CASH FINANCIAL SERVICES GROUP LIMITED
時富金融服務集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 510)

ANNOUNCEMENT

OF

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The audited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the year ended 31 December 2021 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue	(3)		
Fee and commission income		**71,165**	78,286
Interest income		**25,698**	25,402
Total revenue		**96,863**	103,688
Other income		**1,840**	6,814
Other (losses) gains		**(13,162)**	4,877
Salaries and related benefits		**(58,532)**	(64,636)
Commission expenses		**(24,773)**	(22,204)
Depreciation		**(8,650)**	(8,769)
Finance costs		**(7,447)**	(11,083)
Impairment losses under expected credit loss model, net of reversal		**(1,892)**	(1,447)
Other operating expenses	(5)	**(37,757)**	(47,205)
Change in fair value of investment property		**-**	824
Loss before taxation		**(53,510)**	(39,141)
Income tax credit	(6)	**40**	-
Loss for the year		**(53,470)**	(39,141)

	Note	**2021** **HK$'000**	2020 HK$'000
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on financial assets at fair value through other comprehensive income		**2,029**	(13,863)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,023**	864
Other comprehensive income (expense) for the year		**3,052**	(12,999)
Total comprehensive expense for the year		**(50,418)**	(52,140)
Loss attributable to:			
Owners of the Company		**(53,470)**	(39,178)
Non-controlling interests		**-**	37
		(53,470)	(39,141)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(50,418)**	(52,177)
Non-controlling interests		**-**	37
		(50,418)	(52,140)
Loss per share	(7)		
- Basic (HK cents)		**(21.11)**	(15.89)
- Diluted (HK cents)		**(21.11)**	(15.89)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2021 HK$'000	2020 HK$'000
Non-current assets			
Property and equipment		**22,930**	16,430
Investment property		**-**	18,934
Intangible assets		**9,092**	9,092
Club debentures		**660**	660
Other assets		**6,857**	8,235
Rental and utility deposits		**1,913**	1,243
Financial assets at fair value through other comprehensive income ("FVTOCI")		**27,679**	25,649
Loans receivable	(9)	**1,516**	-
Financial assets at fair value through profit or loss ("FVTPL")		**5,534**	5,335
		76,181	85,578
Current assets			
Accounts receivable	(8)	**182,150**	309,363
Contract assets		**4,813**	2,690
Loans receivable	(9)	**38,681**	14,091
Prepayments, deposits and other receivables		**28,792**	6,669
Financial assets at FVTPL		**99,408**	82,523
Amounts due from related companies		**1,001**	1,341
Bank deposits subject to conditions		**-**	25,231
Bank balances - trust and segregated accounts		**660,971**	732,123
Bank balances (general accounts) and cash		**203,580**	208,859
		1,219,396	1,382,890
Current liabilities			
Accounts payable	(10)	**701,088**	856,276
Accrued liabilities and other payables		**24,932**	23,223
Taxation payable		**3,000**	3,000
Lease liabilities		**11,220**	10,832
Bank borrowings - amount due within one year		**73,026**	110,804
Provision of restoration		**1,035**	-
		814,301	1,004,135
Net current assets		**405,095**	378,755
Total assets less current liabilities		**481,276**	464,333

	Note	At 31 December 2021 HK$'000	2020 HK$'000
Non-current liabilities			
Loan from a related party		**60,263**	-
Deferred tax liabilities		**-**	40
Lease liabilities		**7,838**	9,280
Provision of restoration		**807**	1,133
		68,908	10,453
Net assets		**412,368**	453,880
Capital and reserves			
Share capital		**104,470**	97,049
Reserves		**299,360**	348,293
Equity attributable to owners of the Company		**403,830**	445,342
Non-controlling interests		**8,538**	8,538
Total equity		**412,368**	453,880

Notes:

(1) Basis of preparation

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

Apart from note (2) below, the accounting policies and judgements applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2020.

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

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

(2) Application of amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

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

(3) Revenue

Fee and commission income

	2021	2020
	HK$'000	HK$'000
Types of services		
Broking services	**43,031**	53,209
Investment banking services	**384**	8,653
Wealth management services	**16,229**	7,510
Asset management services	**6,032**	3,719
Handling and other services	**5,489**	5,195
	71,165	78,286

Interest income

	2021	2020
	HK$'000	HK$'000
Interest income arising from financial assets at amortised cost	**25,698**	25,402

(4) Segment information

The Group is principally engaged in the following activities:

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

Reportable and operating segment

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

Segment revenue and result

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

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

For the year ended 31 December 2021

	Financial services HK$'000	**Proprietary trading HK$'000**	**Total HK$'000**
Revenue	**96,854**	**9**	**96,863**
RESULT			
Segment loss	**(31,273)**	**(16,232)**	**(47,505)**
Gain on disposal of investment property			**1,563**
Unallocated expenses			**(7,568)**
Loss before taxation			**(53,510)**

For the year ended 31 December 2020

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

All the segment revenue is derived from external customers.

Segment assets and liabilities

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

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

As at 31 December 2021

	Financial services HK$'000	Proprietary trading HK$'000	Total HK$'000
ASSETS			
Segment assets	**1,084,321**	**136,476**	**1,220,797**
Property and equipment			**14,719**
Financial assets at FVTOCI			**27,679**
Financial assets at FVTPL			**5,534**
Amounts due from related companies			**1,001**
Other unallocated assets			**25,847**
Consolidated total assets			**1,295,577**
LIABILITIES			
Segment liabilities	**799,046**	**-**	**799,046**
Lease liabilities			**19,058**
Taxation payable			**3,000**
Loan from a related party			**60,263**
Provision for restoration			**1,842**
Consolidated total liabilities			**883,209**

As at 31 December 2020

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

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

	Revenue from external customers		**Non-current assets**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (Place of domicile)	**96,863**	103,688	**34,814**	29,896
PRC	**-**	-	**4,725**	23,455
Total	**96,863**	103,688	**39,539**	53,351

There were no customers for the years ended 31 December 2021 and 2020 contributing over 10% of the Group's total revenue.

(5) Other operating expenses

	2021 **HK$'000**	2020 HK$'000
Handling expenses:		
- dealing in securities	**2,975**	2,860
- dealing in futures and options	**600**	933
Advertising and promotion expenses	**2,627**	2,341
Telecommunications expenses	**9,994**	13,011
Auditor's remuneration	**2,520**	1,920
Legal and professional fees	**3,126**	3,728
Printing and stationery expenses	**1,865**	1,763
Repair and maintenance expenses	**1,146**	1,231
Travelling and transportation expenses	**253**	391
Water and electricity expenses	**643**	561
Office management fee and rates	**2,866**	2,980
Others	**9,142**	15,486
	37,757	47,205

(6) Income tax credit

	2021 **HK$'000**	2020 HK$'000
Current tax:		
- Hong Kong	-	-
Deferred tax	**(40)**	-
	(40)	-

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable to the PRC subsidiaries is 25% for both years.

(7) Loss per share

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

	2021	2020
	HK$'000	HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	**(53,470)**	(39,178)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**253,235,908**	246,599,214
Effect of dilutive potential ordinary shares: Share options of the Company	**-**	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	**253,235,908**	246,599,214

For the years ended 31 December 2021 and 2020, the computation of diluted loss per share has not taken into account the effects of share options which are anti-dilutive.

(8) Accounts receivable

	Notes	2021 HK$'000	2020 HK$'000
Accounts receivable arising from the business of dealing in securities:	(a)		
Clearing houses, brokers and dealers		**38,915**	63,043
Cash clients		**27,865**	53,695
		66,780	116,738
Accounts receivable arising from the business of margin financing	(a)	**98,303**	149,492
Less: allowance for impairment		**(3,916)**	(24,137)
		94,387	125,355
Accounts receivable arising from the business of dealing in futures and options:	(a)		
Cash clients		**184**	188
Clearing houses, brokers and dealers		**20,646**	66,889
		20,830	67,077
Commission receivable from brokerage of general and life insurance, mutual funds and mandatory provident fund products	(b)	**153**	117
Accounts receivable arising from the provision of investment banking services	(b)	**-**	76
		182,150	309,363

Notes:

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

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

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

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

	2021	2020
	HK$'000	HK$'000
0 - 30 days	**153**	193

(9) Loans receivable

	2021	2020
	HK$'000	HK$'000
Revolving loans receivable denominated in:		
Hong Kong dollars	**21,544**	10,122
Renminbi	**4,697**	4,603
United State dollars	**353**	322
Less: allowance for impairment	**(2,397)**	(956)
	24,197	14,091
Term loan receivable denominated in:		
Hong Kong dollars	**16,000**	-
	40,197	14,091

As at 31 December 2021, loans receivable have contractual interest rates ranging from 2% to 11% per annum (2020: from 2% to 13% per annum). As at 31 December 2021, the loans receivable included a total carrying amount of HK$10,400,000 (2020: HK$3,326,000), HK$2,350,000 (2020: HK$2,303,000) and HK$2,347,000 (2020: HK$2,299,000) which are loans to five (2020: two) directors, one (2020: one) senior management and one (2020: one) staff respectively, of the Group.

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

	2021	2020
	HK$'000	HK$'000
On demand or within one year	**38,681**	14,091
In more than two years but not more than three years	**1,516**	-
	40,197	14,091

(10) Accounts payable

	2021 HK$'000	2020 HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses and brokers	**9,715**	923
Cash clients	**522,630**	621,726
Margin clients	**94,477**	120,519
Accounts payable to clients arising from the business of dealing in futures and options	**72,489**	113,108
Accounts payable to independent financial advisors arising from the business of wealth management services	**1,777**	-
	701,088	856,276

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

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

Accounts payable to independent financial advisors arising from business of wealth management services are generally settled within 30 days upon receipt of payments from product issuers/clients.

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

Accounts payable amounting to HK$660,971,000 (2020: HK$732,123,000) are payable to external clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

(11) Capital risk management

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

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: nil).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2021, the Group recorded revenue of HK$96.9 million, representing a decrease of 6.6% as compared with HK$103.7 million in 2020.

As global economic recovery was on track in 2021, most global stock markets rebounded and recorded highs. The US stock market turned in a solid performance, amid historically high inflation and supply chain disruptions. S&P 500 gained 26.9% and the Dow Jones Industrial Average gained 18.7%. The stock market benefited from the US Federal Reserve keeping interest rates near zero throughout 2021, while continuing to pump billions of dollars into markets each month – measures that encouraged investors to seek out higher-returning assets, like stocks, and contributed to higher inflation. Our earlier efforts to transform our business into a diversified investment and wealth management specialist paid off, as market volatility encouraged our clients to start preserving their assets with more international diversification. With strong, high calibre wealth management professionals to promote this diversification, our wealth management business recorded 116.0% growth. Hong Kong's economy also started to pick up in the second quarter of 2021. However, the Hong Kong stock market continued to languish in negative sentiment of the pandemic, tightening control over internet-related business in China, and fear of tightening monetary policy by the Federal Reserve. The Hang Seng Index closed at 23,398 at 2021 year-end, down 14.08% from 2020, while the H-share index closed 23.3% down at 8,236. Both benchmark indices underperformed global and Asian stock markets, and Hong Kong was one of the world's worst-performing major equity markets of the year. While average daily turnover in Hong Kong's securities market increased compared to 2020, the number of newly listed companies dropped by 36.4%, and funds raised by IPOs also decreased by 17.8%. As the local stock market exhibited considerable volatility in 2021, more clients opted for the Group's asset management business, preferring high quality tailor-made investment strategies to cope with market changes. As a result, despite the downturn of Hong Kong's stock market and uncertain economic outlook, the Group's asset management business recorded 62.2% growth in revenue compared with 2020. On the other hand, our other retail clients chose to flee the highly volatile stock markets to avoid suffering huge trading and investment losses. As a result, our brokerage business recorded a drop of 19.2% in commission income for 2021, while our interest income maintained nearly the same as last year's performance. Pursuant to the Group's continuous effort to contain our operating costs within its cost rationalisation programme - such as streamlining our workforce and reviewing organisational structure - our operating costs had been reduced as compared with last year. For treasury function, the Group recorded a net loss of HK$14.7 million on its portfolio of investment securities held for trading due to the downturn of Hong Kong stock market in 2021.

Taking into account the aforesaid net loss on portfolio of investment securities held for trading, the Group recorded a net loss of HK$53.5 million for the year ended 31 December 2021 as compared to a net loss of HK$39.1 million last year. As part of our response to the pandemic, we have followed business continuity processes from our Board-endorsed COVID-19 Business Continuity Plan. Our Business Continuity Plan places the perseverance of our staff's health and wellbeing at the highest priority by implementing work from home arrangements for non-essential and vulnerable employees. Due to the effective mitigation efforts from our COVID-19 Business Continuity Plan, COVID-19 had limited impact on our financial results.

Impairment Allowances

Impairment allowance consisted of provision for credit losses on accounts receivables arising from margin financing and loans receivable, the Group performs impairment assessment on these financial assets under the impairment framework and methodology of expected credit loss ("ECL") model established by the Group in accordance to HKFRS 9 "Financial instruments". In order to minimise the credit risk on accounts receivables arising from margin financing and loans receivable, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on delinquent receivables. The assessment is based on a close monitoring and evaluation of collectability and on management's judgement, including but not limited to ageing analysis of receivables, the current creditworthiness, account executives concentration analysis, collateral distribution and concentration analysis and the past collection history of each client, and consideration of forward looking factors. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The accounts receivables arising from margin financing are collateralised by pledged shares of margin clients. As at 31 December 2021, the Group had concentration of credit risk on the accounts receivable from margin clients as the aggregate balances with the five largest clients represent approximately 45.7% of total accounts receivable from margin clients. During the year, additional impairment allowance of approximately HK$0.5 million for a total of HK$98.3 million margin loans on the accounts receivables arising from margin financing was recongnised, where the underlying collaterals were less than the outstanding loan amounts. As at 31 December 2021, the Group had concentration risk on loans receivable as 37.6% of the outstanding balance is from the top borrower. During the year, additional impairment allowance of approximately HK$1.4 million on the loan receivable was recongnised for a total of HK$42.6 million loan receivables. The Group adopts a prudent provisioning policy in respect of these margin loans. For credit-impaired accounts receivable from margin clients, the management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement.

Liquidity and Financial Resources

The Group's total equity amounted to HK$412.4 million as at 31 December 2021 as compared to HK$453.9 million as at 31 December 2020. The decrease in the total equity was mainly due to the reported loss, being contra with the fair value gain of financial assets at FVTOCI for the year under review and the exercise of share options in the Company during the year.

As at 31 December 2021, the Group had total outstanding borrowings of approximately HK$133.3 million, composed of bank loans HK73.0 million and an unsecured loan from related party HK60.3 million. Bank borrowings of HK$73.0 million were collateralised by its margin clients' securities pledged to the Group. All of the Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR.

As at 31 December 2021, our cash and bank balances including the trust and segregated accounts had slightly decreased to HK$864.6 million from HK$966.2 million as at 31 December 2020. The Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK$162.4 million and HK$41.2 million as at 31 December 2021 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2021 slightly increased to 1.50 times from 1.38 times as at 31 December 2020. The gearing ratio as at 31 December 2021, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 32.3% from 24.4% as at 31 December 2020. The increase in gearing ratio was mainly due to the increase in borrowings during the year under review. On the other hand, we have no material contingent liabilities at the end of the year.

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

Foreign Exchange Risks

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

Material Acquisitions and Disposals

On 31 December 2020, Celestial Investment Group Limited (a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH"), the substantial shareholder of the Company) proposed to acquire additional shareholding interests in the Company from vendors upon exercise of their options in the Company at a price of HK$0.75 per share. The acquisitions triggered a conditional mandatory cash offers for the shares in the Company upon completion and the acquisitions were approved by the independent shareholders of CASH at a special general meeting held on 14 May 2021. The cash offers were subsequently closed on 23 June 2021. The shareholding interest of CASH in the Company was increased from 86,140,854 shares (approximately 35.5% of issued share capital) to 97,960,854 shares (approximately 37.5% of issued share capital) upon the close of the cash offers. Details of the transaction were disclosed in the joint announcement dated 31 December 2020 and the subsequent announcements of the Company and CASH during the period from 12 January 2021 to 23 June 2021, and the composite offer document dated 2 June 2021.

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

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

Fund Raising Activities

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

Capital Commitments

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

Material Investments

As at 31 December 2021, the market values of a portfolio of investments held for trading amounted to approximately HK$99.4 million. A net loss on investments held for trading of HK$14.7 million was recorded for the year.

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

Financial and Operation highlights

Revenue

(HK$'m)	**2021**	2020	% change
Broking income	**43.0**	53.2	(19.2%)
Wealth management income	**16.2**	7.5	116.0%
Non broking and non wealth management income	**37.7**	43.0	(12.3%)
Group total	**96.9**	103.7	(6.6%)

Key Financial Metrics

	2021	2020	% change
Net loss (HK$'m)	**(53.5)**	(39.1)	(36.8%)
Loss per share (HK cents)	**(21.11)**	(15.89)	(32.9%)
Total assets (HK$'m)	**1,295.6**	1,468.5	(11.8%)
Cash on hand (HK$'m)	**203.6**	234.1	(13.0%)
Bank borrowings (HK$'m)	**73.0**	110.8	(34.1%)
Annualised average fee income from broking per active client (HK$'000)	**3.8**	4.1	(7.3%)

Industry and Business Review

Industry Review

The worst economic condition due to the COVID-19 pandemic may have come to pass for Hong Kong and other locations around the world. With the global economic recovery on track, the Hong Kong economy started to recover in the second quarter of 2021. The recovery has been sustained with the economy having expanded by 6.4% in real terms in 2021. Meanwhile, the unemployment rate was down from the cyclical peak of 7.2% in Dec 2020-Feb 2021 to 3.9% in Oct-Dec 2021 and is expected to edge down further should economic activities continue to revive.

While most global stock markets rebounded and recorded highs in 2021, the Hong Kong stock market took a battering, with the Hang Seng Index ("HSI") having registered its biggest annual loss in a decade. Hong Kong is one of the world's worst-performing major equity markets in 2021, particularly due to a series of Mainland China's regulatory crackdown which resulted in unexpected policy headwinds for sectors such as technology, e-commerce, videogames, gambling and education since the first quarter. Some other market stalwarts, such as Chinese banks, insurers and property developers, also had share prices retreated in 2021. The tightened regulatory measures in China called for a revaluation of all technology-related and platform economy Chinese companies.

The average daily turnover in Hong Kong's securities market in 2021 was HK$166.7 billion, up 29% when compared with the HK$129.5 billion in 2020. The funds raised by IPOs in 2021 was HK$328.8 billion, down 17.8% over 2020, while the number of newly listed companies in 2021 was 98, a decrease of 36.4% when compared with the 154 in 2020. The local stock market exhibited considerable volatility in 2021, with the HSI trading in a range of close to 8,500 points. The HSI ended lower by 14.1% to 23,398 at year-end.

Another bout of risk-off sentiment came in December, due to heightened concern over the growth outlook in the face of resurgence in COVID cases with virus variant - Omicron & Delta.

Given the elevated level of US inflation and further improvement in the US labour market, the Federal Reserve have announced a faster tapering of the central bank's asset purchase program while having its first interest rate hike in March 2022. An expectedly higher interest rate environment in 2022 was seen as hurting business in general. The stock market shall stay volatile in the coming year.

Business Review

Despite inflation hitting a 39-year high and the persistent waves of Covid-19 infections, Wall Street's main indexes hit new record highs during 2021. However, the HSI has been on track for the worst year in a decade and Hong Kong IPOs also shrank for the first time since 2007, as China's clampdown on its biggest tech firms chilled sentiment. During the year, our brokerage business recorded a 19.2% decline in commission, while our IPO interest income decreased 28.0%.

Amid heightened regulatory challenges and a tense geopolitical stand-off between the US and China, there have been increasing concerns about the future of some Chinese Technology, Media, and Telecom (TMT) companies listed or planned to list in the US. Chinese TMT companies are accelerating their 'homecoming' plans and opting for secondary listing in Mainland China or Hong Kong. 2021 saw secondary listings of Baidu and Bilibili in Hong Kong and China Telecom in Shanghai. It is expected the momentum of IPO activities, especially for the Chinese TMT companies, will remain strong in 2022. The Group will continue leveraging the demand for IPO margin financing by promoting the business prudently to further grow our interest income.

Over the course of 2021, the relatively low interest rate environment had favourably amplified interest in wealth management products and services, due to their potentially higher investment yields and stronger preservation of purchasing power. Our Asset under Management (AUM) dropped by 5.4% compared with 2020, as we focused on top blue-chip stocks with visible and promising outlook for our clients.

To diversify and further broaden our revenue streams, CFSG is committed to transforming into a fully-fledged Wealth Management Advisory Group, providing 'one-stop' wealth management services to clients in Hong Kong and Mainland China, with particular focus on the Greater Bay Area (GBA) and Yangtze River Area. During the year, our wealth management business recorded a 116.0% increase compared to 2020.

With the formal launch of the two cross-border investment schemes - Wealth Management Connect and the Southbound China-Hong Kong Bond Connect by the PRC government in September 2021, the two-way opening-up of financial markets within the GBA not only facilitate the interaction of capitals which potentially attract a stronger influx of southbound fund flow into Hong Kong, but also allow retail investors to directly open investment accounts to satisfy their cross-border wealth management needs. We have already taken the first-mover advantage to leverage synergy with our long-established offices in China's financial centres Shenzhen and Shanghai and our customer services centers in Guangzhou and Dongguan to capitalise on this golden opportunity in all respects.

In light of the ever-increasing cross-border demand for wealth management products and services, CFSG announced the Grand Opening of its first Wealth Management Centre ("the Centre"), which provides premium and one-stop customer service in the city centre of Hong Kong Island in November 2021. CFSG is planning to recruit more than 200 front-line wealth management professionals within the GBA by the end of 2022 to better serve our wealth management clients. CFSG is set to continue to deliver fully-fledged wealth management solutions including brokerage, margin financing, IPO subscription, corporate wealth management, insurance products, asset management, funds, bonds, MPF products and etc., and to provide our GBA's customers with top-notch services to precisely satisfy their personalised wealth management needs. By further enhancing customer experience and to bring value to our clients, the Centre will also host a wide range of free workshops and seminars on topics covering family office services, financial trends, market outlook, overseas immigration and education planning advice.

Simultaneously, the Group have completed a major overhaul of our core online trading application, Alpha i, which was launched back in 2018. The all-new and fully-enhanced trading application namely "Alpha i 2.0 (阿爾發易)" was launched in Dec 2021, allowing our clients to trade across multiple markets with seamlessly synchronised real-time market data ranging from US stocks trading to grey market trading. By standardising and upgrading our front and back office trading systems, a more advanced and consistent trading experience can be reached across our mobile app, download version and web trading portal. Alpha i 2.0 greatly enhances our clients' user experience and further propels us into the era of financial digitalisation.

On the other hand, despite the escalating compliance-related and system-related costs in fulfilling the more stringent regulatory and supervisory requirements, CFSG will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to overcome the challenges ahead and pursue long-term business and profitability growth in line with our corporate mission and goals.

In light of vaccines availability upon the launch of a territory-wide COVID-19 Vaccination Programme by the HKSAR Government, the Group has strongly encouraged its critical personnel to get inoculated by offering incentives such as compensated and medical leaves, to mitigate business disruptive risks amid COVID-19. It is in the Group's view as the vaccination rate goes higher, restrictions can be lifted gradually and eventually a high degree of normalcy can resume.

ESG Highlights

To enable our people and facilitate their work under the critical pandemic situation, we invested in our IT infrastructure and hardware for them to work flexibly at home or in office while having video meetings at ease.

In support of Hong Kong athletes and recognition of their outstanding achievements, CFSG offered a free HK$100,000 wealth management and investment plan to all 2020 Tokyo Olympics medal-winners to help them manage their investments, enabling them to pursue their life goals while meeting their investment and wealth management needs at every stage of their life.

Outlook

Hong Kong was hit by the fifth wave of local epidemic in early 2022, with more stringent anti-pandemic and social distancing measures in response. The COVID-19 situation in Hong Kong has become more worrying. The plan for an orderly reopening of the border could be delayed, should the epidemic situation not be put under control in a timely manner. The prospect remains for a gradually resumption of quarantine-free travel with Mainland China, followed by the reopening of the border with the rest of the world, when a high vaccination rate among the local population is attained.

During the unstable pandemic situation prevalent throughout 2021, CFSG opted to take a conservative approach to preserve its capital strength by adopting cost containment measures, restructuring its back-office and taking a cautious stance in its lending and credit advance services.

Looking ahead, the mainland Chinese and Hong Kong economies are anticipated to recover gradually. China's policy makers are expected to unveil further supportive monetary and fiscal measures to cushion the domestic economic slowdown. The financial sector is expected to stay resilient, and may expand further against a more favourable economic environment and an improved business sentiment. We have faith in the prospect of Hong Kong brokerage and wealth management business and trust they are turning more reassuring and having adequate room for further growth.

By further demonstrating our confidence in the development of the Greater Bay Area under the National 14th Five-Year Plan, CFSG will further optimise its business footprint and continue to invest in its second brand new Wealth Management Centre in New Territories in the second half of 2022 to offer top-notch financial services to our GBA's customers to satisfy their personalised wealth management needs.

The COVID-19 pandemic has accelerated a wave of digital transformation at an unprecedented pace with many companies switching to full digitalisation mode. Moving forward, CFSG is committed to accelerating innovative technology enhancement in its cross-platform trading solution, such as upgrading the functionality and performance of its web trading platform and mobile trading app. We strive for serving our customers aptly and elevating their Fintech experience.

By raising both CFSG's brand exposure and new Alpha-i 2.0 mobile trading app awareness, we will continue to kick-start a slew of digital and traditional promotion and marketing campaigns at reasonable costs to expand clientele; and to optimise user experience to attract more investors to open investment accounts through their mobile devices.

The tightening of listing requirements in the US for foreign companies is speeding up the seconding listing of US-listed Chinese companies in the Hong Kong stock market. These listings help attract more fund inflow, while also bringing diversity and vibrancy to Hong Kong's capital markets, further reinforcing Hong Kong's role as a fundraising centre. With sustained demand for IPO brokerage business, CFSG will continue to leverage IPO share subscriptions and margin financing to expand our Mainland clientele in order to boost relevant interest income.

Looking into 2022, the low interest rate environment amidst the pandemic era is unlikely to prolong, as the US Federal Reserve attempts to adopt a more hawkish stance towards monetary policy to control inflation which likely will entail interest rate hikes, and the shrinking of the Fed's balance sheet, with adverse impact on investment return on interest-bearing assets. Given the road to normalising policy, CFSG will continue to adopt prudent lending policies for our loan and margin finance business in view of the expected high market volatility and interest rate hikes. We strive for a well-diversified income stream by building a fee-based wealth management product, asset management business and stable interest income from margin financing and loan businesses. We also expect our AUM to further increase along with the launch of our first CASH Prime Value Public Fund and OFC Private Fund within the second half of 2022 and will continue to pursue sustainable business growth prudently. With a decent AUM portfolio enabling us to capture business opportunities and synergies in the lucrative GBA market, we anticipate that the launch of this public fund will make a positive contribution to the Group in 2023, in terms of on-boarding new clients and introduction of new products.

As the brokerage market has been squeezed by cut-throat competition with zero commission fees and ultra-low interest rates, a market consolidation is anticipated ahead. We will look for business prospects there arise and seize the opportunity to further strengthen our presence serving our clients in the GBA.

Riding on CFSG's well-established brand - rooting in Hong Kong for 50 years, award-winning services and unique wealth management products, we are confident that CFSG will emerge as a leading Hong Kong-based technology driven financial services company, specialising in wealth management and investment products in the Greater Bay Area. We strive to deliver personalised and dedicated professional services to our clients with a holistic approach, helping them better plan wealth accumulation, preservation and heritage, while driving CFSG's sales and sustainable growth. We are also committed to fostering a caring corporate culture to unify teamwork - "One Team • One Mission" with shared vision, mission and values by every employee.

EMPLOYEE INFORMATION

As at 31 December 2021, the Group had 130 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK$58.5 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 products knowledge, operational techniques, risk and compliance, customer service, selling techniques, graduate development and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/ comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code of Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2021, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations with explanation described below:

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

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

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2021 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

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

Hong Kong, 22 March 2022

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

Executive directors:

Dr Kwan Pak Hoo Bankee, JP
Mr Li Shing Wai Lewis
Mr Kwan Teng Hin Jeffrey
Mr Cheung Wai Lim William

Independent non-executive directors:

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

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.

* *For identification purpose only*