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時富金融
CFSG

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 2022

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 2022 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2022** **HK$'000**	2021 HK$'000
Revenue	(3)		
Fee and commission income		**49,926**	71,165
Interest income		**18,866**	25,698
Total revenue		**68,792**	96,863
Other income		**4,456**	1,840
Other losses		**(9,694)**	(13,162)
Salaries and related benefits		**(49,333)**	(58,532)
Commission expenses		**(22,394)**	(24,773)
Depreciation		**(11,806)**	(8,650)
Finance costs		**(7,811)**	(7,447)
Impairment losses under expected credit loss model, net of reversal		**(6,950)**	(1,892)
Other operating expenses	(5)	**(35,058)**	(37,757)
Loss before taxation		**(69,798)**	(53,510)
Income tax credit	(6)	**–**	40
Loss for the year		**(69,798)**	(53,470)

	Note	**2022 HK$'000**	2021 HK$'000
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value (loss) gain on financial assets at fair value through other comprehensive income		**(3,351)**	2,029
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(361)**	1,023
Other comprehensive (expense) income for the year		**(3,712)**	3,052
Total comprehensive expense for the year		**(73,510)**	(50,418)
Loss attributable to:			
Owners of the Company		**(69,798)**	(53,470)
Non-controlling interests		**–**	–
		(69,798)	(53,470)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(73,510)**	(50,418)
Non-controlling interests		**–**	–
		(73,510)	(50,418)
Loss per share	(7)		
- Basic (HK cents)		**(26.72)**	(21.11)
- Diluted (HK cents)		**(26.72)**	(21.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2022** **HK$'000**	2021 HK$'000
Non-current assets			
Property and equipment		**27,875**	22,930
Intangible assets		**9,092**	9,092
Club debentures		**660**	660
Other assets		**5,353**	6,857
Rental and utility deposits		**1,219**	1,913
Financial assets at fair value through other comprehensive income ("FVTOCI")		**24,328**	27,679
Loans receivable	(9)	**859**	1,516
Financial assets at fair value through profit or loss ("FVTPL")		**4,812**	5,534
		74,198	76,181
Current assets			
Accounts receivable	(8)	**188,418**	182,150
Contract assets		**2,755**	4,813
Loans receivable	(9)	**10,135**	38,681
Prepayments, deposits and other receivables		**29,093**	28,792
Financial assets at FVTPL		**22,767**	99,408
Amounts due from related companies		**–**	1,001
Bank balances - trust and segregated accounts		**482,196**	660,971
Bank balances (general accounts) and cash		**243,571**	203,580
		978,935	1,219,396
Current liabilities			
Accounts payable	(10)	**510,925**	701,088
Accrued liabilities and other payables		**26,714**	24,932
Taxation payable		**3,000**	3,000
Lease liabilities		**10,493**	11,220
Bank borrowings		**80,064**	73,026
Loan from a related party		**66,861**	–
Provision of restoration		**–**	1,035
		698,057	814,301
Net current assets		**280,878**	405,095
Total assets less current liabilities		**355,076**	481,276

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Non-current liabilities		
Loan from a related party	**–**	60,263
Lease liabilities	**14,376**	7,838
Provision of restoration	**1,842**	807
	16,218	68,908
Net assets	**338,858**	412,368
Capital and reserves		
Share capital	**10,447**	104,470
Reserves	**319,873**	299,360
Equity attributable to owners of the Company	**330,320**	403,830
Non-controlling interests	**8,538**	8,538
Total equity	**338,858**	412,368

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"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(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 consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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

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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the impact mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(3) Revenue

Fee and commission income

	2022 **HK$'000**	2021 HK$'000
Types of services		
Broking services	**25,762**	43,031
Wealth management services	**20,225**	16,229
Asset management services	**1,028**	6,032
Handling and other services	**2,911**	5,489
Investment banking services	**–**	384
	49,926	71,165

Interest income

	2022 **HK$'000**	2021 HK$'000
Interest income arising from financial assets at amortised cost	**18,866**	25,698

(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, certain net foreign exchange loss 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 2022

	Financial services HK$'000	**Proprietary trading HK$'000**	**Total HK$'000**
Revenue	**68,792**	**–**	**68,792**
RESULT			
Segment loss	**(56,316)**	**(6,809)**	**(63,125)**
Net foreign exchange loss			**(2,399)**
Unallocated expenses			**(4,274)**
Loss before taxation			**(69,798)**

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
Net foreign exchange loss			(191)
Unallocated expenses			(7,377)
Loss before taxation			(53,510)

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, certain 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 2022

	Financial services HK$'000	**Proprietary trading HK$'000**	**Total HK$'000**
ASSETS			
Segment assets	**929,066**	**43,609**	**972,675**
Property and equipment			**20,520**
Financial assets at FVTOCI			**24,328**
Financial assets at FVTPL			**4,812**
Other unallocated assets			**30,798**
Consolidated total assets			**1,053,133**
LIABILITIES			
Segment liabilities	**617,703**	**–**	**617,703**
Lease liabilities			**24,869**
Taxation payable			**3,000**
Loan from a related party			**66,861**
Provision for restoration			**1,842**
Consolidated total liabilities			**714,275**

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

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**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (Place of domicile)	**68,792**	96,863	**40,622**	34,814
PRC	**–**	–	**2,358**	4,725
Total	**68,792**	96,863	**42,980**	39,539

There were no customers for the years ended 31 December 2022 and 2021 contributing over 10% of the Group's total revenue.

(5) Other operating expenses

	2022 HK$'000	2021 HK$'000
Handling expenses:		
– dealing in securities	**2,223**	2,975
– dealing in futures and options	**466**	600
Advertising and promotion expenses	**3,223**	2,627
Telecommunications expenses	**8,561**	9,994
Auditor's remuneration	**2,520**	2,520
Legal and professional fees	**3,430**	3,126
Printing and stationery expenses	**1,614**	1,865
Repair and maintenance expenses	**1,493**	1,146
Travelling and transportation expenses	**359**	253
Water and electricity expenses	**681**	643
Office management fee and rates	**2,219**	2,866
Others	**8,269**	9,142
	35,058	37,757

(6) Income tax credit

	2022 HK$'000	2021 HK$'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 ("PRC") 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.

(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:

	2022	2021
	HK$'000	HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	**(69,798)**	(53,470)

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**261,174,779**	253,235,908
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	**261,174,779**	253,235,908

For the years ended 31 December 2022 and 2021, 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	**2022 HK$'000**	2021 HK$'000
Accounts receivable arising from the business of dealing in securities:	(a)		
Clearing houses, brokers and dealers		**39,677**	38,915
Cash clients		**8,530**	27,865
		48,207	66,780
Accounts receivable arising from the business of margin financing	(a)	**128,182**	98,303
Less: allowance for impairment		**(11,456)**	(3,916)
		116,726	94,387
Accounts receivable arising from the business of dealing in futures and options:	(a)		
Cash clients		**184**	184
Clearing houses, brokers and dealers		**23,301**	20,646
		23,485	20,830
Commission receivable from brokerage of general and life insurance, mutual funds and MPF products	(b)	**–**	153
		188,418	182,150

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. The ageing analysis of such receivables is as follows:

	2022	2021
	HK$'000	HK$'000
0 – 30 days	**–**	153

(9) Loans receivable

	2022	2021
	HK$'000	HK$'000
Revolving loans receivable denominated in:		
Hong Kong dollars	**7,767**	21,544
Renminbi	**4,667**	4,697
United State dollars	**367**	353
Less: allowance for impairment	**(1,807)**	(2,397)
	10,994	24,197
Term loan receivable denominated in:		
Hong Kong dollars	**–**	16,000
	10,994	40,197

As at 31 December 2022, loans receivable have contractual interest rates ranging from 3% to 10% per annum (2021: from 2% to 11% per annum). As at 31 December 2022, the loans receivable included a total carrying amount of HK$Nil (2021: HK$10,400,000), HK$2,335,000 (2021: HK$2,350,000) and HK$2,332,000 (2021: HK$2,347,000) which are loans to nil (2021: five) directors, one (2021: one) senior management and one (2021: one) staff respectively, of the Group.

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

	2022	2021
	HK$'000	HK$'000
On demand or within one year	**10,135**	38,681
In more than two years but not more than three years	**859**	1,516
	10,994	40,197

(10) Accounts payable

	2022 HK$'000	2021 HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses and brokers	**1,561**	9,715
Cash clients	**396,620**	522,630
Margin clients	**66,300**	94,477
Accounts payable to clients arising from the business of dealing in futures and options	**45,699**	72,489
Accounts payable arising from the business of wealth management	**226**	–
Accounts payable to independent financial advisors arising from the business of wealth management services	**519**	1,777
	510,925	701,088

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$482,196,000 (2021: HK$660,971,000) 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, retained earnings 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 2022 (2021: nil).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2022, the Group recorded revenue of approximately HK$68.8 million, representing a decrease of 29.0% compared with HK$96.9 million last year. The 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 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 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 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 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 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 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 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 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 Group and subsequent settlement actions.

Liquidity and Financial Resources

The Group's total equity amounted to HK$338.9 million as at 31 December 2022 compared to HK$412.4 million as at 31 December 2021. The decrease in the total equity was mainly due to the net effect of the reported loss during the year. As at 31 December 2022, the Group had total outstanding borrowings of approximately HK$146.9 million, of which approximately HK$80.1 million were solely bank loans collateralised by clients' pledged securities to the Group and HK$66.9 million unsecured loan from a related party. All of the Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR or Hong Kong Prime Rate.

As at 31 December 2022, our cash and bank balances including the trust and segregated accounts had decreased to HK$725.8 million from HK$864.6 million as at 31 December 2021.

The decline was mainly due to brokerage clients maintaining less cash with the Group due to the volatile and bearish securities market during the year. 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$211.0 million and HK$32.6 million at 31 December 2022 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 2022 decreased to 1.40 times from 1.50 times as at 31 December 2021. The decline was mainly due to the drop in cash maintained in trust and segregated accounts. The gearing ratio as at 31 December 2022, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 43.4% from 32.3% as at 31 December 2021. The increase in gearing ratio during the year was mainly due to the increase in bank borrowings for working capital purposes and decline in total equity from the net effect of the reported loss. 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 times throughout the period. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been complied with.

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 Celestial Asia Securities Holdings Limited ("CASH"), the substantial shareholder of the Company) made a pre-conditional voluntary cash offers to acquire all issued shares of the Company ("Offers"). The making of the Offers was subject to CASH's shareholders approval in respect of the possible acquisition and the same was approved at a special general meeting of CASH held on 9 September 2022. The Offers were subsequently closed on 21 October 2022. The shareholding interest of the CASH in the Company was increased from 102,928,854 shares (approximately 39.41% of issued share capital of the Company) to 157,989,563 shares (approximately 60.49% of issued share capital of the Company) 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/or CASH during the period from 18 July 2022 to 21 October 2022, and the composite offer document of the Company dated 16 September 2022.

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

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.

Capital Commitments

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

Material Investments

As at 31 December 2022, the market values of a portfolio of investments held for trading amounted to approximately HK$22.8 million. A net loss on investments held for trading of HK$5.6 million was recorded for the year.

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

Financial and Operational Highlights

Revenue

(HK$'m)	**2022**	2021	% change
Broking income	**25.8**	43.0	(40.0%)
Wealth management income	**20.2**	16.2	24.7%
Non-broking and non-wealth management income	**22.8**	37.7	(39.5%)
Group total	**68.8**	96.9	(29.0%)

Key Financial Metrics

	2022	2021	% change
Net loss (HK$'m)	**(69.8)**	(53.5)	30.5%
Loss per share (HK cents)	**(26.72)**	(21.11)	26.6%
Total assets (HK$'m)	**1,053.1**	1,295.6	(18.7%)
Cash on hand (HK$'m)	**243.6**	203.6	19.6%
Bank borrowings (HK$'m)	**80.1**	73.0	9.7%
Annualised average fee income from broking per active client (HK$'000)	**2.4**	3.8	(36.8%)

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 September 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 December 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.

EMPLOYEE INFORMATION

As at 31 December 2022, the Group had 81 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$49.3 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 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 calibre 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 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 2022, 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, 24 March 2023

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

Executive directors:

Dr Kwan Pak Hoo Bankee, JP
Mr Kwan Teng Hin Jeffrey
Mr Cheung Wai Lim William
Mr Law Hin Ong Trevor
Ms Wong Sze Kai Angela

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*