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 2023

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 2023 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2023** **HK$'000**	2022 HK$'000
Revenue	(3)	**1,016,423**	1,210,887
Cost of inventories		**(553,580)**	(691,433)
Other income		**16,590**	15,601
Other gains and losses		**2,159**	65,661
Salaries, allowances and related benefits		**(194,992)**	(199,011)
Other operating, administrative and selling expenses	(5)	**(217,342)**	(237,328)
Impairment loss under expected credit loss model, net of reversal		**(42,906)**	(323)
Depreciation of property and equipment		**(15,466)**	(23,742)
Depreciation of right-of-use assets and related rent concessions		**(124,485)**	(138,308)
Finance costs		**(25,070)**	(20,755)
Share of loss of associates		**–**	(25,984)
Loss before taxation		**(138,669)**	(44,735)
Income tax (expense) credit	(6)	**(4,256)**	9,486
Loss for the year		**(142,925)**	(35,249)

	Note	**2023** **HK$'000**	2022 HK$'000
Other comprehensive income (expense) for the year, net of income tax			
Items that will not be reclassified to profit or loss:			
Share of fair value loss on financial assets at fair value through other comprehensive income ("FVTOCI") of an associate		**–**	(198)
Fair value gain on financial assets at FVTOCI		**1,493**	1,058
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**(1,757)**	(1,994)
Share of exchange difference on translation of foreign operation of an associate		**–**	113
		(264)	(1,021)
Total comprehensive expense for the year		**(143,189)**	(36,270)
Loss for the year attributable to:			
Owners of the Company		**(108,009)**	(33,641)
Non-controlling interests		**(34,916)**	(1,608)
		(142,925)	(35,249)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(108,273)**	(34,662)
Non-controlling interests		**(34,916)**	(1,608)
		(143,189)	(36,270)
Loss per share	(7)		
– Basic (HK cents)		**(133.81)**	(41.68)
– Diluted (HK cents)		**(133.81)**	(41.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2023 HK$'000	2022 HK$'000
Non-current assets			
Property and equipment		**29,083**	40,495
Right-of-use assets		**113,384**	193,590
Goodwill		**39,443**	39,443
Intangible assets		**47,501**	52,552
Rental and utilities deposits		**15,514**	24,387
Financial assets at FVTOCI		**25,821**	24,328
Financial assets at fair value through profit or loss ("FVTPL")		**4,691**	4,812
Other assets		**5,452**	6,846
Deferred tax assets		**5,450**	5,450
		286,339	391,903
Current assets			
Inventories – finished goods held for sale		**30,209**	56,623
Accounts receivable	(8)	**130,805**	189,839
Prepayments, deposits and other receivables		**186,765**	206,709
Contract assets		**2,838**	2,617
Loans receivables		**5,188**	12,194
Tax recoverable		**4,526**	4,297
Financial assets at FVTPL		**37,349**	51,594
Pledged bank deposits		**54,061**	54,159
Bank balances – trust and segregated accounts		**346,215**	482,196
Bank balances (general accounts) and cash		**233,362**	334,411
		1,031,318	1,394,639
Current liabilities			
Accounts payable	(9)	**499,437**	684,467
Financial liabilities arising from consolidated investment funds		**122**	5,757
Accrued liabilities and other payables		**103,720**	156,518
Contract liabilities		**62,504**	48,728
Taxation payable		**7,628**	7,636
Lease liabilities		**64,786**	142,031
Borrowings		**339,612**	375,245
		1,077,809	1,420,382
Net current liabilities		**(46,491)**	(25,743)
Total assets less current liabilities		**239,848**	366,160

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Capital and reserves		
Share capital	**16,144**	16,144
Reserves	**99,821**	179,950
Equity attributable to owners of the Company	**115,965**	196,094
Non-controlling interests	**53,015**	95,180
Total equity	**168,980**	291,274
Non-current liabilities		
Deferred tax liabilities	**11,111**	6,825
Lease liabilities	**59,757**	68,061
	70,868	74,886
	239,848	366,160

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 new and amendments to HKFRSs**

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

In the current year, the Group has applied the following new and 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 2023 for the preparation of the financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

The Groups has applied the amendments for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Groups' financial positions and performance.

(3) Revenue

Disaggregation of revenue from contracts with customers

	2023 **HK$'000**	2022 HK$'000
Types of goods or service		
Sales of furniture and household goods	**807,866**	997,004
Sales of electrical appliances	**103,965**	131,448
Sales of tailor-made furniture	**46,672**	70,855
Revenue from retailing segment	**958,503**	1,199,307
Management fee from investment management services	**4,733**	4,334
Broking and wealth management services	**23,921**	2,568
Interest income arising from financial assets at amortised cost	**29,266**	4,678
	1,016,423	1,210,887
Timing of revenue recognition		
A point in time	**965,018**	1,135,698
Over time	**51,405**	75,189
	1,016,423	1,210,887
Geographical market		
Hong Kong	**1,011,690**	1,206,553
The People's Republic of China (the "PRC")	**4,733**	4,334
	1,016,423	1,210,887

(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.

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

Retailing	Sales of furniture and household goods and electrical appliances
Investment Management	Provision of investment management services to the fund investors
Other Financial Services	Provision of broking and wealth management services under the business operations of CASH Financial Services Group Limited ("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 2023

	Retailing HK$'000	**Investment Management HK$'000**	**Other Financial Services HK$'000**	**Consolidated HK$'000**
Revenue	**958,503**	**4,733**	**53,187**	**1,016,423**
Segment (loss) profit	**(19,291)**	**3,751**	**(95,888)**	**(111,428)**
Unallocated other income				**246**
Unallocated gains and losses				**2,396**
Corporate expenses				**(24,957)**
Unallocated finance costs				**(4,926)**
Loss before taxation				**(138,669)**

For the year ended 31 December 2022

	Retailing HK$'000	Investment Management HK$'000	Other 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 gains 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)

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 gains and losses, corporate expenses, share of loss of associates and certain finance costs. This is the measure reported to the CODM 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 2023

	Retailing HK$'000	**Investment Management HK$'000**	**Other Financial Services HK$'000**	**Consolidated HK$'000**
ASSETS				
Segment assets	**416,644**	**135,602**	**733,497**	**1,285,743**
Unallocated property and equipment				**348**
Unallocated right-of-use assets				**9,735**
Tax recoverable				**4,526**
Loans receivables				**900**
Unallocated financial assets at FVTPL				**966**
Unallocated prepayments, deposits and other receivables				**7,409**
Unallocated bank balances and cash				**8,030**
Total assets				**1,317,657**
LIABILITIES				
Segment liabilities	**494,879**	**23,767**	**486,559**	**1,005,205**
Unallocated accrued liabilities and other payables				**19,835**
Taxation payable				**15,260**
Unallocated lease liabilities				**12,317**
Unallocated borrowings				**96,060**
Total liabilities				**1,148,677**

As at 31 December 2022

	Retailing HK$'000	Investment Management HK$'000	Other Financial Services HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	525,201	126,559	1,037,343	1,689,103
Unallocated property and equipment				159
Unallocated right-of-use assets				16,516
Tax recoverable				4,297
Loans receivables				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

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, tax recoverable, deferred tax assets, loans receivables, certain financial assets at FVTPL, certain prepayments, deposits and other receivables and certain bank balances and cash; and

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

Other segment information

For the year ended 31 December 2023

	Retailing HK$'000	**Investment Management HK$'000**	**Other 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	**3,919**	**61**	**190**	**–**	**4,170**
Additions of right-of-use assets	**37,441**	**1,498**	**–**	**5,367**	**44,306**
Interest income	**1,205**	**500**	**–**	**88**	**1,793**
Depreciation of property and equipment	**14,538**	**8**	**918**	**2**	**15,466**
Depreciation of right-of-use assets and related rent concessions	**107,626**	**1,768**	**11,067**	**4,024**	**124,485**
Finance costs	**14,642**	**218**	**5,284**	**4,926**	**25,070**
Net (gain) loss on financial assets at FVTPL	**–**	**(10,526)**	**11,527**	**(2,397)**	**(1,396)**
Write-down on inventories	**2,501**	**–**	**–**	**–**	**2,501**
Loss on disposal of property and equipment	**95**	**–**	**21**	**–**	**116**
Write-off of intangible asset	**–**	**–**	**5,051**	**–**	**5,051**

For the year ended 31 December 2022

	Retailing HK$'000	Investment Management HK$'000	Other 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 at FVTPL	–	(43,072)	(9,366)	9,052	(43,386)
Write-down on inventories	3,587	–	–	–	3,587
Loss on disposal of property and equipment	746	–	–	–	746

Revenue from major products and services

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

	2023	2022
	HK$'000	HK$'000
Sales of furniture and household goods	**854,538**	1,067,859
Sales of electrical appliances	**103,965**	131,448
Broking and wealth management services	**53,187**	7,246
Management fee from investment management services		
– Fixed	**1,234**	1,495
– Variable	**3,499**	2,839
	1,016,423	1,210,887

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 instruments and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue		**Non-current assets**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,011,690**	1,206,553	**230,535**	328,272
PRC	**4,733**	4,334	**4,328**	4,654
	1,016,423	1,210,887	**234,863**	332,926

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

(5) **Other operating, administrative and selling expenses**

	2023 HK$'000	2022 HK$'000
Auditor's remuneration	**4,670**	2,000
Handling expenses for securities dealing	**1,758**	3,194
Advertising and promotion expenses	**30,154**	31,987
Utilities expenses	**17,227**	22,583
Telecommunication expenses	**13,048**	6,743
Repair and maintenance expenses	**6,224**	6,670
Printing and stationery expenses	**2,892**	2,551
Licence and registration fee	**10,478**	12,653
Legal and professional fees	**9,956**	9,869
Travelling and entertainment expenses	**8,567**	12,009
Other selling and distribution expenses	**51,183**	56,465
Expenses relating to short-term and low-value leases	**2,663**	3,027
Variable lease payments	**10,160**	4,773
Rates and building management fee	**32,510**	44,458
Insurance	**2,266**	3,075
Others	**13,586**	15,271
	217,342	237,328

(6) **Income tax (expense) credit**

	2023 HK$'000	2022 HK$'000
Current tax:		
– Hong Kong Profits Tax	**–**	(166)
– PRC Enterprise Income Tax	**(22)**	(47)
Overprovisions in prior years	**228**	9,699
Deferred tax	**(4,462)**	–
	(4,256)	9,486

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%.

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.

(7) 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:

	2023	2022
	HK$'000	HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	**(108,009)**	(33,641)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted 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 2023 and 2022 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 2023 and 2022 because they are antidilutive.

(8) Accounts receivable

	Notes	**2023**	2022
		HK$'000	HK$'000
Accounts receivable arising from retailing business	(a)	**2,039**	1,268
Accounts receivable arising from the business of dealing in securities	(b)	**37,178**	48,207
Accounts receivable arising from the business of margin financing		**127,276**	128,182
Accounts receivable arising from the business of dealing in futures and options	(b)	**19,051**	23,638
Less: allowance for impairment		**(54,739)**	(11,456)
		130,805	189,839

Notes:

(a) 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:

	2023 **HK$'000**	2022 HK$'000
0 – 30 days	**843**	685
31 – 60 days	**117**	119
61 – 90 days	**11**	161
Over 90 days	**1,068**	303
	2,039	1,268

(b) 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.

(9) Accounts payable

	Notes	**2023** **HK$'000**	2022 HK$'000
Accounts payable arising from retailing business	(a)	**123,271**	174,287
Accounts payable arising from the business of dealing in securities	(b)	**343,832**	464,481
Accounts payable arising from the business of dealing in futures and options	(b)	**31,815**	45,699
Accounts payable arising from the business of wealth management	(b)	**519**	–
		499,437	684,467

Notes:

(a) 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 15 to 90 days (2022: 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:

	2023	2022
	HK$'000	HK$'000
0 – 30 days	**30,167**	52,526
31 – 60 days	**52,813**	69,222
61 – 90 days	**32,978**	50,650
Over 90 days	**7,313**	1,889
	123,271	174,287

(b) 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$346,215,000 (2022: HK$482,196,000) 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.

(10) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of 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 2023 (2022: Nil).

REVIEW AND OUTLOOK

Financial Review

Financial Performance

For the year ended 31 December 2023, the Group recorded revenue and net loss attributable to owners of the Company of HK$1,016.4 million and HK$108.0 million, respectively, as compared to revenue of HK$1,210.9 million and net loss attributable to owners of the Company of HK$33.6 million, respectively, for 2022. The increase in loss was mainly attributable to the Consolidation (as defined below) of the operating results of CFSG.

Retailing Business – PRICERITE GROUP

Hong Kong retail industry has been facing unprecedented challenges in recent years. Despite of the removal of the COVID-19 measures for inbound travelers to Hong Kong and full re-opening of all borders between the PRC and Hong Kong in early 2023, the anticipated rebound in inbound tourism and local consumption have been disappointingly tepid. It is estimated that the total value of retail sales in 2023 at HK$406.7 billion, marking a 16.2% increase in value and a 13.8% increase in volume compared to 2022. This growth was primarily fueled by a significant 54.9% surge in sales within the jewellery, watches, clocks, and valuable gifts sector. Conversely, the supermarket and furniture and fixtures sector experienced a 5.7% and 10% decline, respectively, reflecting the broader sentiment of domestic consumption in Hong Kong. These trends indicate that the retail market in Hong Kong is still grappling with the aftermath of the COVID-19 pandemic and struggling to achieve a full recovery. Nevertheless, the Hong Kong government has proactively supported the retail sector by re-initiating the consumption voucher programme in 2023. Although the issues encountered were temporary, they did not have a lasting impact on the overall consumer sentiment.

In addition to ongoing economic challenges, persistently high lending interest rates have significantly increased mortgage costs. This rise in costs has contributed to a decrease in property values and dampened overall market sentiment. Consequently, these factors have triggered a negative wealth effect and reduced household disposable income, further contributing to a decline in market sentiment. For the year of 2023, a total of 13,900 units of private residential properties were completed, representing a 34.4% decline as compared with the 2022. Additionally, the emigration wave in Hong Kong is exacerbating the supply of the labour market and further strains the demand of the retail market.

In view of the prevailing market conditions, Pricerite Group had implemented various initiatives aimed at boosting sales and gross margins while simultaneously reducing operating costs, all the while maintaining operations at an optimal level. To improve market presence, the Group launched several marketing campaigns to enhance brand recognition, introduce a new loyalty programme, and highlight its house brand products. These efforts resulted in an increase in marketing expenses in the first half of 2023 compared to the same period in 2022, as part of a strategy to attract more customers and increase revenue. Furthermore, Pricerite Group has been actively managing its store portfolio by continuing to operate high-performing stores, closing underperforming ones, and adjusting its product mix to enhance margins. This strategic approach led to a reduction in the number of stores from 28 in January 2022 to 18 by December 2023, which in turn, contributed to an improvement in operating results in the latter half of 2023.

While the full benefits of these initiatives and the network optimisation may take time to fully materialise, Pricerite Group reported a revenue of HK$958.5 million and a segment loss of HK$19.3 million for the year ended 31 December 2023. This compares to a revenue of HK$1,199.3 million and a segment loss of HK$13.0 million in 2022 which already accounted for an one-off subsidy of HK$14.5 million under the Employment Support Scheme for COVID-19 pandemic (2023: nil). These figures reflect the Group's ongoing efforts to refine its operations and position itself for future growth.

Investment Management Business – CAFG

The geopolitical conflicts and high global interest rates have introduced uncertainty and increased volatility in the financial markets. Despite these challenging conditions, our proprietary trading portfolios have successfully capitalised on the market's volatility, particularly in the energy and precious metals sectors, as well as the momentum in interest rates. This strategic approach has enabled us to achieve double-digit returns and significantly outperform our market peers by a large margin. Our investment management business reported revenue of HK$4.7 million and a net profit of HK$3.8 million for the year ended 31 December 2023 as compared to revenue of HK$4.4 million and a net profit of HK$13.8 million in 2022.

Other Financial Services Business – CFSG (Excluding Investment Management Business Through CAFG)

In October 2022, the Group acquired 21.08% equity interest in CFSG (stock code: 510), a then 39.41% associate of the Company prior to the acquisition. Since then, CFSG, which was principally engaged in broking, investment management and wealth management services and proprietary trading activities (other financial services business), became a subsidiary of the Company and the results of CFSG were consolidated into the financial statements of the Group (the "Consolidation"). As such, the operating results of CFSG for the period from 1 January 2022 to 20 October 2022 (the "Period") 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.

For the year ended 31 December 2023, the Group's other financial services business recorded revenue of HK$53.2 million and a segment loss of HK$95.9 million as compared to revenue of approximately HK$7.1 million, a segment loss of HK$7.8 million and share of loss of the associate of HK$34.2 million in proportion to the Company's equity interests in CFSG for the Period. To align with the strategic objective, the Group is actively evaluating the consolidation of its brokerage business into value-added offerings while transforming into a wealth management specialist in the GBA and we manage to establish and expand our sales force within the GBA. We are confident that our wealth management business will not only remain robust but also significantly contribute to our overall revenue growth in the second half of 2024.

Impairment Allowances

Impairment allowance mainly consisted of provision for credit losses on accounts receivables arising from margin financing and loans receivables, 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 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 2023, the Group had concentration of credit risk on the accounts receivables from margin clients as the aggregate balances with the three largest clients represent approximately 54.8% (2022: 57.7%) of total accounts receivables. During the year, margin financing with the total gross carrying amount of approximately HK$81.9 million as at 31 December 2023 (2022: HK$58.1 million) was assessed as credit-impaired state mainly due to further decline in the market price of listed securities pledged as collateral in the year and failure of the margin borrowers to fully make up the margin shortfall by providing additional collaterals or repayment. Additional impairment provision with a total amount of approximately HK$43.3 million (2022: HK$7.7 million) was made for the year. 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.

As at 31 December 2023, the Group had concentration risk on loans receivables as 53.8% (2022: 27.3%) of the outstanding balance is from the top borrower. During the year, an impairment reversal of approximately HK$0.4 million (2022: HK$0.6 million) in personal loans with the total gross carrying amount of approximately HK$4.6 million as at 31 December 2023 (2022: HK$8.0 million) due to settlement received upon repayment.

The Group has debt recovery procedures in place. For any loans with shortfall and/or overdue payments, demand letters and/or legal letters will be issued. If the borrower does not respond, the Group may engage external legal advisors for legal actions. At the same time, the Group will contact the borrower for additional collateral and/or settlement plan. The Group may also engage debt collection agents for such loan where appropriate. If the negotiation is not successful, or additional collateral is not sufficient or default in settlement plan, external legal advisers will issue final warning to the borrower. Subsequently, writs of summon will be served to the borrower to take proceedings to court.

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$116.0 million as at 31 December 2023 as compared to HK$196.1 million at the end of the previous year. The decrease in equity was mainly due to net loss for the year of HK$108.0 million and change in equity as results of the Transfer (as defined below) and the Placing (as defined below) in 2023. As at 31 December 2023, the Group had total outstanding borrowings of approximately HK$339.6 million as compared to HK$375.2 million as at 31 December 2022. The decrease in borrowings was mainly due to repayment of borrowings as at 31 December 2023. The borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately HK$206 million and secured bank loans of approximately HK$133.1 million. The above secured bank loans were secured by the Group's pledged deposits of HK$54.1 million and corporate guarantees. As at 31 December 2023, our cash and bank balances totalled HK$633.6 million as compared to HK$870.8 million at the end of the previous year. The decrease in cash and bank balances was mainly due to reduction in bank balances in the trust and segregated accounts and operating loss incurred during the year. 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 2023 was at 0.96 times, as compared to 0.98 times 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 201.0% as at 31 December 2023 as compared to 128.8% as at 31 December 2022. The increase in gearing ratio was mainly due to the loss incurred during the year. 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 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 (the then indirect wholly-owned subsidiary of the Company) at the consideration of HK$61 million (the "Transfer"), which would 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 to Celestial Investment Group Limited ("CIGL"), an indirect wholly-owned subsidiary of the Company, at completion. Following completion taking place on 30 May 2023, the then shareholding of the Company in CFSG increased from approximately 60.49% to 72.93% and the CFSG Group remained subsidiaries of the Company. Details of the transaction were disclosed in the joint announcement of the Company and CFSG dated 19 December 2022, the announcements of CFSG dated on 12 January 2023, 25 April 2023, 24 May 2023 and the circular of CFSG dated 9 May 2023.

On 24 July 2023, CFSG had contemplated the placing (the "Placing") of a total of up to 50,000,000 new shares to independent placees at HK$0.42 per placing share. Completion took place on 4 August 2023 and 50,000,000 placing shares were allotted and issued under the general mandate of CFSG on the same date. Following completion, the shareholding of the Company in CFSG decreased from approximately 72.93% to 64.47% and the CFSG Group remained subsidiaries of the Company. Such dilution of shareholding interest of the Company in CFSG as a result of the Placing constituted a deemed disposal by the Company of its shareholding interest in CFSG. Details of the Placing and deemed disposal were disclosed in the joint announcements of the Company and CFSG dated 24 July 2023 and 4 August 2023.

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

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

Fund Raising Activities

The Company did not have any fund raising activity during the 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 FVTPL decreased from HK$56.4 million as at 31 December 2022 to approximately HK$42.0 million as at 31 December 2023. A net gain on financial assets at FVTPL of HK$1.4 million (2022: HK$43.4 million) was recorded for the year. We do not have any future plans for material investments, or addition of capital assets.

Business Review and Outlook

RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

Economic and Industry Review

The Hong Kong economy experienced a brief rebound in 2023 after the removal of anti-epidemic measures and the resumption of normal travel. The city recorded a real economic growth of 3.2% for the year. However, heightened geopolitical tensions and tightened financial conditions continued to pose challenges to the external economic environment.

Throughout the year, the Hong Kong Government (Government) made dedicated efforts to boost tourism and local consumption. Visitor arrivals showed signs of improvement, reaching about half of the peak in 2018. On the domestic front, total retail sales increased by 16.2%, primarily driven by growth in the luxury sector.

However, the local property market was struggling, with transaction volume dropping to the lowest level in 33 years. Market sentiment was dampened by a combination of poor economic news and persistently high interest rates. This downturn in the property market had a ripple effect on the furniture industry, resulting in a 10% decline in retail sales within the furniture and fixtures category for the whole year.

Business Review

During the year, Pricerite has implemented a number of strategies to weather through the market low tide and strengthen our edges.

Increasing Agility and Responsiveness

Firstly, we invigorated the Group by promoting a more agile and responsive organisation. We upheld our commitment to cost leadership by conducting a thorough review of our cost structures in relation to business development opportunities.

In the post-pandemic era, people's social and economic lifestyles have undergone significant changes, including shifts in health and dining habits, as well as changes in population structure and community attitudes. In response to these transformations, we have streamlined our physical store network to adapt to these changes and further enhance our O2O (Online-to-Offline) business model.

Underperforming stores have been either relocated or closed, leaving us with a total of 18 physical stores at the end of the year. Furthermore, our physical stores will gradually being transformed into immersive experience destinations, where our customers can not only browse a diverse range of home improvement products, but also engage with interactive displays and live product demonstrations. This allows them to explore product features, benefits and customisation options. Our physical stores aim to enhance customer engagement and provide a more interactive and enriching shopping experience.

On the other hand, in response to the challenges posed by a shrinking and ageing labour force in Hong Kong, we have taken steps to streamline our operations. This involved simplifying our organisation structure by delayering different functional levels. These efforts were aimed at creating a more efficient organisation and reducing overhead costs, allowing us to operate more effectively and sustainably.

Furthermore, we have made significant progress in our automation programme by introducing chat commerce through live chat on our website and official WhatsApp account. This initiative allows us to provide a personalised shopping experience, improve customer satisfaction, boost sales and foster customer loyalty. With these chat features, we can guide customers throughout their entire shopping journey across different channels, from assisting with product selection to scheduling deliveries. Additionally, we utilise these channels to nurture post-purchase customer relationships, further enhancing the overall customer experience.

Driving Sales Excellence

At Pricerite, we firmly adhere to our commitment of offering a diverse portfolio of home furnishing and lifestyle brands that cater to the unique needs of our customers. We accomplish this by leveraging a combination of operating efficiency, effective use of technology, and talented people.

While higher costs of living and slowing economy are squeezing consumers' appetite, Pricerite has placed extra emphasis on customer-centricity to address the evolving needs of consumers. Recognising the global trend of "consumption downgrade," Pricerite followed the "Back to Basic" strategy, which put strong focus on providing a wider range of value-for-money products at "Everyday Low Prices" to customers.

To reinforce the strategy, we conducted a comprehensive review of our product offerings, consolidating certain product ranges and prioritising items that are highly popular among customers. Additionally, we introduced an average of approximately 20% new product items throughout the year to keep our offerings remain fresh and relevant. Furthermore, we maintained our focus on product development and made significant initiatives in our house brands. This strategic investment enabled us to further enhance our value-for-money product offerings by improving production efficiency and increasing profit margins.

Simultaneously, we have developed a new team of furniture ambassadors who serves as our product specialists across our wide array of furniture categories. These highly knowledgeable individuals are dedicated to introducing our customers to a wide range of products that are tailored to their personalised needs. By providing expert guidance and personalised recommendations, our furniture ambassadors aim to create a more personalised and immersive shopping experience for our customers.

In the first half of the year, we launched a store localisation programme to empower our store-level managers with increased flexibility and autonomy in responding to the specific market demands of diverse demographic characteristics across different geographical areas of Hong Kong. This customer-centric approach successfully builds stronger rapport between our staff and customers. In the second half of the year, we further enhanced this store localisation programme by integrating merchandising and store operations platforms with tailored solutions based on local customer preferences and unique characteristics of each community.

In tandem, we made significant strides in leveraging big data to drive business growth and enhance customer experiences. Through the integration of various environmental factors such as festivals, weather and climate, with our customer persona database, we aim at furnishing our customers with more timely products and tailored promotions. This, in turn, will increase conversion rates and improve our inventory management.

Following the set-up of our new central warehouse, we have introduced a modern warehouse management system (WMS) and implemented multiple warehouse and transport management systems. These systems will be seamlessly integrated into our big data management architecture, thereby augmenting real-time inventory visibility, optimising stock replenishment efficiency, and streamlining order tracking. Consequently, these enhancements will trace process in point-to-point delivery to significantly improve overall customer experience.

During the year, we implemented a comprehensive revamp of our online store website using Progressive Web Apps (PWA) technology. Together with other upgraded product search engines, this strategic move led to a substantial improvement in the browsing experience for our customers, offering them seamless web search functionality and effortless navigation. Moreover, we successfully integrated artificial intelligence (AI) across our online channels, bolstering our search capabilities and enabling customers to easily locate their desired products. Additionally, we fortified the use of algorithms in our backend product recommendations. These combined efforts yielded positive results, resulting in more returning visitors and improved conversion rates by more than 20%.

In the first half of the year, we successfully launched our new loyalty programme called "P-coins", a membership system that is directly integrated with our digital marketing system, with the goal of fostering customer loyalty through VIP (Diamond, Gold and Silver) incentive programmes and strengthening customer relationships with big data analytics. The launch of "P-coin" helps us gather valuable insights into customer behaviour and preferences, allowing us to tailor our offerings and personalised promotions to better meet the needs of and engage our loyal customers.

ESG

By embracing digital transformation and office automation, we have successfully implemented paperless purchase order and approval processes, automated supplier payment procedures, and introduced mobile app features to generate automated reports and performance dashboards. Additionally, as part of our omni-channel strategy, we have continually streamlined our operating procedures and enhanced paperless workflows in offline cashiering and logistics delivery processes.

During the year, we actively supported the Government's housing policy by taking part in several transitional housing projects, including the Pok Oi Kong Ha Wai Village, the Tsuen Fook Kui, and the Yan Oi House. Upholding the "We CARE" principle, we helped enhance the living space and quality of life of the tenants in these transitional houses by providing carefully selected multi-functional furniture and value-for-money electrical appliances and household items at affordable prices.

Outlook

Looking ahead, the International Monetary Fund (IMF) predicts that global economic prospects will remain subdued and uncertain this year. Geoeconomic fragmentation continues to weigh on trade and global GDP growth. The IMF forecast for global growth in 2024 to be around 3.1%, which is below the historical average of 3.8% from 2000 to 2019.

Furthermore, investors and consumers are awaiting signals about when central banks across developed economies will begin to decrease interest rates, which significantly impacts sentiments. In addition to these external factors, the pandemic has caused significant changes in consumer behaviour, rendering pre-pandemic business models less relevant. Consumers are now more cautious with spending, as inflation and high-interest rates persist.

Against this backdrop, it is imperative that businesses adapt to new consumer expectations, including by implementing robust digital transformation strategies and approaches to foster customer loyalty through personalised engagement. By staying agile and responsive to new consumer trends, businesses can remain resilient in the face of a challenging market environment.

At Pricerite, we remain committed to the "Back to Basic" approach this year, which entails cost containment and driving sales momentum. Our primary focus is on delivering home furnishing solutions that are not only of assured quality but also highly functional. We understand the unique requirements of urban homes, particularly the importance of effective space management, while at the same time ensuring that style and affordability are not compromised.

Due to the impact of the pandemic, the completion of public housing projects has experienced delays in recent years. However, it is anticipated that there will be a noticeable increase in the overall supply of public housing in the next decade. The Housing Authority has outlined plans to construct approximately 410,000 public flats during this period.

We will capitalise on this opportunity by expanding our range of services to encompass comprehensive home furnishing solutions. This will involve elevating our TMF consultants to interior design advisors, providing customised furniture and a diverse array of Pricerite home products that cater to the diverse needs of our customers. Additionally, we will enhance our TMF services by introducing a pioneering 2-year warranty, which includes unlimited post-service inspections and free parts replacement. We firmly believe that these exceptional service commitments will address the customer pain-points in the tailor-made furniture market and distinguish us as a frontrunner in the home furnishing market.

In the upcoming year, we aim to further integrate our merchandising and store operations platforms to better align ourselves with customer needs. By streamlining these processes, we can ensure that our products and services are readily available to meet customer demands efficiently.

We are also committed to transforming our physical stores into experience destinations, providing customers with the opportunity to interact with our products firsthand. This includes creating an inviting atmosphere where customers can touch and feel the products, seek advice from our knowledgeable staff, and share their experiences. Through this transformation, we will enhance the overall shopping experience for our customers and build stronger relationships with them.

On a positive note, property transactions have experienced a significant increase in the first few weeks following the removal of property cooling measures. Furthermore, decreases in interest rates, regardless of the extent, is anticipated to have a positive impact on both the real estate and furniture markets. As investor and consumer confidence improves, pent-up demand accumulated during the pandemic period is expected to gradually be unleashed. This presents an immense opportunity for our growth as customers regain confidence and seek out home furnishing solutions from trusted brands like Pricerite.

Overall, we are committed to adapting to changing customer preferences, enhancing the in-store experience, and capitalising on improving market conditions. These efforts will enable us to better serve our customers and drive growth in the coming year.

ALGO TRADING BUSINESS – CAFG

Market Overview

The banking crisis led to a significant decrease in global bank stock prices, concurrently causing an increase in the prices and volatility of precious metals. This shift presented lucrative trading opportunities for commodities traders. Additionally, geopolitical tensions in the Middle East, particularly between Israel and Hamas, further fueled the surge in precious metals price throughout 2023, reaching a new record high by the year's end. On the other hand, a slowdown in economic growth led to a downward trend in crude oil prices in throughout the year. Commodity demands were further suppressed by rate hikes by the Federal Reserve, resulting in their prices moving within a narrow range, negatively impacting most CTA strategies.

Business Review

Despite challenging market conditions, our proprietary trading portfolio managed to achieve double-digit returns by leveraging the volatility in the energy and precious metals sectors, along with favorable interest rate movements. However, the general market sentiment towards CTA funds remained subdued, primarily due to the underwhelming performance of momentum and reversion strategies, leading to a relatively flat performance throughout the year. Consequently, our AUM experienced a slight decline. Nevertheless, our CTA portfolio distinguished itself by delivering positive returns, making it an attractive option for investors seeking liquidity. Our investors continued to place their trust in us, recognising the value of a commodity fund that enhances their overall asset allocation.

In December 2023, we introduced the CASH Multi Strategy Fund, a multi-strategy algorithm trading fund product. This launch aligns with our long-term growth strategy and expands our product offerings in investment management. The fund, adopting a market-neutral stance, focuses on statistical market arbitrage and is supplemented by CTA strategies to minimise volatility and improve overall adjusted returns. Our trading strategies have demonstrated a solid track record, significantly outperforming our peers. At CAFG, we believe that innovation and consistent research efforts are crucial for market success..

As a quant-focused research team, CAFG provides investment advice to CASH Prime Value Equity Fund, a public OFC fund launched in August 2022 emphasising mid-to-long-term capital appreciation through quantitative and fundamental investment styles. The quantitative approach bolstered the model's predictability during the downtrend. According to Morningstar rankings, the fund has consistently outperformed most of its peers since inception. Our primary goal remains to preserve capital in bearish markets while optimising growth assets for investors over the medium-to-long term.

We are strategically positioning CAFG as a leading Quant Fund Manager in the FinTech sector. In addition to effectively managing our existing commodities-focused portfolio, we are expanding our fund management capabilities to encompass equities and exchange-listed cryptocurrencies, aiming to capitalise on emerging trends. The OFC fund structure not only strengthens our existing strategies but also enables us to introduce new trading strategies, promoting sustained growth and success.

Outlook

Looking ahead to 2024, our strategic roadmap includes initiatives to align with sales targets, with a dedicated sales force to organise fund promotion and distribution. Furthermore, we harness cutting-edge technologies such as generative AI to advance our product offerings and fortify our risk management processes. With these forward-looking strategies, we are confident that CAFG is well-positioned to excel in the competitive fund management landscape.

OTHER FINANCIAL SERVICES BUSINESS – CFSG

Market Overview

In 2023, the Hong Kong stock market endured another challenging year, primarily due to the compounding effects of geopolitical tensions, inflation, and rate hikes, making it one of the worst-performing years in recent history. All major indices reported declines, with the Hang Seng Index (HSI) and the Hang Seng China Enterprises Index (HSCEI) experiencing respective decreases of 13.8% and 14.0%. The Hang Seng TECH Index (HSTECH) fared slightly better with an 8.8% decrease.

Average daily turnover further decreased to HK$105,000 million in 2023, compared to HK$124,907 million in 2022 and HK$166,730 million in 2021. All these signified the challenging market conditions and subdued investor sentiment throughout the year.

The persisting challenging market conditions have negatively impacted on the securities industry, resulting in the closure of more than 150 securities houses over the past five years. Some Chinese social media platforms have even referred to Hong Kong as the "ruins of an international financial centre," highlighting the negative sentiment clouding the city's securities market landscape.

However, we contend that this perspective tells only part of the story. Hong Kong, with its favourable regulatory environment and unwavering support from both the Central and Hong Kong governments, is actively shaping its wealth management market to strengthen its status as a global financial hub.

The results have been encouraging. Research data from the Hong Kong Trade Development Council shows that there was a more than 300% increase in total net fund inflows during the three quarters from 4Q of 2022 to 1H of 2023, as compared to the first three quarters of 2022. The launch of the Cross-boundary Wealth Management Connect (WMC) Scheme further intensified the growth as Hong Kong has received almost four times year-on-year growth in cross-border remittances related to the WMC in 2023.

Insurance is another area that attracted Greater Bay Area (GBA) investors into Hong Kong. According to the Hong Kong Insurance Authority, sales of policies to Mainland Chinese clients surged by 32% in the first nine months of 2023. This was attributed to the wide range of insurance products that Hong Kong offers and the trust in Hong Kong's well-established regulatory framework and reputation as an international financial centre.

Business Review

Leveraging Hong Kong's commitment to develop into a global wealth management hub, CFSG continued to grow our investment and wealth management businesses.

Pursuing Platform Excellence

In our commitment to assisting clients in boosting their asset values, we pioneered our investment research platform, the CASH ISR Investment Research Platform (ISR), during the year. The platform was developed to enhance investment management capabilities and improve fund performance. It comprises two proprietary tools: CASH Radar (CR) and CASH ARM, an Artificial Intelligence Return Maximiser (ARM), for portfolio construction.

The CR tool analyses and compiles data based on fundamental and technical factors, historical financial information, market signals, and trading statistics to identify appropriate stocks for a portfolio inclusion. The ARM tool, on the other hand, is an artificial intelligence (AI) portfolio optimiser that employs LASSO GARCH to calculate investment parameters and provides investment weight recommendations based on default criteria. ISR uses big data analysis and AI methods to optimise portfolio weights and construct stylised investment portfolios to achieve investment goals in the most effective way possible.

Developed by CFSG, ISR is currently one of the few real-time investment platforms in Hong Kong that truly harnesses big data analysis and AI in investments. This robust platform not only significantly enhances the Group's capabilities in investment portfolio research, analysis and management, but also optimises portfolio weights, builds stylised investment portfolios, and attains investment objectives with greater precision.

This powerful platform was recognised with the prestigious Gold award in the WealthTech category at the FinTech and Innovation Awards 2022/2023 by the esteemed Institute of Financial Technologists of Asia (IFTA). The award highly commended the platform for its exceptional contributions and innovative advancements in the application and development of the FinTech industry.

While Hong Kong is actively seeking to attract international talents, CFSG stands as one of the few financial institutions in the city boasting a sizable team of Chartered Financial Analysts (CFA®). We are also currently the only locally-listed Hong Kong company that uses big data to compile multi-factor investment models and insights for our investment management clients. Through our AI quantitative portfolio optimisation platform, we conduct value analysis for investors and develop quantitative investment models to achieve more ideal returns.

Expanding Product Offering

In addition to receiving the esteemed FinTech accolade, ISR has played a pivotal role in delivering exceptional returns to our clients' funds. According to data from Morningstar, our CASH Prime Value Equity OFC Public Fund (Bloomberg Ticker: CPVEQOI HK) has consistently outperformed both Hong Kong and mainland stock indices since its launch in September 2022. Remarkably, even during periods of market downturns, our Fund has emerged as the sole player in the industry to yield positive returns, surpassing its market peers.

Our team of Chartered Financial Analysts (CFAs) provides professional External Asset Manager (EAM) services to our family office clients, assisting them in effectively managing their global investments and asset allocations. Through bespoke and comprehensive planning and management, we offer clients expert guidance to achieve their long-term investment management and inheritance goals. Unlike traditional private banks, EAM operates independently from the banking system, prioritising clients' needs and delivering investment advice and wealth management solutions that are more personalised, flexible, and independent, all while ensuring the security of clients' assets.

Throughout the year, we have continued to expand our network of partners, forging collaborations with various insurance companies and online insurance platforms. This expansion enables us to provide a diverse array of insurance products that cater to the distinct needs of our clients throughout different stages of their lives.

Fostering Client Communication

At CFSG, we are dedicated to nurturing strong client relationships through proactive communication. We organised various offline and online client activities to actively engage with them, ensuring effective and ongoing communication and fostering a positive and enduring partnership.

During the year, we continued to organise a wide range of investment seminars allowing our clients to interact with our financial analysts and expert partners. These seminars equipped our clients with the knowledge and tools necessary to meet their wealth management needs in the rapidly evolving information and digital age.

Furthermore, CFSG actively participated in major international financial forums, such as the Asia Financial Forum (AFF), TVB Green and Sustainable Finance Forum, Hong Kong FinTech Week, etc. Through these forums, we reached out to both local and international investors, strengthening our brand equity and expanding our client portfolio with the support of our enhanced sales team.

To actively engage in FinTech innovation, we sponsored the CASH Algo Trading Challenge, an international algorithmic trading competition that collaborated with the industry to bolster Hong Kong's FinTech sector.

On the other hand, CFSG maintained close ties with our clients, both current and prospective, through online social media platforms such as Facebook, Instagram and YouTube. To cater to our clients in the Mainland, particularly those in the GBA, we established new online media platforms popular in Mainland China, including Xiaohongshu, WeChat public accounts, Kuaishou and Douyin. These platforms received positive feedback, attracting numerous inquiries about our services and products.

The outcome of these activities was highly commendable. CFSG was honored with the "Outstanding Family Office Award of the Year" and "Hall of Fame Award" at the "Best Greater Bay Area Enterprise Awards" by CORPHUB, a renowned business and financial information portal in the Asia-Pacific region. These awards recognise our exceptional performance and dedication to excellence in serving our clients.

Actively Promoting ESG

CFSG is, as always, dedicated to making a positive impact on society through our Environmental, Social, and Governance (ESG) initiatives. We actively engage in various campaigns and events to demonstrate our commitment to corporate social responsibility and sustainability.

One of our ongoing initiatives is our support for Food Angel, a charitable organisation dedicated to providing food assistance to those in need. We collaborate with Food Angel to prepare essential food aid for the underprivileged in society. This partnership exemplifies our commitment to addressing food insecurity and reducing food waste, contributing to the betterment of the community.

We also sponsor and recruit corporate volunteer teams to participate in the "Cycle for Millions" event organised by Pok Oi Hospital. This fundraising event supports Pok Oi Hospital while promoting cycling, health awareness, and environmental protection in Hong Kong. By contributing to these causes, we actively foster a healthier and more sustainable community while nurturing team spirit through this meaningful team-building event.

Employee satisfaction, engagement, and team spirit are of utmost importance to us. We actively participate in the "Say Yes To Breastfeeding" campaign initiated by the United Nations Children's Fund Hong Kong (UNICEF HK), creating a breastfeeding-friendly work environment and supporting campaigns that promote a healthy work-life balance for our employees.

We also organised events such as the "Smoothie Bike" initiative and recreational trips to Hong Kong Wetland Park, fostering team spirit and providing opportunities for employees and their loved ones to bond and create lasting memories. Additionally, we prioritise the physical and mental well-being of our colleagues by organising health-related workshops, offering guidance on healthy eating habits, and providing support for relieving workplace pain.

Through these diverse ESG efforts, CFSG strives to make a positive impact on society, enhance environmental sustainability, and promote the well-being of our employees and the wider community. We are committed to being a responsible corporate citizen and contributing to a better future for all.

Outlook

Looking ahead, CFSG recognises the signs of recovery in Hong Kong's economy, supported by the Central government. However, we also acknowledge the challenges posed by factors such as prolonged high interest rates and geopolitical tensions negatively impacting investor sentiment.

In response to the evolving landscape, CFSG is actively evaluating the consolidation of its brokerage business into value-added offerings while transforming into a wealth management specialist. We aim to cater to the versatile investment needs of our clients in the GBA by leveraging the opportunities presented by the expanded WMC Scheme.

The expanded WMC Scheme strengthens financial connectivity within the GBA and mainland China, further solidifies Hong Kong's position as an international financial centre and the world's largest offshore renminbi (RMB) hub. CFSG, with its trusted heritage of over 50 years in Hong Kong, is well-positioned to capitalise on these opportunities. We are committed to supporting our clients' investment and wealth management needs by offering a comprehensive range of services and privileges in a holistic approach.

In line with our commitment to expanding product offerings, CFSG established an open-ended fund in 2022 and is now launching the first cross-border algo fund this year. These additions further enhance our product portfolio and enable us to capture the profound opportunities that arise.

Furthermore, CFSG recognises the advancements brought about by generative AI in the investment landscape. AI technologies, such as advanced algorithms and machine learning techniques, are utilised to analyse financial data, forecast market behaviour, and make investment decisions. CFSG is always at the forefront of innovation and FinTech. We are now transitioning into developing AI solutions for our FinTech business.

In summary, CFSG remains focused on flexibly adapting to the evolving financial landscape, leveraging opportunities in the GBA, expanding our product offerings, and harnessing the power of AI and FinTech to deliver exceptional investment and wealth management services to our valued clients.

EMPLOYEE INFORMATION

At 31 December 2023, the Group had 611 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$195.0 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 programmes 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 programmes 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the “Model Code”) as the code governing the transactions of securities by the directors. After making specific enquiry to all directors, it is confirmed that all directors of the Company had complied with the relevant standard as provided in the Model Code throughout the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code (the "CG Code") contained in Part 2 of Appendix C1 of the Listing Rules. During the financial year ended 31 December 2023, the Company has complied with all the CG Code, except for the following deviations:

(1) Pursuant to code provision C.2.1, the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Dr Kwan, the executive director and Chairman of the Board also acted as chief executive officer ("CEO") of the Company during the underlying year. Dr Kwan is responsible for formulating the strategies and policies of the business development of the Group, providing leadership and overseeing the functioning of the Board. 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 CEOs of respective business units of the Group assisted Dr Kwan in performing CEO's responsibilities and are responsible for formulating business plans and monitoring the business operation and development of the Group, and report regularly to the Chairman. 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. In addition, the 3 INEDs provide independent and impartial opinion on issues to be considered by the Board. The Board is of the opinion that the current Board structure functions effectively.

(2) Pursuant to code provision C.1.6, generally independent non-executive directors and other non-executive directors should also attend general meetings. Mr Leung Ka Kui Johnny, independent non-executive director of the Company, did not attend the annual general meeting of the Company and Dr Chan Hak Sin, independent non-executive director of the Company, did not attend a special general meeting and the annual general meeting of the Company as they had other business engagements.

(3) Pursuant to code provision B.2.4 where all the independent non-executive directors of the Company have served more than nine years on the Board, the Company should appoint a new independent non-executive director on the board. Each of Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin had served the Company as an independent non-executive Directors for more than nine years and the Company did not appoint a new independent non-executive Director. Mr Leung Ka Kui Johnny has served the Board for 23 years, Mr Wong Chuk Yan has served the Board for 25 years and Dr Chan Hak Sin has served the Board for 23 years. The Board considers that each of the three independent non-executive Directors have a through understanding of the Company's operations, do not involve in the Company's daily operations and have expressed independent advices to the Company in the past. The Board is also of the view that these three independent non-executive Directors are firmly committed to their responsibilities and ongoing role, and that the long service of these three independent non-executive Directors will not affect their independent judgements. The Board considers these three independent non-executive Directors to remain independent under the Listing Rules despite the fact that they have served the Company for more than nine years. The Board believes that the continued tenure of these independent non-executive Directors will help to maintain the stability of the Board as they have, over time, gained valuable insights into the business strategy and policies of the Group. Therefore, the Company did not appoint a new independent non-executive Director, which despite deviate from code provision B.2.4, would not be detrimental to the Company.

We will periodically review and improve our corporate governance practices with reference to the latest corporate governance developments.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2023 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 2023 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 27 March 2024. 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 2023, 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, 27 March 2024

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

Executive Directors:

Dr Kwan Pak Hoo Bankee, *BBS, JP*
Mr Leung Siu Pong James
Mr Kwan Teng Hin Jeffrey
Mr Cheung Tsz Yui Morton

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*