INTERIM REPORT 2018

We stride forward with innovative changes

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 2018, together with the comparative figures for the last corresponding period, are as follows:

	Notes	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000 (Restated)
Continuing operations			
Revenue	(3)	**671,621**	633,968
Cost of inventories		**(372,779)**	(348,862)
Other income		**3,988**	4,009
Net (loss) gains on investments held for trading		**(1,120)**	1,308
Salaries, allowances and related benefits		**(125,975)**	(131,529)
Other operating, administrative and selling expenses		**(227,129)**	(185,434)
Depreciation of property and equipment		**(13,058)**	(11,076)
Finance costs		**(4,757)**	(4,136)
		(69,209)	(41,752)
Share of loss of an associate		**(17,545)**	(109)
Loss before taxation		**(86,754)**	(41,861)
Income tax expense	(5)	**—**	(1,200)
Loss for the period from continuing operations		**(86,754)**	(43,061)
Discontinued operation	(6)		
Profit for the period from discontinued operation		**—**	223,645
(Loss) profit for the period		**(86,754)**	180,584
Other comprehensive (expense) income for the period, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**(168)**	(208)
Reclassification of translation reserve upon loss of control of a subsidiary		**—**	552
Share of other comprehensive expense of an associate		**—**	(57)
Total other comprehensive (expense) income for the period		**(168)**	287
Total comprehensive (expense) income for the period		**(86,922)**	180,871

	Note	Unaudited Six months ended 30 June 2018 HK$'000	 2017 HK$'000 (Restated)
(Loss) profit for the period attributable to:			
Owners of the Company			
— from continuing operations		**(83,106)**	(43,742)
— from discontinued operation		**—**	246,702
		(83,106)	202,960
Non-controlling interests			
— from continuing operations		**(3,648)**	681
— from discontinued operation		**—**	(23,057)
		(3,648)	(22,376)
		(86,754)	180,584
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(83,274)**	204,028
Non-controlling interests		**(3,648)**	(23,157)
		(86,922)	180,871
(Loss) earnings per share	(7)		
From continuing and discontinued operations			
— Basic and diluted (HK cents)		**(10.0)**	24.4
From continuing operations			
— Basic and diluted (HK cents)		**(10.0)**	(5.3)
From discontinued operation			
— Basic and diluted (HK cents)		**—**	29.7

Condensed Consolidated Statement of Financial Position

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Non-current assets			
Property and equipment		62,954	42,352
Goodwill		39,443	39,443
Intangible assets		43,460	43,460
Interests in an associate		345,058	363,585
Rental and utilities deposits		37,897	31,660
Deferred tax assets		6,550	6,550
		535,362	527,050
Current assets			
Inventories – finished goods held for sale		50,627	40,791
Accounts and other receivables	(8)	114,865	160,352
Loans receivable		7,045	9,618
Amount due from an associate		2,870	1,764
Tax recoverable		3,817	3,163
Investments held for trading		71,315	11,025
Bank deposits subject to conditions		47,145	41,974
Bank balances (general accounts) and cash		198,035	209,031
		495,719	477,718

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Current liabilities			
Accounts payable	(9)	187,458	187,180
Accrued liabilities and other payables		149,679	118,712
Taxation payable		13,452	13,452
Obligations under finance leases			
— amount due within one year		438	39
Borrowings — amount due within one year		239,584	195,175
		590,611	514,558
Net current liabilities		(94,892)	(36,840)
Total assets less current liabilities		440,470	490,210
Capital and reserves			
Share capital	(11)	83,122	83,122
Reserves		341,021	425,001
Equity attributable to owners of the Company		424,143	508,123
Non-controlling interests		(28,210)	(24,562)
Total equity		395,933	483,561
Non-current liabilities			
Deferred tax liabilities		6,649	6,649
Obligations under finance leases			
— amount due after one year		1,598	—
Borrowings — amount due after one year		36,290	—
		44,537	6,649
		440,470	490,210

Condensed Consolidated Statement of Changes In Equity

	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
	Unaudited Six months ended 30 June 2018											
	Attributable to owners of the Company											
At 1 January 2018	**83,122**	**591,437**	**88,926**	**1,160**	**59,722**	**11,599**	**5,145**	**11,164**	**(344,152)**	**508,123**	**(24,562)**	**483,561**
Adjustment on adoption of HKFRS 9	—	—	—	—	—	—	—	—	(706)	(706)	—	(706)
Loss for the period	—	—	—	—	—	—	—	—	(83,106)	(83,106)	(3,648)	(86,754)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(168)	—	—	—	(168)	—	(168)
Total comprehensive income (expense) for the period	83,122	591,437	88,926	1,160	59,722	11,431	5,145	11,164	(427,964)	424,143	(28,210)	395,933
At 30 June 2018	**83,122**	**591,437**	**88,926**	**1,160**	**59,722**	**11,431**	**5,145**	**11,164**	**(427,964)**	**424,143**	**(28,210)**	**395,933**

	Unaudited Six months ended 30 June 2017 (Restated)											
	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	—	—	—	—	—	—	—	—	(59,655)	(59,655)	(23,057)	(82,712)
Gain of deemed disposal of CASH Financial Services Group Limited ("CFSG")'s Group	—	—	—	—	—	—	—	—	262,615	262,615	(296,126)	(33,511)
Total comprehensive share-based payments	—	—	—	—	—	287	—	—	—	287	—	287
Total comprehensive income (expense) for the period	83,122	591,437	88,926	1,160	59,649	11,999	5,032	11,164	(187,322)	665,167	(25,913)	639,254
At 30 June 2017	83,122	591,437	88,926	1,160	59,649	11,999	5,032	11,164	(187,322)	665,167	(25,913)	639,254

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Net cash used in operating activities	(62,605)	(69,942)
Net cash used in investing activities	(31,087)	(264,240)
Net cash generated from (used in) financing activities	82,696	(61,944)
Net decrease in cash and cash equivalents	(10,996)	(396,126)
Cash and cash equivalents at beginning of period	209,031	629,553
Cash and cash equivalents at end of period	198,035	233,427
Bank balances and cash	198,035	233,427

Notes:

(1) Basis of preparation

The unaudited 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.

Apart from (2) below, the accounting policies and judgements applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017.

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

(2) Application of new and amendments to HKFRSs

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current period:

HKFRS 9	Financial instrument
HKFRS 15	Revenue from contracts with customers and the related amendments
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle
Amendments to HKAS 40	Transfers of investment property

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

HKFRS 9 "Financial instruments"

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

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

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

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

The Group has reviewed its financial assets and liabilities and the following impact has occurred from the adoption of HKFRS 9 on 1 January 2018:

Classification and measurement

- Accounts receivable from margin clients arising from the business of dealing in securities and loans receivable classified as loans and receivables carried at amortised cost: All of these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, they continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

- Except for financial assets which are subject to expected credit losses assessment under HKFRS 9, all other financial assets and liabilities continue to be measured on the same basis as are measured in the year ended 31 December 2017 under HKAS 39.

The changes in classification and measurement basis mentioned above in respect of available-for-sale financial assets have not significantly impacted the total equity of the Group at 1 January 2018 on initial application of HKFRS 9.

Impairment

In general, the application of the expected credit loss model of HKFRS 9 has resulted in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

The Group's financial assets measured at amortised cost are subject to the new impairment model that requires recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. These financial assets include:

— Accounts receivable
— Loans receivable
— Other receivables
— Bank balances and deposits

Since expected credit loss model is applied by the Group, the opening accumulated losses at 1 January 2018 increased by HK$0.7 million.

Disclosures

- HKFRS 9 also introduces expanded disclosure requirements which have increased the extent of the Group's disclosures about its financial instruments particularly for the year ended 31 December 2018 (as the first year of the adoption of the new standard).

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 superseded the revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations.

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

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

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

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

The Group provides various types of financial services. Revenue under the scope of HKFRS 15 comprises primarily commission income arising from securities, futures and other investments broking and fee income arising from corporate finance services. The directors intend to use the modified approach of transition to HKFRS 15. Under the modified approach, the Group would apply the standard from the date of initial application (i.e. 1 January 2018). The Group is not required to adjust prior year comparatives and do not need to consider contracts that have completed prior to the date of initial application. Broadly, the figures reported from the date of initial application will be the same as if the standard had always been applied, but figures for comparative periods will remain on the previous basis. The Group has assessed the impact of HKFRS 15 and the application of the standard has no significant impact on the commission income arising from securities, futures and other investments broking. Furthermore, the application of HKFRS 15 does not have significant impact on revenue recognition from corporate finance services and certain income which are subject to variable consideration constraints. However, the application results in more disclosures in the condensed consolidated financial statements.

Impact of standards issued but not yet applied by the Group

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the condensed consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit/loss and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

(3) Revenue

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

	Unaudited Six months ended 30 June 2018 HK$'000	 2017 HK$'000
Sales of furniture and household goods and electrical appliances, net of discounts and returns	671,621	633,959
Online game subscription income and licensing income	—	9
	671,621	633,968

(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 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 associated company 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 operation which was disclosed in note 6 below.

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 2018

	Continuing operations		
	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Revenue	671,621	—	671,621
Segment loss	(40,850)	(321)	(41,171)
Net loss on investments held for trading			(1,120)
Unallocated corporate expenses			(26,789)
Share of result of an associate			(17,545)
Finance costs			(129)
Loss before taxation from continuing operations			(86,754)

For the six months ended 30 June 2017

	Continuing operations		
	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000 (Restated)
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)
Share of result af an associate			(109)
Finance costs			(4,136)
Loss before taxation from continuing operations			(41,861)

Segment result represents the profit earned/loss incurred by each segment without allocation of certain other income, gain and losses, corporate expenses, share of results of an associate, and certain finance costs. 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 2018 HK$'000	2017 HK$'000
Continuing operations		
Income tax expense	—	(1,200)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit 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 operation

On 20 June 2017, CFSG issued 826,000,000 new shares to an independent third party and the shareholding interest of the Company in CFSG was diluted from approximately 40.34% to 33.62%. Upon completion of the issuance of new shares by CFSG, the directors of the Company considered that the Group was no longer in a position to dominate the voting interest and exercise control but maintains significant influence over CFSG. Accordingly, CFSG ceased to be a subsidiary of the Company and became an associated company of the Company with effect from 20 June 2017. The Group's financial services operation which is carried out by CFSG was considered as discontinued during the six months ended 30 June 2017.

The profit for the period from the financial services operation is set out below.

	1.1.2017 to 20.6.2017 HK$'000
Loss of financial services operation for the period	(38,970)
Gain on disposal of financial services operation	262,615
Profit for the period from discontinued operation	223,645
Profit for the period attributable to:	
Owners of the Company	246,702
Non-controlling interests	(23,057)
Profit for the period from discontinued operation	223,645

The results of the discontinued operation for the period from 1 January 2017 to 20 June 2017, which have been included in the consolidated statement of comprehensive income, were as follows:

	1.1.2017 to 20.6.2017 HK$'000
Revenue	61,246
Other income	582
Other gains and losses	(12,088)
Salaries, allowances and related benefits	(34,496)
Commission expenses	(19,995)
Other operating and administrative expenses	(28,318)
Depreciation of property and equipment	(3,275)
Finance costs	(2,626)
Fair value change on investment properties	—
Loss before taxation	(38,970)
Income tax credit	—
Loss for the period	(38,970)

(7) **(Loss) earnings per share**

For continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company for the six months ended 30 June 2018 together with the comparative figures for the prior period are based on the following data:

	Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000 (Restated)
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(83,106)**	202,960

For continuing operations

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000 (Restated)
Loss for the purpose of basic and diluted loss per share	(83,106)	(43,742)

For discontinued operation

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000 (Restated)
Earnings for the purpose of basic and diluted earnings per share	—	246,702

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

	Unaudited Six months ended 30 June 2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	831,222	831,222

(8) Accounts and other receivables

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Accounts receivable arising from retailing business	1,533	1,666
Receivables from securities brokers	59,531	95,765
Prepayments	28,079	13,539
Rental and other deposits	25,471	47,891
Other receivables	251	1,491
	114,865	160,352

The Group allows an average credit period of 30 days to its corporate customers on retailing business. The ageing analysis based on the invoice date, which is approximately the revenue recognition date, is as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0–30 days	666	549
31–60 days	140	695
61–90 days	322	68
Over 90 days	405	354
	1,533	1,666

(9) Accounts payable

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Trade creditors arising from retailing business	187,458	187,180

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

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

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0–30 days	66,907	73,655
31–60 days	55,442	51,873
61–90 days	54,556	45,266
Over 90 days	10,553	16,386
	187,458	187,180

(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, held by CFSG and the Group after loss of control over CFSG, 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.

(11) Share capital

	Par value of each ordinary share HK$	Number of shares '000	Amount HK$'000
Ordinary shares			
Authorised:			
At 1 January 2018 and 30 June 2018	0.10	3,000,000	300,000
Issued and fully paid:			
At 1 January 2018 and 30 June 2018	0.10	831,222	83,122

(12) Interim dividend

No interim dividend in respect of the six months ended 30 June 2018 and 30 June 2017 was declared by the Board.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2018 (2017: nil).

Review and Outlook

Financial Review

Financial Performance

For the six months ended 30 June 2018, the Group recorded revenue of HK$671.6 million, representing an increase of 5.9% as compared with HK$634.0 million for the same corresponding period last year.

Overall, the Group reported a net loss for the period of HK$86.8 million as compared to the net profit of HK$180.6 million for the same period last year. The net profit for the last corresponding period had taken into account the gain on deemed disposal of CFSG Group of approximately HK$262.6 million upon the completion of the issue of 826 million new shares in CFSG to an investor in June 2017.

Retail Management Business — CRMG

During the period under review, the economic conditions of Hong Kong had shown a continuous improvement. Sentiment on domestic demand and local consumption was fared considerably well during the period under review. This optimistic economic outlook had benefited from the 20-year-low unemployment rate ever since 1998 which remained at 2.8% throughout the 6-month period, while wages and household incomes grew steadily. In addition, the strong demand for small apartments from young couples and investors showed no sign of ending, albeit the ever-increasing property prices. These factors had both positive and negative impacts on our retailing business. Thanks to the solid employment outlook and strong demand in the property market, we managed a 5.9% increase in our revenue. Nonetheless, our retailing business was still facing the high inflationary pressure which has been eroding our profits. The shortage in workforce had pushed up our staff costs to a new high. Furthermore, the favourable retailing business outlook and the positive local consumption sentiment kept the rental cost on a rising trend and the rent of our outlets therefore increased inevitably. To mitigate the impact of the above factors and to keep our retailing business competitive in the market, we had adopted the multi-brand strategy since the end of last year and several new retailing outlets under this strategy had commenced operation since the second quarter to accommodate the ever-rising demands of our customers in different segments. As such, we had recruited a team of experienced specialists in various aspects of retailing business to execute this strategy and a series of comprehensive advertising campaigns had been launched for these new brands, thus driving our advertising, staff and rental costs up unavoidably during this early investment stage. On the other hand, we had introduced the new omni-channel retail concept to integrate our existing physical store network with our online store by applying the most advanced technologies in order to serve our customers with more variety of products hence extra cost was therefore incurred.

Overall, CRMG recorded revenue of HK$671.6 million and a net loss of HK$40.9 million for the six months ended 30 June 2018, as compared to revenue of HK$634.0 million and a net profit of HK$7.6 million for the same period last year.

Mobile Internet Services Business — Net2Gather

The Group's Mobile Internet Service Business had no revenue recorded and a net loss of HK$0.3 million for the six months ended 30 June 2018, as compared to revenue of HK$9,000 and a net loss of HK$1.3 million for the same period last year.

CFSG (Associated company)

Financial Services Business — CFSG

For the six months ended 30 June 2018, CFSG recorded revenue of HK$78.2 million, representing an increase of 23.7% as compared with HK$63.2 million for the same corresponding period last year.

The promising economic outlook and corporate earnings were the drivers for the global stock markets to rise and made a new record in the beginning of this year. The HSI rose to new record high at 33,484 in January 2018. However, the stronger than expected employment figures in US raised the concern of inflation approaching. The concern of interest rate hike by the Federal Reserve pushed up the yield of US Treasury Bond, leading a small scale of financial crisis in the global stock market in February 2018. On the other hand, the weaker than expected PMI in the European Union make its central bank's net asset purchases extended to the end of December 2018 and its interest rate hike plan was postponed to mid of 2019. These two factors led the Euro against US Dollar to fell. The consequent stronger US Dollar had fastened the capital outflows from the Southeast Asia market and the emerging markets including Hong Kong, Taiwan and South Korea. The subsequent capital outflow from Hong Kong, the intensified trade tension relationship between US and China as well as the depreciation of the RMB created a downside momentum to Hong Kong stock market. Amid the deteriorating investor sentiment, the HSI closed at 28,955 on the last trading day of the first half of 2018, down 3.22% as compared with the end of 2017 while the H-share index closed at 11,073 at the end of June 2018, down 5.43% compared with the end of 2017. Thanks to the strong Hong Kong stock market in January this year, CFSG's securities brokerage incomes recorded a mild growth of 3% for the first half of the year. On the other hand, CFSG's asset management business, having successfully provided high quality tailor-made investment strategies to its clients in this fast changing market, had recorded 436% growth in revenue compared with the last corresponding period. However, due to the downside momentum of Hong Kong stock market, CFSG recorded a net loss of HK$26.7 million on its portfolio of investment securities held for trading for the period under review.

Overall, CFSG recorded a net loss of HK$52.2 million for the six months ended 30 June 2018 as compared to a net loss of HK$38.6 million in the same period last year.

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$424.1 million as at 30 June 2018 as compared to HK$508.1 million at the end of last year. The decrease in the equity was mainly due to the reported loss for the period under review.

As at 30 June 2018, the Group had total outstanding borrowings of approximately HK$275.9 million as compared to HK$195.2 million as at 31 December 2017. The increase in bank borrowings was mainly due to increase in working capital. The bank borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately of HK$139.8 million and secured loans of approximately of HK$136.1 million. The above bank loans of approximately HK$136.1 million were secured by the Group's pledged deposits of HK$47.1 million and corporate guarantees.

As at 30 June 2018, our cash and bank balances totalled HK$245.2 million as compared to HK$251.0 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the reported loss for the period under review. 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 2018 remained healthy at 0.84 times, as compared with 0.93 times as at 31 December 2017. The decrease in the liquidity ratio was mainly due to the reported loss for the period under review.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 70.2% as at 30 June 2018 as compared to 40.4% as at 31 December 2017. The increase in the gearing ratio was mainly due to the reported loss for the period under review. 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 June 2018, the Group announced the proposed issue of 5% subscription shares in Weever FinTech Limited (a company owned as to 80.10% equity interest by CFSG and as to 19.90% equity interest by the Group) to an independent strategic investor at total cash consideration of US$5,000,000 (equivalent to approximately HK$39,000,000) under a subscription agreement dated 11 June 2018. Completion is expected to take place on or before 30 October 2018 or such other date as agreed by the parties. Details of the transaction were disclosed in the joint announcement of the Company and CFSG dated 11 June 2018.

During the period under review, the Group did not make any disposal of shares in CFSG under and subject to the terms of disposal mandate as announced by the Company and CFSG dated 7 November 2017 and approved by shareholders of the Company at a special general meeting held on 18 December 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 2018, the market values of a portfolio of investments held for trading amounted to approximately HK$71.3 million. A net loss derived from investments held for trading of HK$1.1 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 2018	2017	% change
Continuing operations			
Retailing	**671.6**	634.0	5.9%
Online game	**—**	—	—
Group total	**671.6**	634.0	5.9%

Key Financial Metrics

	Unaudited Six months ended 30 June 2018	2017	% change
The Group			
Net (loss) profit attributable to shareholders (HK$'m)	**(83.1)**	203.0	(140.9%)
(Loss) earnings per share (HK cents)	**(10.0)**	24.4	(141.0%)
Total assets (HK$'m)	**1,031.0**	1,232.7	(16.4%)
Cash on hand (HK$'m)	**245.2**	275.0	(10.8%)
Bank borrowings (HK$'m)	**275.9**	239.9	15.0%
Retailing			
Revenue per sq. ft. (HK$)	**366**	358	2.2%
Growth for same stores (vs last year)	**5.6%**	5.6%	N/A
Inventory turnover days	**44.8**	64.5	(30.5%)

Management Discussion and Analysis

Retail Management Business — CRMG

Industry Review

The Hong Kong economy maintained its upturn momentum in the first half of 2018, recording a vibrant 4.0% growth in GDP with total retail sales in furniture and fixtures rising 6.3%. Nonetheless, the global trade tension at the beginning of the second half of the year has however clouded the retail market prospects. Despite the external uncertainties, the Hong Kong property market was still booming in July 2018, with the total number of sold residential flats (both primary and secondary) rose by 73.29% year-on-year, according to figures in the Land Registry.

Business Review

During the period under review, CRMG continued to pursue the multi-brand strategy. This enabled CRMG to maximise opportunities arising from the strong demand for home furnishing products as a result of the acceleration in residential property market supply and customers' diverse interests in home furnishing products and services. In the first half of 2018, CRMG recorded a 5.9% increase in revenue, generally in line with the market growth. During the period, we focused on marketing and branding TMF, its tailor-made furniture business launched as an individual brand in 2017. Two more home furnishing brands, SECO and Galleon, have been established to address the lifestyle needs of different customers. Following a satisfactory initial response from consumers, merchandising mix and service offerings are now being fine-tuned.

Pricerite

The latest Rating and Valuation Department figures indicate that the number of micro apartments is expected to increase by 34%, fuelling growing demand for smart furniture solutions. To strengthen its leading market position, Pricerite launched a new branding campaign that reinforced its brand essence of deep understanding of local living challenges as well as strong connections with customers while spreading the "Small Space • Big Universe" theme further. Pricerite also opened a New Retail Concept Store as an innovative way to bring a novel shopping experience to customers. The New Retail Concept deeply integrates the latest technologies, including artificial intelligence, big data analytics, mobile payments and robotics, into the company's existing omni-channel retail network. It strives to enhance the seamless and personalised shopping experience for customers and at the same time demonstrates how Pricerite lives up to its brand promise of providing positive and creative ways to overcome space management challenges.

Regarding product development, Pricerite continued to deliver home furnishing solutions that optimised space and improved people's quality of life. More smart furniture concepts were introduced to cater for different space management needs and a comprehensive review of household categories was carried out to further enhance the merchandising mix and bring greater value to customers. We also reviewed our retail network coverage with the goal to open more stores to better serve regions with fast-growing populations and to carry forward the New Retail Concept.

TMF

TMF has experienced a transformative year, developing from tailor-made Pricerite furniture service to stand-alone business. In the period under review, SAP Hybris was deployed to process and manage customer orders and fine-tune operation workflows to achieve greater efficiency and facilitate personalised post-sales services. To create mass brand awareness and highlight its differentiated services, TMF launched a brand campaign featuring popular artistes Vincent Wong and Ali Lee as brand ambassadors to promote TMF's unique service offerings, including service pledges on real-time order status checking, on-time delivery, product certification and warranties, and personalised post-sales services. The brand campaign employed a 360-marketing approach to cover extensive traditional and online touch-points. TMF's service differentiation strategy addresses the major pain points of most customers when they employ tailor-made or home renovation services. With our market position as a professional, reliable and caring tailor-made furniture service provider, we are dedicated to delivering personally relevant solutions for every customer.

Leveraging such branding, the company further optimised its store network to enhance efficiency. We opened two more shop-in-shops, in Mongkok and Kwai Fong respectively, while two underperforming stores were closed. We also initiated a store revamp project to renovate all shop-in-shops to communicate the company's new image and distinctive tailor-made solutions. In the second half of 2018, we will continue to review our store network and evaluate different options for expansion, including shop-in-shops that leverage Pricerite's growing store network and stand-alone shops to reach fresh customer segments.

SECO

SECO, as in ***Se***cure ***Eco***system, is a pioneering specialty destination store for quality home goods that add zest to customers' lifestyles while treasuring well-being as the most priceless form of wealth. We seek to provide a variety of solutions to urban health concerns, such as pollution and food safety, with products categorised into Home, Environment, Food, and Personal Care and carefully selected for the well-being of customers and their families and friends.

In the first half of 2018, we opened three stores in Ma On Shan, Tsim Sha Tsui and Tseung Kwan O, all excellent locations for a concept store catering for both families and the young generation. Utilising CRMG's omni-channel strength, SECO's e-shop launched in July 2018 to better serve the tech-savvy youth sector. SECO will keep augmenting its product mix to bring more items to health-aware customers in line with our emphasis on quality and safety.

Galleon

Galleon is a lifestyle store for homes opening up curated styles from all over the world. The store provides a wide spectrum of home furnishing items and gadgets that reflect the latest and most popular design trends globally. During the period under review, Galleon launched its flagship store in Causeway Bay, with over 30 renowned home furnishing and lifestyle brands from different parts of the globe.

Since the store opened in March 2018, different types of in-store events, such as collaborative exhibitions and workshops with overseas and local brands, have taken place, creating opportunities for greater interaction with customers and enriching their knowledge and appreciation of art and product design. We will continue to leverage our global sourcing capability to bring in curated styles for our customers.

W@W

Since its inception in 2017, Wellness at Work (W@W) has set out to develop a healthy working environment and a sustainable community through collaborations with reputable corporate clients. W@W has thus stepped up from supplier to wellness partner, providing excellent wellness solutions in the workplace.

W@W is active in the dormitory market, where there are currently no key industry players. Performance in the first half of 2018 was satisfactory, with partnerships arranged with several renowned organisations. In the second half of 2018, we will continue to secure and grow our presence in this core area while exploring different corporate markets to enrich our customer base.

CRMG Awards

Pricerite, the first home furnishing retailer in Hong Kong to develop the New Retail Concept, received the Best Omni-Channel Process Silver Award from Marketing Interactive in recognition of the company's leading approach to the optimisation of its omni-channel business. In addition, innovation in brand management, products and customer-oriented services brought Pricerite an Excellence Brand Award from PCCW Media Limited. A junior salesperson from both Pricerite and TMF respectively were honoured with Outstanding Young Salesperson Awards while a senior salesperson at Pricerite received a Distinguished Salesperson Award.

Outlook

External headwinds including downbeat stock markets, global trade tensions and the prospect of interest-rate rises are looming over the market, making investors cautious about the economic outlook. Domestically, despite a moderating Hong Kong economy and some cooling in residential home prices in the second half of the year, Hong Kong people have never given up making their homes cosy and maximising space utilisation.

The Group is dedicated to being the innovative home solutions leader for quality home furnishing, lifestyle products and services. With the launch of the SECO and Galleon brands and TMF's brand campaign, we are in a good position to capture a much larger customer base, catering for diverse needs through a wider array of quality products and services.

We will continue to explore innovative and personalised product and service offerings. In this age of digital transformation, we will also build a platform to facilitate well-structured data management and integration from different operating systems to provide on-going and comprehensive understanding of customers. In light of this, we will further investigate and adopt the latest technologies and best market practices to build this platform and help us to fine-tune business models.

Mobile Internet Services Business — Net2Gather

Industry Review

An online game industry report jointly released by China Game Publishers Association Publications Committee (GPC) and Gamma Data (CNG New Game Research) indicated that, in the first half of 2018, Chinese mobile game users reached 459 million, an increase of 5.4%, showing a further declining growth trend mainly due to the high base effect in previous years.

Business Review

In view of the very severe industry competition, our mobile game licensing business in overseas market was suspended in 2017. For the six months ended 30 June 2018, the Group's Mobile Internet Services business recorded a net loss of HK$0.3 million as compared to a net loss of HK$1.3 million for the same period last year.

CFSG — The Group's Associated Company

Financial Services Business — CFSG

Industry Review

The promising economic outlook and corporate earnings drove global stock market growth to a new record in the beginning of this year. The HSI reached a new record high at 33,484 in January 2018. However, stronger than expected employment figures in US raised concern of upcoming inflation. Concern over a possible Federal Reserve interest rate hike pushed up yields of US Treasury Bonds, leading a small-scale setback in the global stock market in February 2018. On the other hand, weaker than expected PMI in the European Union persuaded its central bank to postpone a planned interest rate hike to mid-2019. A stronger US Dollar meawhile drew investors from the Southeast Asia market, including Hong Kong, Taiwan and South Korea. A subsequent capital outflow from Hong Kong, intensified trade tensions between the US and China, and depreciation of the Renminbi (RMB) pushed a downside momentum to the stock market. The HSI could not sustain its key psychological support level of 29,000 and fell to 28,169, the lowest of this year.

The HSI closed at 28,955 at the end of June 2018, down 3.22% from the end of December 2017, while over the same period the H-share index closed at 11,073, down 5.43%. Average daily turnover for the first six months of 2018 was HK$126.6 billion, an increase of 67 per cent from HK$76 billion over the same period last year.

Business Review

During the period under review, CFSG continued to transform its financial services business to cater for clients' changing needs. To leverage the Group's advanced technology platform, CFSG focused on developing its 'Millennial Finance' business, targeting to meet the investment and wealth management needs of the most mobile-driven, social-sharing and tech-savvy users of the new millennium.

Broking

Investor confidence was shaken by uncertainties including the looming Sino-US trade war as well as continuous depreciation of the RMB. Commission income from brokerage in the first half of 2018 maintained at similar level to the same period last year with surging IPO interest income. To reposition our brokerage business, we further strengthened client relationship management to delight our loyal customers with unparalleled service quality. We aim to engage more proactively in the margin financing business, with prudent risk control to improve our revenue mix and create sustainable growth to our business. Expansion is further focused on outreaching to more mainland clients for our long-term growth. This will be facilitated by our new strategic plans and enhanced trading platforms together with innovative investment products in the second half of the year.

Investment Banking

In the first half of 2018, we continued to advise listed companies on a range of corporate finance transactions, including acquisition of assets and businesses, M&As, establishment of joint venture and various kinds of connected transactions. We also participated in the IPO market as joint global coordinator of a Main-board IPO, for shares available under the Hong Kong public offering were significantly over-subscribed by around 1,000 times.

Our clients included, among others, Hong Kong companies, Mainland China enterprise listing H shares and A shares respectively on the Hong Kong Stock Exchange, as well as Taiwan and South-East Asia-based companies.

By leveraging our fund-raising capabilities and financial advisory expertise, we will continue to provide fully-fledged investment banking services and maintain our balanced focus on IPOs sponsorship and fund-raisings, corporate finance transactions, and secondary market fund-raising activities to asset our clients in capturing different capital market and corporate finance opportunities.

Asset Management

Given the cloud of uncertainty of looming Sino-US trade war, the amount of Asset Under Management (AUM) for clients decreased around 5.15% by the end of June 2018, from the end of December 2017, which was in line with the benchmark index. We focus on sectors with fast corporate earnings growth and better earnings outlook, like technology shares, pharmaceuticals and Macau Gaming.

The Sino-US trade war and RMB depreciation trend will impose a negative sentiment on the market. Meanwhile, resultant capital outflow from emerging markets should limit upside market prospects in the near term. However, the HSI is currently trading at around 12.5x prospective PER, 1.24x P/B and 3.3% prospective dividend yield. Compared with global stock markets, its valuation is not demanding. We expect slower growth of our revenue and AUM in the second half of 2018, compared to the first half of 2018.

Wealth Management

The overall wealth management business recorded steady growth in the first half of 2018. We achieved satisfactory performance in our discretionary management service, resulting not only in increased revenue, but also increased AUM and the number of subscribers for this service. Apart from continuous business development in our regular products, we will introduce different services and products to broaden our service offering — aiming to equip ourselves to provide comprehensive wealth management solutions to our clients and business partners.

To capture the market among China's fast-growing middle-class, we will continue to provide latest global investment and wealth management information for their overall asset allocation. We will also continue enhancing our service to our local business partners, to create synergy and explore more business opportunities.

Financial Technology (FinTech)

In the first half year of 2018, CFSG targeted millennials with the launch of Alpha i, a mobile trading application with Artificial Intelligence (A.I.) features. This 'Millennial Finance' solution emphasises fast, convenient and cost-effective investing through a platform designed specifically for millennial investors. We will continue to develop new functions for enhancement of Alpha i. During the second half of the year, we will focus on building a commission-free cryptocurrency trading platform with value-added services of higher convenience and security to our millennial clients. With the aim of serving mobile-driven, social-sharing and tech-savvy millennial users, providing them more efficient access to the cryptocurrency markets, we will be proud to present the evolutionary cryptocurrency trading application, Weever, to the millennial public in 2018.

Outlook

Growing headwinds in the global economy have triggered a new round of instability in international financial markets since the beginning of the second half of 2018. In addition to intensifying trade tensions between major economies, investor sentiments have also been dampened by geopolitical uncertainty, volatile oil prices and US-Euro monetary policy normalisation, among others. In spite of these uncertainties, the global economy remains generally in good shape. Momentum in the US is strengthening due to fiscal stimulus and solid gains in the labour market. China's GDP in the first half of year remained strong at 6.8%, with the first round of US tariffs having minimal effect on China's economy, and Chinese stocks are well supported by earnings growth. Despite the fact that future performance in coming quarters hinges on trade negotiations, the Group remains cautiously optimistic about the future. In particular, development of the Guangdong-Hong Kong-Macau Greater Bay Area and China's Belt & Road initiative will bring tremendous opportunities for Hong Kong in the coming decades.

Against this backdrop, CFSG's solid business foundation enables us to gradually transform the Group into a first-rate financial services company focused on providing 'Millennial Finance' to tech-savvy millennial investors ahead of the market.

Employee Information

At 30 June 2018, the Group had 1,146 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$126.0 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 2018, 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
Chan Chi Ming Benson	Beneficial owner	6,310	—	0.00
		31,611,622	281,767,807	37.70

* The shares were held by Cash Guardian Limited ("Cash Guardian") (which was 100% beneficially owned by Dr Kwan Pak Hoo Bankee ("Dr Kwan")). Dr 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 2018	lapsed during the period (Note (4))	outstanding as at 30 June 2018	Percentage to issued shares as at 30 June 2018 (%)
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
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
Law Ka Kin Eugene (Note (4))	18/12/2015	18/12/2015–31/12/2019	0.460	(2)&(3)	4,800,000	(4,800,000)	—	—
					40,544,000	(4,800,000)	35,744,000	4.26

Notes:

(1) Dr 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) The options held by Mr Law Ka Kin Eugene were lapsed on 30 June 2018 due to resignation.

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

(6) 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: Personal	Number of shares: Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Interest in a controlled corporation	—	1,667,821,069*	33.62
Chan Chi Ming Benson	Beneficial owner	10,924,000	—	0.22
		10,924,000	1,667,821,069	33.84

* 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 Dr Kwan, details of which were disclosed in the "Substantial Shareholders" below. Pursuant to the SFO, Dr 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 2018	reallocated upon change of directorate (Note (3))	lapsed during the period (Note (4))	outstanding as at 30 June 2018	Percentage to issued shares as at 30 June 2018 (%)
Kwan Pak Hoo Bankee	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	40,000,000	—	—	40,000,000	0.80
	31/8/2017	1/1/2018–31/12/2020	0.253	(2)	49,000,000	—	—	49,000,000	0.99
Law Ping Wah Bernard	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	40,000,000	—	—	40,000,000	0.80
	31/8/2017	1/1/2018–31/12/2020	0.253	(2)	49,000,000	—	—	49,000,000	0.99
Chan Chi Ming Benson (Note (3))	31/8/2017	1/1/2018–31/12/2020	0.253	(2)	N/A	49,000,000	—	49,000,000	0.99
Ng Hin Sing Derek	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	16,000,000	—	—	16,000,000	0.32
Law Ka Kin Eugene (Note (4))	3/12/2015	3/12/2015–31/12/2019	0.315	(1)	20,000,000	—	(20,000,000)	—	—
					214,000,000	49,000,000	(20,000,000)	243,000,000	4.89

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) 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 CFSG Board and/or the CFSG Board determined at their sole discretion. The options must be exercised within one month from the date on which the CFSG Board's approval of the vesting of the options.

(3) Mr Chan Chi Ming Benson was appointed as director of the Company during the period.

(4) The options held by Mr Law Ka Kin Eugene were lapsed on 30 June 2018 due to resignation.

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

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

Save as disclosed above, as at 30 June 2018, 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 2018 were as follows:

				Number of options		
Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2018	lapsed during the period (Note (6))	outstanding as at 30 June 2018
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	(4,800,000)	17,600,000
				40,544,000	(4,800,000)	35,744,000
Employees and other grantees						
2/9/2014	2/9/2014–31/8/2018	0.478	(2)&(4)	15,810,000	(3,630,000)	12,180,000
18/12/2015	18/12/2015–31/12/2019	0.460	(3)&(4)	19,400,000	(2,800,000)	16,600,000
18/12/2015	18/12/2015–31/12/2019	0.460	(5)	6,800,000	(6,800,000)	—
				42,010,000	(13,230,000)	28,780,000
				82,554,000	(18,030,000)	64,524,000

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 share option scheme of Netfield (Bermuda) had been expired and terminated on 5 June 2018.

The associated company

CFSG

During the period from 1 January 2017 to 20 June 2017, CFSG was a non-wholly-owned subsidiary of the Company, and became an associated company 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 2018 were as follows:

				Number of options			
Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2018	reallocated upon change of directorate	lapsed during the period (Note (6))	outstanding as at 30 June 2018
Directors							
3/12/2015	3/12/2015–31/12/2019	0.315	(1)	116,000,000	—	(20,000,000)	96,000,000
31/8/2017	1/1/2018–31/12/2020	0.253	(1)	98,000,000	49,000,000	—	147,000,000
				214,000,000	49,000,000	(20,000,000)	243,000,000
Employees and other grantees							
3/12/2015	3/12/2015–31/12/2019	0.315	(2)&(3)	112,000,000	—	(58,000,000)	54,000,000
3/12/2015	3/12/2015–31/12/2019	0.315	(4)	30,000,000	—	—	30,000,000
31/8/2017	1/1/2018–31/12/2020	0.253	(5)	121,000,000	(49,000,000)	—	72,000,000
31/8/2017	1/1/2018–31/12/2020	0.253	(4)	194,400,000	—	—	194,400,000
				457,400,000	(49,000,000)	(58,000,000)	350,400,000
				671,400,000	—	(78,000,000)	593,400,000

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 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 CFSG Board and/or the CFSG Board determined at their sole discretion. The options must be exercised within one month from the date on which the CFSG Board's approval of the vesting of the options.

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

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

Substantial Shareholders

As at 30 June 2018, 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 Dr Kwan. Pursuant to the SFO, Dr Kwan and Hobart Assets Limited were deemed to be interested in the shares held by Cash Guardian.

(2) Dr 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 2018, 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 2018 to 30 June 2018, 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) Dr 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 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 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 2017 Annual Report are set out below:

Dr Kwan Pak Hoo Bankee (Chairman of the Board and executive director of the Company) was conferred an Honorary Doctorate degree in Business Administration. He was also appointed as an Adjunct Professor of Hang Seng Management College, the deputy chairman of the Business Facilitation Advisory Committee and the deputy convener (Hong Kong and Macao Members) of the Chinese People's Political Consultative Conference, Shanghai Committee during the period.

In August 2018, Dr Kwan 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.

Mr Law Ping Wah Bernard (executive director of the Company) was awarded a fellow of The Institute of Chartered Accountants in England and Wales.

Mr Li Shing Wai Lewis was appointed as chief financial officer of the Group in place of Mr Law Ping Wah Bernard with effect from 10 July 2018.

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 2018 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 2018, 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, 27 August 2018

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

Executive directors:

Dr Kwan Pak Hoo Bankee, JP
Mr Law Ping Wah Bernard
Mr Chan Chi Ming Benson
Mr Ng Hin Sing Derek

Independent non-executive directors:

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