalled HK$275.0 million as compared to HK$1,516.0 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the fact that CFSG's cash and bank balances which had been included in the Group's total bank balances at the end of the last year were no longer consolidated in its total bank balances as at 30 June 2017. The Group derives its revenue mainly in Hong Kong dollars and maintains its cash and bank balances mainly in Hong Kong dollars.

The liquidity ratio as at 30 June 2017 remained healthy at 1.0 time, as compared with 1.3 times as at 31 December 2016.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 37.4% as at 30 June 2017 as compared to 53.8% as at 31 December 2016. The decrease in the gearing ratio was mainly due to the fact that CFSG's bank borrowings which had been included in the Group's total borrowings at the end of the last year were no longer consolidated in its total borrowings as at 30 June 2017. On the other hand, we have no material contingent liabilities at the period-end.

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

Foreign Exchange Risks

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

Material Acquisitions and Disposals

In September 2016, the Group signed a sale and purchase agreement with Ever Billion Group Limited ("Ever Billion", an independent third party) relating to the proposed disposal of approximately 36.28% shareholding interest in CFSG (a non-wholly-owned subsidiary of the Company on the date of the sale and purchase agreement) at a consideration of HK$765 million (representing a purchase price of HK$0.51 per share of CFSG). The transaction constituted a possible very substantial disposal of the Company under the Listing Rules, which was approved by shareholders of the Company at a special general meeting of the Company held on 28 October 2016, and triggered a possible mandatory general offer for shares in CFSG. The long stop date of the sale and purchase agreement has been extended to 31 March 2017. The condition relating to approval of the SFC for substantial shareholder of CFSG and its licensed corporation and the conditions which were to be satisfied on the completion date had not been fulfilled, and the transaction had been terminated on 29 March 2017. Details of the transaction were disclosed in the various announcements of the Company and CFSG relating to the transaction from September 2016 to March 2017.

In March 2017, CFSG (as issuer) signed a share subscription agreement with Ever Billion (as subscriber) relating to the subscription of 826 million new shares of CFSG at a subscription price of HK$0.28 per share of CFSG. The transaction constituted a major transaction of the Company in relation to deemed disposal of shareholding interest in CFSG under the Listing Rules, which was approved by shareholders of the Company at a special general meeting of the Company held on 16 June 2017 and the new shares of CFSG were duly issued to the subscriber on 20 June 2017. Upon completion of the aforesaid share subscription on 20 June 2017, the shareholding interest of the Company in CFSG was diluted from 40.34% to 33.62% and CFSG has ceased to be a subsidiary of the Company and became an associate of the Company. Details of the transaction were disclosed in the joint announcement of the Company and CFSG dated 6 April 2017, circular dated 16 May 2017 and supplemental circular dated 29 May 2017.

In May 2017, CFSG (as issuer) signed a placing agreement with China Everbright Securities (HK) Limited (as placing agent) relating to the placing of convertible bonds with an aggregate principal amount of up to HK$620 million to placees at initial conversion price of HK$0.31 per share of CFSG. The transaction constituted a very substantial disposal of the Company in relation to deemed disposal of shareholding interest in CFSG under the Listing Rules, which was approved by shareholders of the Company at a special general meeting of the Company held on 10 July 2017 and the convertible bonds were fully placed on 27 July 2017 (subsequent to the period-end date). The gross and net proceeds raised from the placing were HK$620 million and approximately HK$614.6 million respectively. Details of the transaction were disclosed in the joint announcement of the Company and CFSG dated 26 May 2017, and the circular issued by the Company dated 21 June 2017.

Save as aforesaid, the Group did not make any material acquisition and disposal during the period.

Capital Commitments

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

Material Investments

As at 30 June 2017, the Group was holding a portfolio of investments held for trading with market values of approximately HK$12.4 million. The net gain derived from investments held for trading of HK$1.3 million was recorded for the period.

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

Financial and Operational highlights

Revenue

(HK$'m)	Unaudited Six months ended 30 June **2017**	 2016	 % change
Continuing operations			
Retailing	**634.0**	686.8	(7.7%)
Online game	**—**	0.4	N/A
Group total	**634.0**	687.2	(7.7%)
Discontinued operations			
Financial services	**62.9**	90.2	(30.3%)

Key Financial Metrics

	Unaudited Six months ended 30 June **2017**	 2016	 % change
The Group			
Net profit (loss) attributable to shareholders (HK$'m)	**203.9**	(12.8)	1693.0%
Earnings (loss) per share (HK cents)	**24.5**	(1.5)	1733.3%
Total assets (HK$'m)	**1,232.7**	2,832.6	(56.5%)
Cash on hand (HK$'m)	**275.0**	1,351.2	(79.6%)
Bank borrowings (HK$'m)	**239.9**	410.3	(41.5%)
Retailing			
Revenue per sq. ft. (HK$)	**358**	329	8.8%
Growth for same stores (vs last year)	**5.6%**	9.5%	N/A
Inventory turnover days	**64.5**	57.1	13.0%
Financial services			
Annualised average fee income from broking per active client (HK$'000)	**7.0**	10.4	(32.7%)

Management Discussion and Analysis

Retail Management Business — CRMG

Industry Review

While the Hong Kong economy saw notable growth in the first half of 2017, due to improved external demand, favorable employment conditions and more positive business sentiment, Hong Kong's retail sector continued to be beset by declines in visitor arrivals and local demand, as well as high rental and wage costs. Total retail sales in the reporting period dropped by 0.6%, with the volume of furniture and fixtures decreasing by 1.5% in the same period. Despite the difficult retail operating environment, we attained satisfactory growth in both same store sales and profit.

Business Review

With modest signs of economic recovery since the fourth quarter of 2016, we have taken a cautiously optimistic approach in formulating CRMG's long-term sustainable growth strategy. To meet customers' increasingly diverse needs and preferences, the Board decided to adopt a multi-brand strategy to deliver home furnishing and lifestyle products and services. During the period, we started to consolidate Pricerite's store network, actively sought suitable sites for new brands, and restructured internal resources to establish a more versatile and solid foundation for multi-brand development. In view of our aggressive business expansion plan, we broadened our management team by adding expertise from various fields, including retail management, merchandising, branding and marketing, information technology and e-commerce, to spearhead different business initiatives.

Pricerite

During the period under review, we continued our store network optimisation plan. The total number of stores was adjusted to 25, while we also secured a new flagship site in a strategic location. Overall, there was a slight drop in overall sales. At the same time, we enhanced store productivity and rental saving.

We continued to strengthen our positioning as a leading home furnishing retailer that offers smart home solutions and takes care of local customers and their homes and families. In addition to smart furniture solutions that focus on optimising home living space, product development for household items aimed to provide core values for smart living, such as being "neat and tidy", health, home safety and the environment. As such, during the period under review, we introduced more international and award-winning brands with unique aesthetic and smart features to serve the more diverse needs of modern families.

We also redesigned our store zoning to deliver a delightful and interactive shopping experience. This included categorising our household and home product ranges into four distinctive zones and offering richer product information through digital displays.

家匠 TMF

In view of the rapid and continuous growth of our tailor-made furniture business, the Board decided to accelerate the development of 家匠 TMF and position it as an individual business unit. Following the first successful standalone flagship in North Point, we will open a second flagship store in HomeSquare, Shatin during the third quarter.

In on-going enhancement of our product and service offerings, we introduced more smart tailor-made solutions and items to optimise living space in small apartments with different floor plans, and provided more selections of material boards and metallic components to suit different customer preferences. To add to customer confidence, we also introduced several unparalleled service pledges, including online order status checking, post-delivery courtesy call, and follow-up services.

To cope with rapid business growth and support market development, we partnered with Hong Kong Design Institute to help develop more talents for the industry. During the period, we actively collaborated with the Institute by sponsoring a part-time course in interior design, sharing industry prospects and business operations with students, and recruiting Institute graduates. In addition, we made a considerable investment in interior design software as well as electronic client management to facilitate more professional services.

E-Commerce

As the first omni-channel home-furnishing retailer in Hong Kong, we continued to offer more value-added services that utilise our online and offline presence, including "Buy online, pick up in store", single customer account, and member privileges across all channels. Sustained efforts will be made to provide a seamless shopping experience for customers so that they can start and continue their shopping journey with us anytime, anywhere.

We constantly evaluate and adopt the latest technologies to provide a unique shopping experience and delight our customers. Following our first mobile application using augmented reality (AR), deployed about four years ago to better illustrate our products, we recently launched "Pricerite X TMF", another mobile application utilising both AR and virtual reality (VR) technologies. While AR offers computer-generated 3D Pricerite furniture images overlaid on the live environment, VR computer-generated interactive environments support step-by-step views of an apartment furnished by 家匠 TMF solutions. The immersive experience also enables customers to "stand and walk inside" an apartment to enjoy a more realistic experience. This mobile application reinforces our innovative brand image and facilitates customers in selecting products that best fit their needs.

During the period under review, Pricerite's online shop (www.pricerite.com.hk) and the 家匠 TMF website (www.tmf.hk) were among the first batch to gain accreditation in the Hong Kong Retail Management Association's Quality E-Shop Recognition Scheme, demonstrating our commitment to delivering ultimate omni-channel shopping experiences to customers.

Pricerite also received a award in the Hong Kong Awards for Environmental Excellence 2016 and was invited to share our experience on the subject of Green Companies — Sustainability. On the environmental protection side, Pricerite was awarded the "Charter on External Lighting". We also participated in Earth Hour 2017, organised by WWF; joined Hong Kong Environmental Protection Association (HKEPA) in organising a Book & Apparel Recycle program; arranged a Red Pocket Recycle program with Greeners Action; and hosted a Blood Donation Day to support the Red Cross. All these activities showed that we have invested in numerous Corporate Social Responsibility areas, supported green and charity organisations, and at the same time reinforced the associated messages within our Company.

Outlook and corporate strategy

Given the low interest rate environment and stabilisation of the global and Hong Kong economies, we are cautiously optimistic about CRMG's development.

With our mission to deliver value-for-money solutions that help our customers care for their families and themselves, CRMG will continue to develop our multi-brand strategy to offer more innovative smart home solutions and a delightful shopping experience that satisfies the increasingly diverse needs of our customers.

Mobile Internet Services Business — Net2Gather

Industry Review

An online game industry report jointly released by China Game Publishers Association Publications Committee (GPC)、China New Games (CNG) and International Data Corporation (IDC) indicated that, in the first half of 2017, Chinese mobile game users reached 435 million, an increase of 7.5%, showing a declining growth trend mainly due to the high base effect.

Business Review

During the period under review, we continued to solicit strategic partnerships in mobile game publishing. The Group is actively considering other business strategy to cope with the development of the mobile internet market.

CFSG — The Group's Associate

Financial Services Business — CFSG

Industry Review

The Hong Kong economy has improved since the end of 2016, with the HSI gaining 17.11% to close at 25,764 for the six months ended 30 June 2017. Nonetheless, the Hong Kong financial market has reached a stalemate. Hong Kong, which in past years topped the world IPO league table, accounted for less than 9% of global IPOs and funds raised during the period. Despite record high prices for blue chip stocks and a 13% increase in average market daily turnover, prices and turnover for second-tier stocks and beyond remained subdued, making retail investors wary about the sustainability and prospects of the market frenzy.

Business Review

Broking

In the first half of 2017, commission income decreased by 37.8% to HK$51.1 million, mainly due to a slowdown in commodities trading. Macro political and economic events, such as BREXIT, the US presidential election, the Italian referendum and a downturn in oil and gold prices collectively resulted in market uncertainties and led to cautious investment sentiment. With the enlarged margin loan size, interest income recorded a 47.5% gain from HK$8.0 million to HK$11.8 million. We are preparing to roll out new business strategies in anticipation of more margin financing business as well as improved commission income in the second half of 2017.

Investment Banking

During the review period, we advised a number of listed companies on a range of corporate finance transactions, including issuance of securities, acquisitions and disposals, general offers and proposed connected transactions. We also acted as sole bookrunner for our IPO clients.

By leveraging our fund-raising capabilities as well as financial advisory expertise, we will continue to provide fully-fledged investment banking services and maintain our balanced focus on IPOs and corporate finance transactions to assist clients in capturing different capital markets and corporate finance opportunities. We also plan to further widen the scope of our services to enhance our market position and better fulfill clients' needs.

Asset Management

The weaker-than-expected inflation rate and slower-than-expected economic growth in the US reduced investor concerns about an interest rate hike. On the other hand, a weaker US dollar encouraged investors to park their capital in emerging markets, including the Hong Kong stock market. The subsequent capital inflow into Hong Kong gave support to the Hong Kong stock market, pushing the benchmark index to a 52-week high.

Assets under Management (AUM) rose around 21% by the end of June 2017 compared with the end of December 2016, outperforming the benchmark index. Our focus was sectors with fast corporate earnings growth, for example, technology shares, and industries that have bottomed out, such as Macau gaming.

With the better-than-expected Q2 GDP in China, investors may re-evaluate Mainland-related shares. Together with the strengthening of the Renminbi, this should add positive sentiment to local stocks, especially shares related to the Mainland. Currently, the HSI is trading at around 14.6 times price/earnings ratio, 1.35 times price-to-book ratio and 3.2% dividend yield. This valuation is not demanding compared with other global stock markets. The inclusion of A-shares in the MSCI index in 2018 and southbound capital from the Mainland should improve market sentiment in the second half of 2017. In the absence of unexpected circumstances, we anticipate continuous growth in our revenue over the rest of 2017.

Wealth Management

With the global market rebound during the period, we focused more on fund-related business and achieved satisfactory results. We will continue to strengthen our discretionary portfolio management service to assist clients in capturing market opportunities and accumulate AUM by referring existing clients to join this service.

We maintained good relationships with Mainland business partners and clients and expanded brand exposure to more industries to assist business development. We also saw an increase in offshore asset allocations from high-net-worth individuals, offering a great business opportunity. With our new overall strategic direction, we will strengthen business connections with professional affiliated bodies in Mainland China to enhance development.

Financial Technology (FinTech)

CFSG's mission is to deliver best-in-class advisory services powered by the latest technology. In recent years, we have reinforced our role as a technology leader in the financial services industry and continued to upgrade our web and mobile trading services together with our FinTech platform. To facilitate a seamless trading experience, we are now developing an all-in-one trading solution with proprietary technology. This will provide multifaceted investment solutions, including an intelligent stock screening tool and automated investment strategies. Cyber-security remains our top priority and we relentlessly seek to perfect security measures of our FinTech platforms to ensure trading safety and security for clients.

Outlook and corporate strategy

Despite global uncertainties caused by geopolitical tensions, the implementation of US President Donald Trump's economic stimulus policy, Brexit negotiations, and rising trading protectionism, among others, the economic outlook for Hong Kong remained positive. With the new HKSAR administration's commitment to increase government expenditure to support the economy and a focus on diversifying the Hong Kong economy into high value-added industries, such as innovation and technology, we are cautiously optimistic about our strategy of developing a technology-driven financial services business.

Given the improving US and Euro economies and stabilising Mainland economic development, we believe that Hong Kong will further leverage growth momentum. The implementation of the Belt-and-Road initiative, development of the Guangdong-Hong Kong-Macau Bay Area, and close ties between the Mainland and Hong Kong markets all present tremendous opportunities for Hong Kong financial markets.

With our solid business foundation and stronger financial strength, CFSG is dedicated to developing technology-based financial services in Hong Kong and Mainland China. To leverage Hong Kong's vision to become the largest offshore RMB centre and a premier asset management centre, CFSG will be transformed into a leading Hong Kong-based investment advisory group in China, balanced between our four pillar investment and wealth management businesses: brokerage, investment banking, asset management and FinTech.

Employee Information

At 30 June 2017, the Group had 937 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the period under review was approximately HK$131.5 million.

Benefits

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

Training

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

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures and rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

Directors' Interests in Securities

As at 30 June 2017, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

A. The Company

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

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

* The shares were held by Cash Guardian Limited ("Cash Guardian") (which was 100% beneficially owned by Mr Kwan Pak Hoo Bankee ("Mr Kwan")). Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

(b) Long positions in the underlying shares

Options under share option schemes

Name	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options outstanding as at 1 January 2017	Number of options outstanding as at 30 June 2017	Percentage to issued shares as at 30 June 2017 (%)
Kwan Pak Hoo Bankee	2/9/2014	2/9/2014–31/8/2018	0.478	(1)&(3)	6,480,000	6,480,000	0.77
	18/12/2015	18/12/2015–31/12/2019	0.460	(1),(2)&(3)	8,000,000	8,000,000	0.96
Law Ping Wah Bernard	2/9/2014	2/9/2014–31/8/2018	0.478	(3)	6,480,000	6,480,000	0.77
	18/12/2015	18/12/2015–31/12/2019	0.460	(2)&(3)	4,800,000	4,800,000	0.57
Law Ka Kin Eugene	18/12/2015	18/12/2015–31/12/2019	0.460	(2)&(3)	4,800,000	4,800,000	0.57
Ng Hin Sing Derek	2/9/2014	2/9/2014–31/8/2018	0.478	(3)	5,184,000	5,184,000	0.62
	18/12/2015	18/12/2015–31/12/2019	0.460	(2)&(3)	4,800,000	4,800,000	0.57
					40,544,000	40,544,000	4.83

Notes:

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

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

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

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

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

B. Associated corporation (within the meaning of SFO)

CFSG

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

Name	Capacity	Number of shares Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Interest in a controlled corporation	1,667,821,069*	33.62

* The shares were held by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company). The Company was beneficially owned as to approximately 34.41% by Mr Kwan, details of which were disclosed in the "Substantial Shareholders" below. Pursuant to the SFO, Mr Kwan was deemed to be interested in all the shares held by CIGL in CFSG.

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

Name	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options outstanding as at 1 January 2017	Number of options outstanding as at 30 June 2017	Percentage to issued shares as at 30 June 2017 (%)
Kwan Pak Hoo Bankee	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	40,000,000	40,000,000	0.80
Law Ping Wah Bernard	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	40,000,000	40,000,000	0.80
Law Ka Kin Eugene	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	20,000,000	20,000,000	0.40
Ng Hin Sing Derek	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	16,000,000	16,000,000	0.32
					116,000,000	116,000,000	2.32

Notes:

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

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

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

Save as disclosed above, as at 30 June 2017, none of the directors, chief executives or their associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Share Option Schemes

The Company

Details of share options to subscribe for shares in the Company granted to participants under the share option scheme of the Company during the six months ended 30 June 2017 were as follows:

				Number of options		
Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2017	lapsed during the period (Note (6))	outstanding as at 30 June 2017
Directors						
2/9/2014	2/9/2014–31/8/2018	0.478	(1)	18,144,000	—	18,144,000
18/12/2015	18/12/2015–31/12/2019	0.460	(1)	22,400,000	—	22,400,000
				40,544,000	—	40,544,000
Employees & consultants						
2/9/2014	2/9/2014–31/8/2018	0.478	(2)&(4)	20,088,000	(648,000)	19,440,000
18/12/2015	18/12/2015–31/12/2019	0.460	(3)&(4)	26,200,000	(2,800,000)	23,400,000
18/12/2015	18/12/2015–31/12/2019	0.460	(5)	6,800,000	—	6,800,000
				53,088,000	(3,448,000)	49,640,000
				93,632,000	(3,448,000)	90,184,000

Notes:

(1) Details of the options granted to the directors are set out in the section headed "Directors' Interests in Securities".

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

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

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

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

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

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

The subsidiary

Netfield Technology Limited (incorporated in Bermuda) ("Netfield (Bermuda)")

No option has been granted under the share option scheme of Netfield (Bermuda) since its adoption on 6 June 2008.

The associated company

CFSG

During the period from 1 January 2017 to 19 June 2017, CFSG was a non-wholly-owned subsidiary of the Company, and became an associate of the Company with effect from 20 June 2017. Details of share options to subscribe for shares in CFSG granted to participants under the share option scheme of CFSG during the six months ended 30 June 2017 were as follows:

				Number of options		
Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2017	lapsed during the period (Note (5))	outstanding as at 30 June 2017
Directors						
3/12/2015	3/12/2015–31/12/2019	0.315	(1)	116,000,000	—	116,000,000
Employees & consultants						
3/12/2015	3/12/2015–31/12/2019	0.315	(2)&(3)	192,000,000	(36,500,000)	155,500,000
3/12/2015	3/12/2015–31/12/2019	0.315	(4)	30,000,000	—	30,000,000
				222,000,000	(36,500,000)	185,500,000
				338,000,000	(36,500,000)	301,500,000

Notes:

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

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

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

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

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

(6) No option was granted, exercised or cancelled during the period.

Substantial Shareholders

As at 30 June 2017, so far as is known to the directors and chief executives of the Company, the persons/companies (other than a director or chief executive of the Company) who had, or were deemed or taken to have an interest or short positions in the shares and underlying shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Hobart Assets Limited (Notes (1) and (2))	Interest in a controlled corporation	281,767,807	33.89
Cash Guardian (Notes (1) and (2))	Interest in a controlled corporation	281,767,807	33.89
Mr Wang Shui Ming (Note (3))	Beneficial owner, interest in a controlled corporation and other interest	77,404,926	9.31

Notes:

(1) This refers to the same number of shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan. Pursuant to the SFO, Mr Kwan and Hobart Assets Limited were deemed to be interested in the shares held by Cash Guardian.

(2) Mr Kwan (a director whose interests are not shown in the above table) was interested and/or deemed be interested in a total of 286,027,807 shares (34.41%), which were held as to 281,767,807 shares by Cash Guardian and as to 4,260,000 shares in his personal name. Detail of his interest is set out in the section "Directors' interests in securities" above.

(3) The shares were held as to 19,631,226 in his personal name, as to 42,114,150 held by Mingtak Holdings Limited (a 100%-owned controlled corporation of Mr Wang), and 15,659,550 held by him as nominee under a power of attorney. Pursuant to the SFO, Mr Wang was deemed to be interested in all these shares.

Save as disclosed above, as at 30 June 2017, the directors and chief executives 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 and underlying shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

Corporate Governance

During the accounting period from 1 January 2017 to 30 June 2017, the Company had duly complied with the code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, except for the deviations summarised as follows:

(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) Mr Kwan (Chairman of the Board) also acted as CEO of the Company during the underlying period. According to code provision A.2.1, the roles of Chairman and CEO of the Company should be separate. The dual role of Mr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. Mr Law Ka Kin Eugene (deputy CEO of the Company) assisted Mr 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 caliber individuals.

Compliance With the Model Code

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

Disclosure of Information of Directors Pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors subsequent to the date of the 2016 Annual Report are set out below:

Mr Wong Chuk Yan, an independent non-executive director of the Company, formerly a global portfolio manager with a large renowned investment counsel in Toronto, Canada, left the investment firm on 16 June 2017.

Save as disclosed herein, there are no other changes to the directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review of Results

The Group's unaudited consolidated results for the six months ended 30 June 2017 have not been reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company.

Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2017, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 25 August 2017

As at the date of this report, the directors of the Company are:

Executive directors:

Mr Kwan Pak Hoo Bankee, JP
Mr Law Ping Wah Bernard
Mr Law Ka Kin Eugene
Ms Kwok Lai Ling Elaine
Mr Ng Hin Sing Derek

Independent non-executive directors:

Mr Leung Ka Kui Johnny
Mr Wong Chuk Yan
Dr Chan Hak Sin