**CELESTIAL ASIA SECURITIES HOLDINGS LIMITED**
**時富投資集團有限公司*** 
*(Incorporated in Bermuda with limited liability)*
**(Stock code: 1049)**

# ANNOUNCEMENT

# OF

# FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The audited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the year ended 31 December 2022 together with the comparative figures for the last corresponding year are as follows:

| | Notes | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|---|
| Revenue | (3) | **1,210,887** | 1,368,066 |
| Cost of inventories | | **(691,433)** | (793,738) |
| Other income | | **15,601** | 13,215 |
| Other gains and losses | | **65,661** | 7,342 |
| Salaries, allowances and related benefits | | **(199,011)** | (195,732) |
| Other operating, administrative and selling expenses | | **(237,651)** | (234,843) |
| Depreciation of property and equipment | | **(23,742)** | (18,020) |
| Depreciation of right-of-use assets and related rent concessions | | **(138,308)** | (149,465) |
| Finance costs | | **(20,755)** | (16,995) |
| Share of loss of associates | | **(25,984)** | (19,671) |
| **Loss before taxation** | | **(44,735)** | (39,841) |
| Income tax credit (expense) | (5) | **9,486** | (3,426) |
| **Loss for the year** | | **(35,249)** | (43,267) |

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Other comprehensive (expense) income for the year, net of income tax** | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Share of fair value (loss) gain on financial assets at fair value through other comprehensive income ("FVTOCI") of an associate | | **(198)** | 724 |
| Fair value gain on financial assets at FVTOCI | | **1,058** | – |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference on translation of foreign operations | | **(1,994)** | 3,637 |
| Share of exchange difference on translation of foreign operation of an associate | | **113** | 421 |
| | | **(1,021)** | 4,782 |
| **Total comprehensive expense for the year** | | **(36,270)** | (38,485) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(33,641)** | (43,050) |
| Non-controlling interests | | **(1,608)** | (217) |
| | | **(35,249)** | (43,267) |
| **Total comprehensive expense for the year attributable to:** | | | |
| Owners of the Company | | **(34,662)** | (38,268) |
| Non-controlling interests | | **(1,608)** | (217) |
| | | **(36,270)** | (38,485) |
| **Loss per share** | (6) | | |
| – Basic (HK cents) | | **(41.68)** | (53.33) |
| – Diluted (HK cents) | | **(41.68)** | (53.33) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 December<br>**2022**<br>**HK$'000** | <br>2021<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | | **40,495** | 27,364 |
| Right-of-use assets | | **193,590** | 187,060 |
| Goodwill | | **39,443** | 39,443 |
| Intangible assets | | **52,552** | 43,460 |
| Interests in associates | | **–** | 183,535 |
| Rental and utilities deposits | | **24,387** | 23,121 |
| Financial assets at FVTOCI | | **24,328** | – |
| Financial assets at fair value through profit or loss ("FVTPL") | | **4,812** | – |
| Other assets | | **6,846** | – |
| Deferred tax assets | | **5,450** | 5,450 |
| | | **391,903** | 509,433 |
| **Current assets** | | | |
| Inventories - finished goods held for sale | | **56,623** | 65,761 |
| Accounts and other receivables | (7) | **396,548** | 192,352 |
| Contract assets | | **2,617** | – |
| Loans receivable | | **12,194** | 1,500 |
| Tax recoverable | | **4,297** | 4,234 |
| Financial assets at FVTPL | | **51,594** | 15,951 |
| Pledged bank deposits | | **54,159** | 55,458 |
| Bank balances – trust and segregated accounts | | **482,196** | – |
| Bank balances (general accounts) and cash | | **334,411** | 167,274 |
| | | **1,394,639** | 502,530 |
| **Current liabilities** | | | |
| Accounts payable | (8) | **684,467** | 230,923 |
| Financial liabilities arising from consolidated investment funds | | **5,757** | 5,551 |
| Accrued liabilities and other payables | | **156,518** | 74,099 |
| Contract liabilities | | **48,728** | 33,309 |
| Amount due to an associate | | **–** | 1,001 |
| Taxation payable | | **7,636** | 14,338 |
| Lease liabilities | | **142,031** | 126,494 |
| Borrowings | | **375,245** | 195,442 |
| | | **1,420,382** | 681,157 |
| **Net current liabilities** | | **(25,743)** | (178,627) |
| **Total assets less current liabilities** | | **366,160** | 330,806 |

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| **Capital and reserves** | | |
| Share capital | **16,144** | 16,144 |
| Reserves | **179,950** | 224,496 |
| Equity attributable to owners of the Company | **196,094** | 240,640 |
| Non-controlling interests | **95,180** | (37,946) |
| **Total equity** | **291,274** | 202,694 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **6,825** | 6,825 |
| Lease liabilities | **68,061** | 81,112 |
| Borrowings | **–** | 40,175 |
| | **74,886** | 128,112 |
| | **366,160** | 330,806 |

Notes:

## 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with 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.

The consolidated financial statements have been prepared on the historical cost basis except for certain 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.

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

## 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 Group's annual period beginning on 1 January 2022 for the preparation of the financial statements:

| | |
|---|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018 – 2020 |

Except as described below, 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.

Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 "Business Combinations" so that it refers to the "Conceptual Framework for Financial Reporting 2018" issued in June 2018 (the "Conceptual Framework") instead of "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting 2010" issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC)-Int 21 "Levies", an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

## (3) Revenue

Disaggregation of revenue from contracts with customers

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| ***Types of goods or service*** | | |
| Sales of furniture and household goods | **997,004** | 1,130,420 |
| Sales of electrical appliances | **131,448** | 146,629 |
| Sales of tailor-made furniture | **70,855** | 84,979 |
| Revenue from retailing segment | **1,199,307** | 1,362,028 |
| Management fee from asset management services | **4,334** | 6,038 |
| Broking and wealth management services | **7,246** | – |
| | **1,210,887** | 1,368,066 |
| ***Timing of revenue recognition*** | | |
| A point in time | **1,135,698** | 1,277,049 |
| Over time | **75,189** | 91,017 |
| | **1,210,887** | 1,368,066 |
| ***Geographical market*** | | |
| Hong Kong | **1,206,553** | 1,362,028 |
| The People's Republic of China ("PRC") | **4,334** | 6,038 |
| | **1,210,887** | 1,368,066 |

## (4) Segment information

***Segment information***

Information reported to the executive directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered or services provided, except for the business operations of CASH Financial Services Group Limited ("CFSG") which was acquired during the year and is assessed by the CODM as a separate operating segment.

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

| | |
|---|---|
| Retailing | Sales of furniture and household goods and electrical appliances |
| Asset Management | Provision of asset management services to the fund investors |
| Financial Services | Provision of broking and wealth management services under the business operations of CFSG |

*Segment revenue and results*

The following is an analysis of the Group's revenue and results by operating and reportable segments:

*For the year ended 31 December 2022*

| | Retailing HK$'000 | Asset Management HK$'000 | Financial Services HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| Revenue | **1,199,307** | **4,447** | **7,133** | **1,210,887** |
| Segment (loss) profit | **(13,033)** | **13,814** | **(7,779)** | **(6,998)** |
| Unallocated other income | | | | **5,523** |
| Unallocated gain and losses | | | | **20,844** |
| Corporate expenses | | | | **(34,232)** |
| Share of loss of associates | | | | **(25,984)** |
| Unallocated finance costs | | | | **(3,888)** |
| Loss before taxation | | | | **(44,735)** |

*For the year ended 31 December 2021*

| | Retailing HK$'000 | Asset Management HK$'000 | Consolidated HK$'000 |
|---|---|---|---|
| Revenue | 1,362,028 | 6,038 | 1,368,066 |
| Segment profit | 13,267 | 2,317 | 15,584 |
| Unallocated other income | | | 2,149 |
| Unallocated gain and losses | | | (5,470) |
| Corporate expenses | | | (31,684) |
| Share of loss of associates | | | (19,671) |
| Unallocated finance costs | | | (749) |
| Loss before taxation | | | (39,841) |

All the segment revenue is derived from external customers.

Segment result represents the profit earned/loss incurred by each segment without allocation of certain other income, certain gain and losses, corporate expenses, share of loss of associates and certain finance costs. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

***Segment assets and liabilities***

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

*As at 31 December 2022*

| | Retailing HK$'000 | Asset Management HK$'000 | Financial Services HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| ASSETS | | | | |
| Segment assets | **519,751** | **126,559** | **1,037,343** | **1,683,653** |
| Unallocated property and equipment | | | | **159** |
| Unallocated right-of-use assets | | | | **16,516** |
| Tax receivable | | | | **4,297** |
| Deferred tax asset | | | | **5,450** |
| Loans receivable | | | | **12,194** |
| Unallocated financial assets at FVTPL | | | | **4,812** |
| Unallocated prepayments, deposits and other receivables | | | | **51,672** |
| Unallocated bank balances and cash | | | | **7,789** |
| Total assets | | | | **1,786,542** |
| LIABILITIES | | | | |
| Segment liabilities | **599,647** | **26,422** | **644,119** | **1,270,188** |
| Unallocated accrued liabilities and other payables | | | | **52,651** |
| Taxation payable | | | | **7,636** |
| Deferred tax liabilities | | | | **6,825** |
| Unallocated lease liabilities | | | | **31,107** |
| Unallocated borrowings | | | | **126,861** |
| Total liabilities | | | | **1,495,268** |

*As at 31 December 2021*

| | Retailing HK$'000 | Asset Management HK$'000 | Consolidated HK$'000 |
|---|---|---|---|
| ASSETS | | | |
| Segment assets | 664,938 | 63,592 | 728,530 |
| Unallocated property and equipment | | | 147 |
| Unallocated right-of-use assets | | | 8,307 |
| Interests in associates | | | 183,535 |
| Tax recoverable | | | 4,234 |
| Deferred tax assets | | | 5,450 |
| Loans receivable | | | 1,500 |
| Unallocated financial assets at FVTPL | | | 7,668 |
| Unallocated prepayments, deposits and other receivables | | | 54,232 |
| Unallocated pledged bank deposits | | | 416 |
| Unallocated bank balances and cash | | | 17,944 |
| Total assets | | | 1,011,963 |
| LIABILITIES | | | |
| Segment liabilities | 707,625 | 9,751 | 717,376 |
| Unallocated accrued liabilities and other payables | | | 21,005 |
| Amount due to an associate | | | 1,001 |
| Taxation payable | | | 14,338 |
| Deferred tax liabilities | | | 6,825 |
| Unallocated lease liabilities | | | 8,549 |
| Unallocated borrowings | | | 40,175 |
| Total liabilities | | | 809,269 |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to the reportable and operating segment other than certain property and equipment, certain right-of-use assets, interests in associates, tax recoverable, deferred tax assets, loans receivable, certain financial assets at FVTPL, certain prepayments, deposits and other receivables, certain pledged bank deposits and certain bank balances and cash; and

- all liabilities are allocated to reportable and operating segment other than certain accrued liabilities and other payables, amount due to an associate, taxation payable, deferred tax liabilities, certain borrowings and certain lease liabilities.

***Other segment information***

*For the year ended 31 December 2022*

| | **Retailing HK$'000** | **Asset Management HK$'000** | **Financial Services HK$'000** | **Unallocated HK$'000** | **Total HK$'000** |
|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Additions of property and equipment | **28,948** | **178** | **1,493** | **4** | **30,623** |
| Additions of right-of-use assets | **114,460** | **3,389** | **124** | **16,017** | **133,990** |
| Interest income | **1,708** | **350** | **–** | **–** | **2,058** |
| Depreciation of property and equipment | **22,256** | **12** | **1,409** | **65** | **23,742** |
| Depreciation of right-of-use assets and related rent concessions | **128,746** | **1,280** | **989** | **7,293** | **138,308** |
| Finance costs | **15,170** | **115** | **1,582** | **3,888** | **20,755** |
| Net (gain) loss on financial assets/liabilities at FVTPL | **–** | **(43,072)** | **(9,366)** | **9,052** | **(43,386)** |
| Write-down on inventories | **3,587** | **–** | **–** | **–** | **3,587** |
| Loss on disposal/write-off of property and equipment | **746** | **–** | **–** | **–** | **746** |

*For the year ended 31 December 2021*

| | Retailing HK$'000 | Asset Management HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Additions of property and equipment | 6,538 | 111 | 6 | 6,655 |
| Additions of right-of-use assets | 83,773 | 1,450 | 1,263 | 86,486 |
| Interest income | 1,708 | 190 | 86 | 1,984 |
| Depreciation of property and equipment | 17,883 | 88 | 49 | 18,020 |
| Depreciation of right-of-use assets and related rent concession | 139,256 | 768 | 9,441 | 149,465 |
| Finance costs | 16,197 | 49 | 749 | 16,995 |
| Net (gain) loss on financial assets/liabilities at FVTPL | – | (23,913) | 12,878 | (11,035) |
| Write-down on inventories | 5,801 | – | – | 5,801 |
| Loss on disposal/write-off of property and equipment | 1,364 | – | – | 1,364 |

*Revenue from major products and services*

The following is an analysis of the Group's revenue from its major products and services:

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sales of furniture and household goods | **1,067,859** | 1,215,399 |
| Sales of electrical appliances | **131,448** | 146,629 |
| Broking and wealth management services | **7,246** | – |
| Management fee from asset management services | | |
| – Fixed | **1,495** | 1,677 |
| – Variable | **2,839** | 4,361 |
| | **1,210,887** | 1,368,066 |

*Geographical information*

The Group's operations are located in Hong Kong and the PRC.

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

| | **Revenue** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong | **1,206,553** | 1,362,028 | **328,272** | 478,846 |
| PRC | **4,334** | 6,038 | **4,654** | 2,016 |
| | **1,210,887** | 1,368,066 | **332,926** | 480,862 |

No customers individually contributed over 10% of the Group's revenue during both years.

**(5) Income tax (credit) expense**

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax: | | |
| – Hong Kong Profits Tax | **166** | 3,505 |
| – PRC Enterprise Income Tax | **47** | 97 |
| Overprovisions in prior years | **(9,699)** | (176) |
| | **(9,486)** | 3,426 |

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

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

**(6) Loss per share**

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

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Loss** | | |
| Loss for the purposes of basic and diluted loss per share | **(33,641)** | (43,050) |
| | **'000** | '000 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **80,720** | 80,720 |

The incremental shares from assumed exercise of share options granted by the Company are excluded in calculating the diluted loss per share during the years ended 31 December 2022 and 2021 because they are antidilutive in calculating the diluted loss per share.

The effect of assumed exercise of share options granted by CFSG are excluded in calculating the diluted loss per share for years of 2022 and 2021 because they are antidilutive.

### (7) Accounts and other receivables

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Accounts receivable arising from retailing business | **1,268** | 33,150 |
| Accounts receivable arising from the business of dealing in securities | **48,207** | – |
| Accounts receivable arising from the business of margin financing | **116,726** | – |
| Accounts receivable arising from the business of dealing in futures and options | **23,638** | – |
| Receivables from securities brokers | **145,914** | 89,399 |
| Prepayments | **10,801** | 7,736 |
| Rental deposits | **15,979** | 26,988 |
| Other deposits | **23,043** | 25,220 |
| Other receivables | **10,972** | 9,859 |
| | **396,548** | 192,352 |

As at 1 January 2021, the accounts receivable arising from retailing business were amounted to HK$15,399,000.

The Group allows an average credit period of 30-60 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:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| 0-30 days | **685** | 8,361 |
| 31-60 days | **119** | 4,502 |
| 61-90 days | **161** | 4,066 |
| Over 90 days | **303** | 16,221 |
| | **1,268** | 33,150 |

## (8) Accounts payable

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Trade creditors arising from retailing business | **174,287** | 230,923 |
| Accounts payable arising from the business of dealing in securities | **464,481** | – |
| Accounts payable arising from the business of dealing in futures and options | **45,699** | – |
| | **684,467** | 230,923 |

Trade creditors arising from retailing business principally comprise amount outstanding for trade purpose and ongoing cost. The credit period taken for trade purchases ranges 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:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| 0-30 days | **52,526** | 127,841 |
| 31-60 days | **69,222** | 75,703 |
| 61-90 days | **50,650** | 21,721 |
| Over 90 days | **1,889** | 5,658 |
| | **174,287** | 230,923 |

## (9) 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 debts, which include the lease liabilities and borrowings, and equity attributable to owners of the Company, comprising share capital, reserves and accumulated losses. 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 year.

Following the acquisition of CFSG, certain subsidiaries of the Group 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 the year.

## DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: 15 HK cents).

## REVIEW AND OUTLOOK

### Financial Review

### FINANCIAL PERFORMANCE

Upon the acquisition of a total of additional 21.08% equity interest in CFSG by the Company through a voluntary general offer closed on 21 October 2022, the voting power of the Group in CFSG has increased from 39.41% to 60.49%. Accordingly, CFSG has ceased to be associate of the Group and became the Group's subsidiary with effect from 21 October 2022. As such, the operating results of CFSG for the period from 1 January 2022 to 20 October 2022 and for the period subsequent to 20 October 2022 were, respectively, disclosed as share of results of associates and combined in consolidated statement of profit or loss and other comprehensive income in the current year. Due to CFSG became the Group's subsidiary, there was a net gain of HK$22.6 million on loss on deemed disposal of associates and discount on acquisition of subsidiary.

After taking into account of the above mentioned net gain on loss on deemed disposal of associates and discount on acquisition of subsidiary and the operating results of the year, the Group has reported a net loss of HK$35.2 million for the year end 31 December 2022.

### RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

Hong Kong retail industry has been facing unprecedented challenges in recent years especially the year under review, due to the pandemic and the rapidly changing market environment. Consumer sentiment has been impacted by the uncertain economic outlook and the changing behavior of shoppers. Retailers have to keep up with these changes and adapt to the new reality. Moreover, the impact of the fifth wave of the pandemic on retail industry in Hong Kong during first quarter was significant and adverse. The total value of retail sales in Hong Kong decreased by 7.6% during the first quarter. The prevailing uncertainty and ongoing disruption caused by restrictions on social gatherings resulted in a notable decline in consumer sentiment. The pandemic also caused a disruption in the supply chain, leading to shortage of certain types of product and rise in logistic cost, which further reduced consumer spending, as people were unable to purchase items at the prices they were accustomed to. Nevertheless, the Hong Kong government has taken steps to support the retail industry, launching the second round of consumption voucher program in 2022. The initial phase of disbursement in April proved to be effective in stimulating economic activity and promoting consumer expenditure. However, the impact of the program began to neutralize during the second phase in August. The total value of retail sales for the year 2022 in Hong Kong is marking a 0.9% decline in value compared to the previous year despite the disbursement of consumption voucher to boost local spending. Furthermore, during the second half of the year, there has been a surge in interest rates, which had a substantial influence on both the residential property market and the furniture sales. The increasing interest rates are expected to pose greater difficulty for consumers to obtain mortgages, thereby impacting the residential property market. The number of transactions in the residential property market has experienced a sharp decline of 39%. Consequently, the increasing interest rate will also have a ripple effect on furniture sales since consumers experienced a reduction in disposable income, which will limit their capacity to spend on non-essential items. During the year under review, Pricerite Group has been prioritizing O2O development to align with the evolving behavior of customers, utilizing big data analysis to adapt the changing market trends, and focusing on cost control to ensure financial stability in the face of market concession, Pricerite Group has initiated a store network consolidation strategy with the objective of reducing rental and related costs. It entailed the closure of underperforming stores and focus on more profitable locations. To determine which locations to prioritize, we are conducting an analysis of the relationship between customer geographic data and store profitability. Pricerite Group is able to optimize store network and achieve greater efficiency in operations, ultimately improving our competitiveness in the market. Facing the difficult operating environment and consumer sentiment, our retail business inevitable recorded a decline in revenue level as the previous year and reported revenue of HK$1,199.3 million, representing a decrease of 11.9% as compared with HK$1,362 million in 2021. Overall, our retailing business recorded a net loss of HK$13.0 million for the year ended 31 December 2022 as compared to a net profit of HK$13.3 million for the previous year.

## FINANCIAL SERVICES BUSINESS – CFSG

### Financial Review

For the year ended 31 December 2022, the CFSG Group recorded revenue of approximately HK$68.8 million, representing a decrease of 29.0% compared with HK$96.9 million last year. The CFSG Group's main revenue comprised of broking income of approximately HK$25.8 million (2021: HK$43.0 million), provision of wealth management services of approximately HK$20.2 million (2021: HK$16.2 million), and approximately HK$22.8 million (2021: HK$37.7 million) from non-broking and non-wealth management services.

During the year, the decrease of approximately 40.0% or HK$17.2 million from broking income was due to bearish investing sentiment as reflected by a sizeable decrement of 25.1% in average daily turnover of Hong Kong's securities market (2022: HK$125.0 billion; 2021: HK$166.7 billion). Due to the highly volatile securities market, bearish investing sentiment and lowered risk appetite of market participants, demand for wealth management products and services have increased as a result. The relatively favourable investment yields and asset preservation potential has further hastened and cemented our transformation into a fully-fledged wealth management powerhouse, providing 'one-stop' wealth management services to clients in Hong Kong, Greater Bay Area and beyond. As such, revenue from our wealth management business increased 24.7% or HK$4.0 million to reach approximately HK$20.2 million during the year.

The decline of approximately 39.5% or HK$14.9 million in revenue from non-broking and non-wealth management services was mainly due to the decrease in asset management revenue and interest income from IPO margin financing. The general shrinkage of various asset classes across the board led to a material impact on our asset management revenue resulting in a decline of 83.0% or approximately HK$5.0 million. Interest income from IPO margin financing witnessed a decrement of HK$5.4 million due to shrivelling investors' participation in Hong Kong's previously hot IPO market. Depreciation of various asset classes coupled with the absence of mega-cap listings further contributed to the 68.4% contraction in total funds raised through Hong Kong's IPO market during the year (2022: HK$104.6 billion; 2021: HK$331.3 billion).

In terms of treasury function, the CFSG Group recorded a net loss of approximately HK$5.6 million (2021: HK$14.7 million) on its portfolio of investment securities held for trading due to the downturn of the Hong Kong stock market during the year. Capitalising on the relatively favourable deposit rates from interest rate hikes, the CFSG Group actively reallocated its idle cash to term deposits during the second half of 2022 and recorded deposit income of approximately HK$2.1 million (2021: HK$0.8 million) during the year.

On the other hand, salaries and related benefits decreased by 15.7% or HK$9.2 million (2021: HK$58.5 million). Other operating expenses also witnessed a decline of 7.1% or HK$2.7 million (2021: HK$37.8 million). The cost reductions were mainly attributable to our Group's ongoing cost rationalisation programme which included reviewing and cutting back on non-essential costs, streamlining our workforce and reviewing organization structures to eliminate redundancies.

Overall, the CFSG Group recorded a net loss of approximately HK$69.8 million during the year as compared to a net loss of approximately HK$53.5 million in 2021. 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 business operations and further expedited the CFSG Group's transformational initiatives and digitalisation journey.

### *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 with HKFRS 9 "Financial instruments".

To minimise the credit risk on accounts receivables arising from margin financing and loans receivable, the Credit and Risk Management Committee is responsible for reviewing credit and risk management policies, approving credit limits and to determining any debt recovery actions on delinquent receivables. The assessment is based on close monitoring, 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 CFSG Group's credit risk is maintained at an acceptable level.

The accounts receivables arising from margin financing are collateralised by pledged shares of margin clients. As at 31 December 2022, the CFSG Group had concentration of credit risk on the accounts receivable from margin clients as the aggregate balances with the four largest clients represent approximately 61.8% of total accounts receivable from margin clients. During the year, additional impairment allowance of approximately HK$7.5 million for a total of HK$128.2 million margin loans on the accounts receivables arising from margin financing was recognised, where the underlying collaterals were less than the outstanding loan amounts.

As at 31 December 2022, the CFSG Group had concentration risk on loans receivable as 27.3% of the outstanding balance is from the top borrower. During the year, a reversal of impairment allowance of approximately HK$0.6 million on the loan receivable was recognised for a total of HK$12.8 million loan receivables. The CFSG Group adopts a prudent provisioning policy in respect of these margin loans. For credit-impaired accounts receivable from margin clients, 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 CFSG Group and subsequent settlement actions.

## ALGO TRADING BUSINESS – CAFG

Despite the Russo-Ukrainian conflict, US-China trade tensions, government policy interventions, and the epidemic dampening the investment sentiment, commodities again outpace the performance of other major asset classes in 2022. With a mix of outset events, during the first half of 2022, the price of the commodities generally remained high due to years of quantitative easing pushing up commodities prices and supply disruption caused by the Russo-Ukrainian conflict. The market started to retrace during the second half as the major central bank hiked the interest rates to combat rising inflation, and the fear of recession risks increased. The jumpy market movement and the frequent appearance of backwardation of crude oil futures hampered investors using short-term reversion or momentum as trading strategies but benefited other arbitrage investment styles. Our futures arbitrage portfolio has been running for six years with annualized high-teens returns, also gained from the market volatility, the strong USD movement, and the continuous rising of interest rates to end the year with a robust double-digit return in 2022, overall, our asset management business reported revenue of HK$6.5 million and a net profit of HK$15.7 million for the year ended 31 December 2022 as compared to a net profit of HK$2.3 million last year.

### *Liquidity and Financial Resources*

The Group's equity attributable to owners of the Company amounted to HK$196.1 million as at 31 December 2022 as compared to HK$240.6 million at the end of the previous year. The decrease in equity was mainly due to the dividend paid and the net loss reported for the year. As at 31 December 2022, the Group had total outstanding borrowings of approximately HK$375.2 million as compared to HK$235.6 million as at 31 December 2021. The increase in borrowings was mainly due to the fact that CFSG's borrowings which has been included in the Group's total borrowings as at 31 December 2022. The borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately HK$235.3 million and secured loans of approximately HK$140.0 million. The above bank loans of approximately HK$140.0 million were secured by the Group's pledged deposits of HK$54.2 million and corporate guarantees.

As at 31 December 2022, our cash and bank balances totalled HK$870.8 million as compared to HK$222.7 million at the end of the previous year. The increase in cash and bank balances was mainly due to the fact that CFSG's cash and bank balances which has been included in the Group's total borrowings as at 31 December 2022. 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 31 December 2022 was at 0.98 times, as compare to 0.74 times as at 31 December 2021. The increase in the liquidity ratio was mainly due to CFSG's current assets and current liabilities have been included in the Group's current assets and current liabilities as at 31 December 2022.

The gearing ratio, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 128.8% as at 31 December 2022 as compared to 116.2% as at 31 December 2021. The increase in gearing ratio was mainly due to the fact that CFSG's borrowings which has been included in the Group's total borrowings as at 31 December 2022. 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 duly 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 30 June 2022, Celestial Securities Limited for and on behalf of Celestial Investment Group Limited ("CIGL, a wholly-owned subsidiary of the Company) made a pre-conditional voluntary cash offers to acquire all issued shares of CFSG ("Offers"). The making of the Offers was subject to the Company's shareholders approval in respect of the possible acquisition and the same was approved at a special general meeting of the Company held on 9 September 2022. The Offers were subsequently closed on 21 October 2022. The shareholding interest of the Company in CFSG was increased from 102,928,854 CFSG shares (approximately 39.41% of issued share capital of CFSG) to 157,989,563 CFSG shares (approximately 60.49% of issued share capital of CFSG) upon the close of the Offers. Details of the transaction were disclosed in the joint announcement dated 30 June 2022 and the subsequent announcements of the Company and CFSG during the period from 21 July 2022 to 21 October 2022, the circular of the Company dated 22 August 2022 and the composite offer document of CFSG dated 16 September 2022.

On 19 December 2022, Confident Profits Limited ("CPL", an indirect wholly-owned subsidiary of the Company) as vendor and CFSG as purchaser entered into an agreement, pursuant to which CPL conditionally agreed to sell, and CFSG conditionally agreed to acquire, the 51% of the issued shares of CASH Algo Finance Group International Limited (an indirect wholly-owned subsidiary of the Company) at the consideration of HK$61 million, which will be satisfied as to (i) HK$10 million in cash and (ii) HK$51 million by the issue of 120,000,000 new CFSG shares ("Consideration Shares") to CIGL at completion. The completion of the transaction is conditional upon CFSG's independent shareholders approval and the listing approval for the issue of the Consideration Shares. A special general meeting of CFSG will be convened and held for the approval of the acquisition. Following completion, the shareholding of the Company in CFSG will increase from approximately 60.49% to 72.93% and the CFSG Group will remain subsidiaries of the Company. Details of the transaction were disclosed in the joint announcement of the Company and CFSG dated 19 December 2022.

Save as aforesaid, the Group did not make any other material acquisitions and 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.

***Capital Commitment***

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

***Material Investments***

The market value of financial assets at FVTPL increased from HK$16.0 million as at 31 December 2021 to approximately HK$56.4 million as at 31 December 2022. A net gain on financial assets at FVTPL of HK$43.4 million was recorded for the year.

We do not have any future plans for material investments, or addition of capital assets.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

### *Revenue*

| (HK$'m) | **2022** | 2021 | % change |
|---|---|---|---|
| Retailing | **1,199.3** | 1,362.1 | (12.0%) |
| Asset management | **4.4** | 6.0 | (26.7%) |
| Financial services business | **7.1** | N/A | N/A |
| Group total | **1,210.8** | 1,368.1 | (11.5%) |

### *Key Financial Metrics*

| | **2022** | 2021 | % change |
|---|---|---|---|
| **The Group** | | | |
| Net (loss) profit attributable to shareholders (HK$'m) | **(33.6)** | (43.1) | 22.0% |
| Loss per share (HK cents) | **(41.68)** | (53.33) | 21.9% |
| Total assets (HK$'m) | **1,787** | 1,012.0 | 76.6% |
| Cash on hand (HK$'m) | **870.8** | 222.7 | 291.0% |
| Borrowings (HK$'m) | **375.2** | 235.6 | 59.3% |
| **Retailing** | | | |
| Revenue per sq.ft. (HK$) | **4,152** | 4,402 | 5.7% |
| Growth for same stores (vs last year) | **(12.1%)** | (1.3%) | N/A |
| Inventory turnover days | **32.3** | 32.7 | 1.2% |

### Business Review and Outlook

#### *Industry Review*

The Hong Kong economy recorded deterioration by 3.5% last year, with real GDP contracting by 4.2% year-on-year. Slower growth in global demand and pandemic-induced cross-boundary transportation disruptions posed significant drags to exports. The fifth wave of local pandemic and resultant restrictive measures weighed heavily on a wide range of economic activities as well as economic sentiment.

With recent steady relaxation of respective anti-pandemic measures in Hong Kong and Mainland China, the battered economy is expected to recover gradually amid global challenges of inflation pressure, supply chain distortion and asset market volatility.

Looking ahead, the government notes that the return of economic activities to normalcy and an expected increase in inbound visitors should bode well for retail sales performance, as improvement was seen in labour market conditions.

#### *Business Review*

Amid the declining economy, Pricerite Group is mindful of cost leadership to tactically manage the uncertain and unpredictable market situation – remaining vigilant on expenses, while flexibly and swiftly expanding product range according to market demand.

Riding on data-driven business strategy, we focused on customer solutions, customer experience and customer communication. Customer-centricity demands that the customer is the focal point of all decisions related to delivering products, services and experience.

To create customer satisfaction, loyalty and advocacy, "Customer-first" is our core value. The 3-year pandemic has fundamentally reshaped our mode of living and accelerated the development of e-commerce and digitalisation. Big data has in fact played a vital role in this revolution. Data analytics has hence become the success factor of our O2O development.

*Customer Solutions*

Four key elements – "Home Hygiene & Antiseptic", "Home Cooking & Dining", "Home Organising" and "Work from Home" – drive sales demand and our continuously expanding product range responding to market demand.

In the furniture range, we introduced more value-for-money quality products and after-sales-service for our customers. We launched up to 180 days free mattress trial service for most of our mattress products, and 20 years' structural warranty for wooden furniture that we promise on our quality products. Our house brand Staple 2.0 wooden furniture was newly launched providing complete ready-made wooden furniture solutions for bedrooms, living rooms and study rooms, with unique design and value-for-money quality. We also launched exclusive brand Sleeprotex-Graphene, featuring mattress and Violino sofa.

Growth strategy of tailor-made furniture (TMF) remained on course, enhancing customer-centric service and product offerings while raising brand awareness across various channels. Our Five Service Commitments – 24-hour order tracking service, 30-day delivery fulfilment, one-to-one after sales service, 10-year structural warranty and 200% quality assurance – uniquely assure utmost quality services in the local furniture market.

TMF upgraded the vendor management system and adopted logistics flexibility to provide on-time delivery services, especially during the lockdown period. During the pandemic, TMF also encouraged digital meetings with customers to provide timely and professional service under protective measures.

Our house brand SOHO NOVO's "almighty houseware" products introduced a high quality, easy cooking utensil series online and offline. Mesh wardrobe was newly launched with a product differentiation strategy to compete in the market.

Our SECO well-being specialty store provided hygiene solutions and further strengthened value-for-money personal wellness ranges, including alcoholic hand-rubs, anti-bacterial insect repellent spray, disinfecting and anti-bacterial spray. During the fifth wave of the pandemic, SECO also launched a series of dietary supplements, medicines and air purifiers reacting to high demand in that period.

Committed to taking care of all pet families in Hong Kong, Pricerite Pet launched large-scale pet furniture, house products, daily necessities and food with online and offline sales channels for a one-stop pet shopping experience.

Pricerite Pet is also promoting pet-specific small furniture in cooperation with TMF to provide pet families with personalised space and furniture design for truly immersive living spaces.

Taking care of the physical, mental and lifestyle health of fur children, Pricerite Pet also focused on optimising product catalogues for high-quality food, supplements, daily necessities and household goods from around the world – as well as smart feeding products and sterilisation appliances providing customers with one-stop solutions.

We also set up an independent pet customer service hotline, where pet department professionals directly talk to customers and provide one-on-one professional advice services.

*Customer Experience*

Based on data analytics, as customer behaviour changed with more adopting online shopping, we view O2O commerce as an opportunity to attract more customers, make more sales and strengthen our competitive advantage.

The best O2O business strategies serve customers with seamless online and physical experiences.

Accordingly, we introduced a brand-new eShop App 2.0 with improved performance and enhanced UX/UI design, offering a seamless shopping experience between web and app. Our e-commerce platform was successfully migrated to Magento Cloud, enhancing performance and capacity for high-volume online transactions. We launched the innovative Pricerite Space AR/VR app – incorporating Augmented Reality (AR), Virtual Reality (VR), and Mixed Reality (MR) technologies – to showcase furniture in a realistic setting and allow customers to design their new homes.

We also established the first-of-its-kind Pricerite NFT Art Gallery, providing a platform for selling and buying Non-Fungible Tokens (NFTs). The new platform significantly enriches the online customer journey, from easy browsing and improved order processing to speedy checkout with a comprehensive suite of payment options.

Our "New Retail" initiatives meanwhile continued to enhance online and offline integrated shopping experiences. As customer behaviour radically changed in the pandemic, our O2O operating strategies have proven effective. We have taken the opportunity to further integrate O2O with big data analysis and review of customer preferences and store strategies to serve customers more effectively and efficiently. As such, we strategically revised our offline network plan and strengthened full range offerings and display in our flagship stores in the period to enhance the O2O shopping journey.

Further enhancing our O2O business mode and "New Retail" customer experience concept, we opened a new flagship concept store at Hollywood Plaza in the core centre of Mong Kok. We also optimised our store network to sustain business growth and operating profits. Strategic online expansion by digital transformation redirected offline sales to online to cope with demand.

To fortify our "New Retail" business model while strengthening our O2O operating capabilities, we established our e-commerce central warehouse in Kwai Chung with full range offerings. Leveraging our comprehensive logistics capability, we shorten delivery lead-time to facilitate speedy delivery and BOPIS (buy online, pick up in-store) services.

We also expanded frozen food with unique one-stop door-to-door delivery consolidating grocery and non-food. These initiatives enhancing warehousing and distribution capabilities underline our commitment to growing our O2O and e-commerce business.

*Customer Communication*

Pricerite Group formulated differentiation strategy in product development and brand strategy. We established brand awareness for house brands with good quality and value for money (including SECO, Soho Novo, Mesh, Staple, etc). We developed a strong, distinct and memorable brand image through consistent logo, tagline, and visual identity.

We also used new technology NFT and cryptocurrency to promote the brand, integrating NFT into brand marketing. Offering NFT giveaways encouraged customer engagement and increased brand visibility on different media platforms. Our cryptocurrency-based promotion and campaign attracted customers and built brand awareness.

To better reach out and interact with customers in e-commerce, Pricerite used Key Opinion Leaders (KOLs) and Social Influencer Marketing to promote our products through endorsements or recommendations on the internet. We additionally enhanced live-stream marketing, promoting and selling goods through influencer streams on our own social media channels. With our "New Retail" platform and data-analytical tools, we enabled customisation of most appropriate content for our customers more effectively.

Also in the period, we participated for the first time in the Hong Kong Pet Festival, an annual event in the pet industry, showcasing products and services provided by Pricerite Pet that meet the needs of pet owners. In the event, lots of interest and enquiries were received on the spot. Such high traffic events support brand building and we foresee some brand-product collaboration in future.

Pricerite Group was additionally recognised with TMF earning HKMA Outstanding Marketing professional awards 2022. With our favourite customer word-of-mouth, we took real-case video shoots to promote TMF's award-winning branding.

***ESG***

Pursuing our O2O business model, we revamped operating workflows and enhanced paperless workflows in both offline cashiering and logistics delivery processes.

During the period, Pricerite Group donated heaters to Pamela Youde Nethersole Eastern Hospital, and donated furniture to the first veterinary clinic providing free medical care to animals.

By making a positive impact on the community, the Group can build positive brand sentiment and cement its reputation as a socially responsible company. During the year, Pricerite Group was bestowed with the Sustainable Business Award from the World Green Organisation, in recognition of its outstanding achievements in supporting workplace quality, environmental protection, operation practice and community involvement.

***Outlook***

Customer behavior is changing faster than business can keep up. Digital transformation can help to keep pace, but not get ahead. Customers are becoming unpredictable as economic, social, environmental and political forces. We need to see customers as multifaceted and understand the complex external forces.

Hence we are turning to data-driven business to reshape our operations. Accelerating digital transformation will definitely gain acknowledgement and broaden our views to understand customers and adapt to ever-changing needs and priorities.

As a data-driven company we better understand the needs and preferences of our customers with the O2O operating model. According to this "New Retail" business model, we focus on customer solutions, customer experience, customer communication and further redefining our store network in 2023.

Applying target-marketing strategy, we will launch a customer relationship management (CRM) customer loyalty programme to differentiate in the market with "P-Coin", our new bonus point scheme for customer retention and loyalty.

In conclusion, Pricerite will therefore continue to be cautious with spending in 2023, while remaining proactive in increasing our sales, innovation and marketing efforts – and developing long-term strategy for CRM and target marketing to remain ahead of a competitive market.

Strategic initiatives enhancing our "New Retail" business model, while adding value and versatility in our supply chain, will continue. With Pricerite Group's multi-brand strategy and solid foundation in O2O business, we are well positioned to take advantage of the post-pandemic economic rebound.

## FINANCIAL SERVICES BUSINESS – CFSG

### Industry Review

2022 was an extraordinary year with heightened geopolitical tensions (i.e. US-China confrontation and Russia-Ukraine War); tightening financial conditions (i.e. US four-decade high level of inflation and seventh consecutive interest rate hikes to a cumulative increase of 4.25%); and mass testing and strict pandemic quarantine measures under the dynamic zero-COVID strategy in China.

On the back of the sluggish external environment, the sagging domestic housing market and heightened volatility across asset classes, the Hong Kong economy contracted by 3.5% in real terms for 2022. Meanwhile, China's economic growth slowed to 3% YoY in real term for 2022, amid a series of policies and stimulus from the central government to revive economic activities.

According to the statistics issued by the HKEX, the average daily turnover in 2022 was approximately HK$124.9 billion, down 25% compared with HK$166.7 billion in 2021. Given the economic downturn, the funds raised by IPOs in 2022 was HK$104.5 billion, down 68% over 2021, while the number of newly listed companies in 2022 was 90, a mild decrease of 8% compared with the 98 last year.

The global financial markets have been roiled amid the normalization and tightening of the monetary policy and shrinking of the balance sheets by the US Federal Reserve ("FED") and central banks in advanced economies. Aggressive hikes in interest rates and sky-high inflation posed steep challenges for investors in 2022. Stock market reaction reflected a "bad news in US economic data is good news" mentality because a slowdown in data suggested that the Fed's tightening to control inflation had worked. The Hang Seng Index ("HSI") exhibited extreme volatility like a roller coaster ride, fluctuating by more than 10,000 points over the year and closing down 15.5% or 3,616 points at 19,781 on 31 Dec 2022, when compared with 23,397 in 2021.

### Business Review

During the first three quarters of 2022, market sentiment was hard hit by the deterioration in market liquidity, slackened global growth momentum, and the tough pandemic-control measures under the dynamic zero-Covid policy in China. The Hong Kong stock market experienced panic selling moments and the HSI plunged by more than 7,100 points or 33% from July to October in a sustained manner, reaching its lowest close since October 2008 at 14,687 on 31 Oct 2022; October 2022 was also the worst-ever month since October 2008.

Nevertheless, the low investor sentiment had markedly improved since the latter part of Q4, as China suddenly U-turned on its dynamic zero-COVID policy and took calibrated steps towards reopening alongside gradual relaxation of strict pandemic containment measures in most of the top-tier Chinese cities. These were followed by a series of supportive policies by the central government to boost the struggling property sector. The HSI bottomed out in October after the 15% plunge in the month, and dramatically rebounded by more than 3,900 points or 27% in November, the best monthly performance in 24 years.

Over the course of 2022, our brokerage business recorded a commission income of HK$25.8 million, representing a sharp decrease of approximately 40% as compared with HK$43.0 million in the prior year, as the average daily turnover on the Hong Kong stock market dropped amid the bearish market sentiment which had led investors to reduce their risk appetite for stock trading and investment.

To better serve our customers aptly and enhance their Fintech experience, CFSG will continue to provide premium broking services to our customers in the GBA through our innovative web and mobile trading app. (Alpha-I 2.0) platform.

Given the high interest rate environment following global interest rate hikes, our margin financing and loan business recorded an interest income of HK$18.9 million, down by 26% compared with HK$25.7 million in the previous year. Apart from that, the subdued IPO market and lack of mega IPOs that hit the market in 2022 also weighed on our business. To navigate the multitude of headwinds the global economy faces, CFSG will continue to adopt a tight credit policy to better manage our loan and margin financing business prudently in pursuit of sustainable business growth.

In light of the increasing cross-border demand for wealth management products and services, CFSG has built a one-stop wealth management platform to provide ingenious services for our GBA clients. During the year, the fee-based income from our wealth management business amounted to HK$20.2 million, representing a sharp increase of approximately 25% as compared with HK$16.2 million in the prior year.

To precisely satisfy our clients' personalised investment needs and to help them better plan wealth accumulation and preservation, CFSG organised a wide range of public seminars on wealth management themes covering investment i.e. CFSG 50th Anniversary Investment Seminar (百年巨變•投資增值講座), insurance i.e. Egg Cryopreservation Seminar (雪卵二三事醫療講座), overseas immigration & tax planning i.e. UK Taxation System Seminar (移英稅務系統大拆解講座), and trust services i.e. Marriage, Divorce & Asset Allocation Seminar (婚•身家資產配置講座) in our brand-new CFSG Wealth Management Centre in Hong Kong Island, upon the relaxation of pandemic-control restrictions in the second half of 2022. Speakers including financial expert, commentator, university professor, PRC lawyer, UK tax advisor, and specialist in Obstetrics & Gynecology were invited to share their perspectives with the audience in relation to topics including investment and market outlook, differences between the Mainland and Hong Kong law about Marriage & Divorce, UK tax system, advice on asset management & allocation, egg cryopreservation and gynecological problems experienced by women of childbearing age. Those seminars received a lot of very positive feedback.

On the other hand, CFSG's Asset Management business achieved a critical milestone in 2022, with our first CASH Prime Value Equity OFC Public Fund launched successfully on 1 Sep 2022. The fund, aligned with the Group's objective as a technology pioneer in the financial industry, implements an investment strategy based on big data, algorithms and professional investment managers' experiences, and provides optimal risk-adjusted returns for our investors. The fund has performed brilliantly since inception and generated a portfolio return of 2.73% in 4 months, outperforming by 282 basis points relative to the HSI as of 31 Dec 2022. With this remarkable performance, we are confident in seizing golden opportunities brought by the GBA wealth management market and in achieving a more significant contribution to the Group's revenue growth soon.

**ESG Highlights**

Community caring is one of our core corporate values. CFSG is committed to caring about the interests of our communities. During the year, we supported and participated in a variety of community events, which has not only spread positivity among the society through tough times amidst the pandemic but has also cultivated a "Total Caring" culture among our staff.

During the year, CFSG was bestowed with the Sustainable Business Award from the World Green Organisation, in recognition of its outstanding achievements in supporting workplace quality, environmental protection, operation practice and community involvement.

In June 2022, for each new customer who successfully opened an Alpha i trading account, CFSG would donate HK$100 to "Merit Veterinary Medical Centre - House of Joy and Mercy" (阿棍屋善行動物診所) for charity purposes, supporting its work of providing free medical services for homeless stray animals. Meanwhile, medical staff in the healthcare industry who successfully opens Alpha i trading account can enjoy an exclusive welcome offer of a "Lifetime Zero Commission HK Stock Trading Plan"; this offer shows our heartfelt appreciation for their effort to combat the pandemic.

In September 2022, CFSG staff volunteered to prepare food ingredients in the "Food Angel" Kitchen with the surplus food collected from the food industry. The rescued food items would then be prepared as nutritious meals and redistributed to the underprivileged communities in Hong Kong.

In December, CFSG partnered with "Rotary Club of Mandarin Hong Kong" (香港華語扶輪社) to organize a quilt donation activity, sending warmth and care to over 120 low-income families in Hong Kong.

CFSG also joined the "Say Yes to Breastfeeding" campaign initiated by the "Hong Kong Committee for UNICEF" with the aim of building a breastfeeding-friendly community in Hong Kong. We pledged to implement breastfeeding-friendly measures in workplaces, such as arranging breastfeeding space at our office to help working moms breastfeed sustainably. A Certificate of Appreciation was awarded to CFSG to recognize our effort.

**Outlook**

Upon the long-awaited re-opening with Mainland China after three years of Covid-19 pandemic curbs, the Hong Kong economy is expected to pick up over the coming quarters, with downside risks due to the global economic downturn and geopolitics. On a positive note, we expect China's economic growth to rebound as its set on a reopening path in 2023, with the central government likely to unveil additional supportive monetary and fiscal measures to help stabilise growth and investment sentiment.

2022 was a challenging year for global stock markets given interest-rate hikes and extreme market volatility. Looking forward, we reckon the bear market for stocks over the past two years is coming to an end and the 2023 outlook will be more sanguine given the gradual downshift in the pace of interest-rate hikes. Consequently, Hong Kong brokerage business prospects will turn more promising against a more favourable economic and less turbulent environment. In tandem, Hong Kong's IPO market is expected to regain momentum and be poised for a revival in 2023, as more US-listed Chinese companies accelerate their 'homecoming' plans and opt for a secondary listing in Hong Kong amidst the improved financial market sentiment. CFSG will continue to leverage the demand for IPO financing to boost our interest income.

As we move into 2023, our asset management business will focus on several key directions. On the business side, we will continue to promote our open-ended fund to the public market by strengthening our distribution channels through partnerships with independent fund platforms. On the investment side, we actively revamp our research, operation and risk control to solidify our investment management process. By incorporating big data analytics, a remodelled research platform is being constructed. Further system and control development projects have been commenced to bring our practices above and beyond industry standards. We estimate that by early Q3 2023, these programs will greatly impact our Group's AUM growth.

In response to the digital wave, CFSG has been successfully transformed into a full-fledged financial services company with a tech-driven trading platform for its brokerage, specialising in wealth management and investment products in Greater Bay region. We are at the forefront of FinTech development and innovation, investing heavily in its digital platforms and will continue to enhance the features and functions of our online trading application, providing our clients with a swift and stable trading experience across multiple asset classes worldwide.

Under the National 14th Five-Year Plan, Hong Kong will continue to thrive as an international financial centre and global wealth management hub. Riding on our long-established brand and rooted in Hong Kong for over 50 years, CFSG is committed to becoming a trusted, first-class investment and wealth management partner "connecting people, ideas, capital and opportunities for the sustainable development of a better world".

Entering the golden jubilee year, CFSG will actively expand our investment and wealth management businesses, creating wealth and adding value to help our valuable clients achieve their ideal life goals. With a deep understanding of client needs in investment and wealth management, CFSG is dedicated to delivering top-notch services to our GBA clients, helping them to both hedge against global financial risks and grasp potential opportunities on the back of future economic recovery – and hence better plan wealth accumulation, preservation, and heritage.

## ALGO TRADING BUSINESS – CAFG

Commodities, one of the most inflation-sensitive asset classes, continued to outpace the performance of other major asset classes in 2022. Despite a mix of outset events, during the first half of 2022, the price of the commodities generally remained high due to years of quantitative easing pushing up commodities prices and supply disruption caused by the Russo-Ukrainian conflict. The market started to retrace during the second half as the major central bank hiked the interest rates to combat rising inflation, and the fear of recession risks increased. The energy sector, though volatile, outperformed its peers during 2022. Our futures arbitrage portfolio benefited from the market volatility, the strong USD movement, and the continuous rising of interest rates to end the year with a robust double-digit gain. However, the fund trading momentum strategies suffered from jumpy price trends and finished with only a slight increase. Having said so, the fund still ranked top quartile among its peer group. The Fund's AUM remained steady as the investors believed in our ability to preserve their wealth and appreciated the benefit of a commodity fund complementing the overall asset allocation.

Commodities portfolios' performance is low in correlation with the traditional asset classes. They serve as an effective risk diversifier for high-net-worth investors. We, therefore, will continue to work closely with our partners to promote our portfolio management service and fund products. As a sustainable long-term growth strategy, we aim to expand the business scope from proprietary trading to asset management as we develop more trading strategies.

## EMPLOYEE INFORMATION

At 31 December 2022, the Group had 705 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 year under review was approximately HK$199.0 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, presentation, communication, quality management, 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 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.

## CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Corporate Governance Code ("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 2022, the Company had duly complied with the Principles, the CG Code and the Model Code, except Dr Kwan (Chairman of the Board) also acted as chief executive officer ("CEO") of the Company during the underlying year. According to code provision C.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.

## REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2022 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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 24 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

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

Hong Kong, 24 March 2023

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

*Executive Directors:*

Dr Kwan Pak Hoo Bankee, JP
Mr Leung Siu Pong James
Mr Li Shing Wai Lewis
Mr Kwan Teng Hin Jeffrey

*Independent non-executive Directors:*

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

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

* *For identification purpose only*