CASH 時富

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 2020

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 2020 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2020 HK$'000**	2019 HK$'000
Revenue	(3)	**1,379,513**	1,387,769
Cost of inventories		**(770,227)**	(791,369)
Other income		**11,798**	12,983
Other gains and losses		**4,957**	8,953
Salaries, allowances and related benefits		**(166,010)**	(207,401)
Other operating, administrative and selling expenses		**(220,628)**	(219,927)
Depreciation of property and equipment		**(19,828)**	(22,644)
Depreciation of right-of-use assets and related rent concession		**(145,379)**	(167,232)
Impairment loss recognised		**-**	(5,788)
Finance costs		**(23,432)**	(26,680)
Profit (loss) before loss arising from associates and taxation		**50,764**	(31,336)
Share of loss of associates		**(12,016)**	(40,819)
Reversal of impairment loss (impairment loss recognised) on interests in an associate		**7,536**	(20,565)
Profit (loss) before taxation		**46,284**	(92,720)
Income tax expense	(5)	**(5,310)**	(7,632)
Profit (loss) for the year		**40,974**	(100,352)

	Note	2020 HK$'000	2019 HK$'000
Other comprehensive (expense) income for the year, net of income tax			
Items that will not be reclassified to profit or loss:			
Share of fair value loss on financial assets at fair value through other comprehensive income ("FVTOCI") of an associate		**(4,922)**	-
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operation		**6,742**	(506)
Share of exchange difference on translation of foreign operation of an associate		**307**	(844)
		2,127	(1,350)
Total comprehensive income (expense) for the year		**43,101**	(101,702)
Profit (loss) for the year attributable to:			
Owners of the Company		**39,985**	(99,392)
Non-controlling interests		**989**	(960)
		40,974	(100,352)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**42,112**	(100,742)
Non-controlling interests		**989**	(960)
		43,101	(101,702)
			(Restated)
Earnings (loss) per share	(6)		
Basic (HK cents)		**65.47**	(234.00)
Diluted (HK cents)		**65.27**	(234.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2020 HK$'000	2019 HK$'000
Non-current assets			
Property and equipment		**40,090**	46,020
Right-of-use assets		**261,604**	341,378
Goodwill		**39,443**	39,443
Intangible assets		**43,460**	43,460
Interests in associates		**196,055**	197,266
Rental and utilities deposits		**34,853**	37,198
Deferred tax assets		**5,450**	8,188
		620,955	712,953
Current assets			
Inventories – finished goods held for sale		**74,341**	55,445
Accounts and other receivables	(7)	**179,126**	118,223
Loans receivable		**1,800**	4,372
Amount due from an associate		**-**	198
Tax recoverable		**3**	832
Financial assets at fair value through profit or loss (“FVTPL”)		**11,495**	22,142
Pledged bank deposits		**74,197**	74,434
Bank balances (general accounts) and cash		**141,246**	132,450
		482,208	408,096
Current liabilities			
Accounts payable	(8)	**236,534**	219,771
Financial liabilities arising from consolidated investment funds		**29,918**	8,203
Accrued liabilities and other payables		**82,279**	66,813
Contract liabilities		**20,112**	16,389
Amount due to an associate		**1,341**	-
Taxation payable		**18,723**	14,260
Lease liabilities		**136,009**	132,695
Borrowings		**162,349**	210,659
		687,265	668,790
Net current liabilities		**(205,057)**	(260,694)
Total assets less current liabilities		**415,898**	452,259

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Capital and reserves		
Share capital	**16,144**	8,312
Reserves	**280,720**	190,926
Equity attributable to owners of the Company	**296,864**	199,238
Non-controlling interests	**(37,729)**	(28,730)
Total equity	**259,135**	170,508
Non-current liabilities		
Deferred tax liabilities	**6,825**	9,955
Lease liabilities	**149,938**	227,530
Borrowings	**-**	44,266
	156,763	281,751
	415,898	452,259

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendments to HKFRS 16 "COVID-19-Related Rent Concessions".

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

(3) Revenue

Disaggregation of revenue from contracts with customers

	2020	2019
	HK$'000	HK$'000
Types of goods or service		
Sales of furniture and household goods	**1,149,316**	1,166,365
Sales of electrical appliances	**157,118**	133,720
Sales of tailor-made furniture	**69,446**	85,062
Revenue from retailing segment	**1,375,880**	1,385,147
Management fee from asset management services	**3,633**	2,622
	1,379,513	1,387,769
Timing of revenue recognition		
A point in time	**1,306,434**	1,300,085
Over time	**73,079**	87,684
	1,379,513	1,387,769
Geographical market		
Hong Kong	**1,375,880**	1,385,147
The People's Republic of China ("PRC")	**3,633**	2,622
	1,379,513	1,387,769

(4) Segment information

Segment information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

Retailing	Sales of furniture and household goods and electrical appliances
Asset Management	Provision of asset management services to the fund investors

Segment revenue and results

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

For the year ended 31 December 2020

	Retailing HK$'000	**Asset Management** HK$'000	**Consolidated** HK$'000
Revenue	**1,375,880**	**3,633**	**1,379,513**
Segment profit (loss)	**77,350**	**(553)**	**76,797**
Unallocated other income			**421**
Unallocated gain and losses			**7,080**
Corporate expenses			**(30,956)**
Share of loss of associates			**(12,016)**
Reversal of impairment loss on interests in an associate			**7,536**
Unallocated finance costs			**(2,578)**
Profit before taxation			**46,284**

For the year ended 31 December 2019

	Retailing HK$'000	Asset Management HK$'000	Consolidated HK$'000
Revenue	1,385,147	2,622	1,387,769
Segment (loss) profit	(2,384)	11,805	9,421
Unallocated other income			1,852
Unallocated gain and losses			(5,454)
Corporate expenses			(34,678)
Share of loss of associates			(40,819)
Impairment loss recognised on interests in an associate			(20,565)
Unallocated finance costs			(2,477)
Loss before taxation			(92,720)

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, gain and losses, corporate expenses, share of loss of associates, reversal of impairment loss/impairment loss recognised on interests in an associate and certain finance costs. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2020

	Retailing HK$'000	**Asset Management** HK$'000	**Consolidated** HK$'000
ASSETS			
Segment assets	**656,965**	**67,282**	**724,247**
Unallocated property and equipment			**190**
Unallocated right-of-use assets			**16,485**
Interests in associates			**196,055**
Tax recoverable			**3**
Deferred tax assets			**5,450**
Loans receivable			**1,800**
Unallocated financial assets at FVTPL			**3,805**
Unallocated prepayments, deposits and other receivables			**73,645**
Unallocated pledged bank deposits			**410**
Unallocated bank balances and cash			**81,073**
Total assets			**1,103,163**
LIABILITIES			
Segment liabilities	**745,948**	**31,705**	**777,653**
Unallocated accrued liabilities and other payables			**21,624**
Amount due to an associate			**1,341**
Taxation payable			**18,723**
Deferred tax liabilities			**6,825**
Unallocated lease liabilities			**17,862**
Total liabilities			**844,028**

As at 31 December 2019

	Retailing HK$'000	Asset Management HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	752,969	53,181	806,150
Unallocated property and equipment			641
Unallocated right-of-use assets			25,086
Interests in associates			197,266
Tax recoverable			832
Deferred tax assets			8,188
Loans receivable			4,372
Amount due from an associate			198
Unallocated financial assets at FVTPL			1,336
Unallocated prepayments, deposits and other receivables			44,961
Unallocated bank balances and cash			32,019
Total assets			1,121,049
LIABILITIES			
Segment liabilities	831,238	10,590	841,828
Unallocated accrued liabilities and other payables			15,615
Taxation payable			14,260
Deferred tax liabilities			9,955
Unallocated borrowings			44,266
Unallocated lease liabilities			24,617
Total liabilities			950,541

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

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

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

Other segment information

For the year ended 31 December 2020

	Retailing HK$'000	**Asset Management** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property and equipment	**14,425**	**-**	**-**	**14,425**
Additions of right-of-use assets	**81,435**	**-**	**593**	**82,028**
Interest income	**2,188**	**20**	**218**	**2,426**
Depreciation of property and equipment	**19,244**	**100**	**484**	**19,828**
Depreciation of right-of-use assets and related rent concession	**135,581**	**616**	**9,182**	**145,379**
Finance costs	**20,820**	**34**	**2,578**	**23,432**
Net loss on financial assets/liabilities at FVTPL	**-**	**1,576**	**225**	**1,801**
Write-down on inventories	**3,872**	**-**	**-**	**3,872**
Loss on disposal/write-off of property and equipment	**505**	**-**	**-**	**505**

For the year ended 31 December 2019

	Retailing HK$'000	Asset Management HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property and equipment	19,071	-	-	19,071
Additions/modification of right-of-use assets	102,150	-	23,917	126,067
Interest income	2,501	6	122	2,629
Depreciation of property and equipment	20,113	100	2,431	22,644
Depreciation of right-of-use assets	157,403	623	9,206	167,232
Finance costs	24,144	59	2,477	26,680
Net gain (loss) on financial assets/liabilities at FVTPL	-	15,276	(5,505)	9,771
Write-down on inventories	1,379	-	-	1,379
Loss on disposal/write-off of property and equipment	868	-	2	870
Impairment loss recognised in respect of property and equipment	1,026	-	-	1,026
Impairment loss recognised in respect of right-of-use assets	4,762	-	-	4,762

Revenue from major products and services

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

	2020 **HK$'000**	2019 HK$'000
Sales of furniture and household goods	**1,218,762**	1,251,427
Sales of electrical appliances	**157,118**	133,720
Management fee from asset management services		
- Fixed	**1,692**	1,871
- Variable	**1,941**	751
	1,379,513	1,387,769

Geographical information

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

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

	Revenue		**Non-current assets**	
	2020 **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000
Hong Kong	**1,375,880**	1,385,147	**577,796**	663,795
PRC	**3,633**	2,622	**2,856**	3,772
	1,379,513	1,387,769	**580,652**	667,567

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

(5) Income tax expense

	2020 **HK$'000**	2019 HK$'000
Current tax:		
- Hong Kong Profits Tax	**7,000**	3,026
- PRC Enterprise Income Tax	**300**	808
Overprovisions in prior years	**(1,598)**	(210)
Deferred tax (credit) charge	**(392)**	4,008
	5,310	7,632

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 ("Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the Hong Kong profits tax of qualifying entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(6) Earnings (loss) per share

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

	2020 **HK$'000**	2019 HK$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	**39,985**	(99,392)

	'000	(Restated) '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**61,075**	42,475
Effect of dilutive potential ordinary shares:		
Open offer options of the Company	**186**	-
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**61,261**	42,475

The weighted average number of ordinary shares for the calculation of the basic and diluted earnings (loss) per share for years of 2020 and 2019 have been adjusted retrospectively to reflect the impact of issue of new shares and share consolidation during the year ended 31 December 2020.

The incremental shares from assumed exercise of share options granted by the Company are excluded in calculating the diluted loss per share during the year ended 31 December 2019 because they are antidilutive in calculating the diluted loss per share. There were no outstanding share options for the year ended 31 December 2020.

The effect of assumed exercise of share options granted by an associate of the Company are excluded in calculating the diluted earnings (loss) per share for years of 2020 and 2019 because they are antidilutive in calculating the diluted loss per share.

(7) Accounts and other receivables

	2020 **HK$'000**	2019 HK$'000
Accounts receivable arising from retailing business	**15,399**	867
Receivables from securities brokers	**116,619**	68,828
Prepayments	**10,497**	14,174
Rental deposits	**17,285**	20,668
Other deposits	**14,088**	10,191
Other receivables	**5,238**	3,495
	179,126	118,223

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

	2020 **HK$'000**	2019 HK$'000
0 – 30 days	**12,061**	426
31 – 60 days	**3,053**	103
61 – 90 days	**112**	81
Over 90 days	**173**	257
	15,399	867

(8) Accounts payable

	2020	2019
	HK$'000	HK$'000
Trade creditors arising from retailing business	**236,534**	219,771

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

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

	2020	2019
	HK$'000	HK$'000
0 – 30 days	**127,240**	82,106
31 – 60 days	**73,550**	74,094
61 – 90 days	**28,683**	50,880
Over 90 days	**7,061**	12,691
	236,534	219,771

(9) Capital risk management

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

A subsidiary of the Group is regulated by the Hong Kong Securities and Futures Commission (“SFC”) and is 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 entity is 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 this entity to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entity has complied with the capital requirements imposed by the SF(FR)R throughout both years.

DIVIDEND

The Board recommends the payment of a final dividend of 25 HK cents per share in cash for the year ended 31 December 2020 (2019: nil) to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 18 May 2021, subject to approval by the shareholders at the forthcoming annual general meeting ("AGM").

As the Company had insufficient reserves available for distribution to the shareholders as at 31 December 2020, the final dividend is intended to be funded through reduction of certain amount standing to the credit of the share premium account of the Company as at 31 December 2020 and the crediting of such amount to the contributed surplus account of the Company in accordance with the provisions of the applicable laws of Bermuda ("Share Premium Reduction"). A special resolution will be proposed at the AGM to approve the Share Premium Reduction. The details of the Share Premium Reduction will be disclosed in the circular to be issued by the Company in due course.

Conditional upon the approval of the proposed Share Premium Reduction as well as the proposed distribution of final dividend by the shareholders at the AGM, it is expected that the final dividend will be paid to the shareholders entitled thereto on or about Monday, 31 May 2021.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the AGM

The AGM is scheduled to be held on Tuesday, 11 May 2021. For determining the entitlement to attend and vote at the AGM, the Company's register of members will be closed from Thursday, 6 May 2021 to Tuesday, 11 May 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Wednesday, 5 May 2021.

Entitlement to receive the proposed final dividend

For determining the entitlement of the shareholders to receive the proposed final dividend, the Company's register of members will be closed on Tuesday, 18 May 2021, on which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Monday, 17 May 2021.

REVIEW AND OUTLOOK

Financial Review

FINANCIAL PERFORMANCE

Facing abrupt local and global economic changes, tremendous uncertainties and market turbulence, especially under the landscape of COVID-19 pandemic throughout the year, we still managed to weather the difficulties and maintain revenue of HK$1,379.5 million similar to previous year. On the other hand, our cost optimisation programme implemented since December 2018 took positive effect, coupled with the decreased rental costs by 7% from rental concession under COVID-19 by the landlords, and reduced staff costs by 16%, inclusive of the receipt of subsidies under ESS from the HKSAR government, the Group recorded a turnaround net profit of HK$41.0 million for the year ended 31 December 2020 as compared to a net loss of HK$100.4 million in the previous year.

RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

During the year under review, Hong Kong's economy continued to be in a recession and had been contracted for 6 consecutive quarters, as the outbreak of COVID-19 and persisting China-US trade tension continued to weigh on a wide range of economic activities. The government further extended the social distancing and tightened the gathering restriction which affected the traffic of retail stores and the consumption sentiment heavily. The unemployment rate had climbed to 6.6% and is expected to surpass 7% after Lunar New Year. 2020 has been the most challenging and unpredictable year for Hong Kong retail industry in the past 15 years. The value of retail sales in Hong Kong recorded a decline of 24.3% year-on-year. Despite the challenging economic environment, the Hong Kong residential property remained firm. Although the Hong Kong residential market recorded a 21.0% drop in transaction volume during the first half of 2020 due to COVID-19 pandemic, the residential property market rebounded strongly in the second half of 2020. It had only recorded a less than 1% decline in transaction volume annually when comparing to previous year. Benefited from the solid demand in the property market, Pricerite Group had only recorded a mild decrease in revenue against this challenging business environment. We had been closely monitoring the changing business environment and was able to identify the opportunities to counteract the COVID-19 pandemic and optimise the use of our resources. We had diversified our sources of supply to not only minimise the risk of supply chain disruption due to the lockdown across different cities and regions but also improved the gross profit margin. During the pandemic, we had initiated a delivery safety protocol and non-contact delivery service to assure the safe and healthful working environment for our customers and employees. Because of the social distancing and gathering restrictions, Stay-at-home economy was shining together with the rising trends in work-from-home and entertainment-at-home, our online sales had been booming, 2020 had become the highest annual growth in e-commerce in our record. With the early implementation of our O2O business model into our Group and the quick adoption of consumer spending behavior shifting towards e-commerce, the sales through O2O channel had been doubled. Moreover, in order to comply with the escalating O2O channel sales, we had redesigned our overall logistic network by relocating our warehouse to the central of Hong Kong logistic hub to improve operating efficiency, we had gone through a major upgrade on our online platform to provide a smoother browsing experience and quality shopping journey to our customers. By riding on the booming in Stay-at-home economy along with our O2O business model, we were able to deliver better results compared to the previous year in this most challenging landscape. Due to our multidimensional measures of the COVID-19 pandemic, there was no significant financial impact or risk from the negative impact to the Group. Despite the challenging business environment, the retailing business only recorded a mild decrease in revenue level compared with previous year and reported revenue of HK$1,375.9 million against the COVID-19 pandemic, representing a slight decrease of 0.7% as compared with HK$1,385.2 million in 2019. Overall, our retailing business recorded a turnaround net profit of HK$77.4 million for the year ended 31 December 2020 as compared to a net loss of HK$2.4 million for the previous year.

ALGO TRADING BUSINESS - CAFG

We have been facing a lot of challenges during 2020, at the first half of the year, the night-trading sessions were shut down from February to May due to the outbreak of the COVID-19, which interrupted the market data thus affected the execution on some of our trading strategies. As the development of vaccine achieving better result during the second half of the year, and the unlimited quantitative easing by the Federal Reserve, the investment markets gradually regained momentum and we were also able to recover part of the earlier losses. Despite the uncertain financial environment we faced during the year under review, our asset management business reported revenue of HK$3.6 million and we managed to narrow our net loss to HK$0.6 million for whole the year of 2020 from the mid-year net loss of HK$2.8 million.

CFSG – The Group's Associated Company

FINANCIAL SERVICES BUSINESS - CFSG

For the year ended 31 December 2020, CFSG recorded revenue of HK$103.7 million, representing a decrease of 3.5% as compared with HK$107.5 million in 2019.

The COVID-19 pandemic has unleashed a health and economic crisis unprecedented in scope and magnitude. Lockdowns and the closing of national borders enforced by governments have paralysed economic activities across the board, laying off millions of workers worldwide. Hong Kong's securities market endured a barren first half of 2020 due to the pandemic which triggered the most severe economic recession in nearly a century. The Hang Seng Index plunged sharply from 28,189 at the end of 2019 to 21,696 in March 2020. Against this backdrop, central banks across the world are committed to enlisting generous quantitative easing programmes. With the pandemic posing considerable risk to economic outlook over the medium term, the Federal interest rate has remained near zero until the economy is back on track. Being determined to prevent the economy downturn, some governments are already beginning to cautiously lift restrictions with a view to jumpstart their economies. The pace and sequence of recovery will largely depend on the efficacy of public health and fiscal measures, containing the spread of the virus, protecting jobs and income and restoring consumer confidence. In the second half of 2020, governments across the world have been rolling out monetary and fiscal stimulus measures to fight the pandemic and minimise the impact of a catastrophic economic downturn. Vaccination campaigns and concerted health policies also fuelled the hopes of economic recovery. The IMF expects global economic growth to pick up in 2021 and in particular, China's economic growth is foreseen to rebound to a high single digit, leading the pandemic recovery. In consequence, the Hang Seng Index had undergone a strong bounce-back in the second half of the year to reach 27,231 by the end of 2020. The volatility of the market had affected our clients who are mainly retail investors and they preferred to avoid the risk of investment and trading losses during the ups and downs of the market. As a consequence, our brokerage commission income decreased by 16.4% compared with last year. On the other hand, the pandemic fallout and low interest rate environment have favourably amplified interest in wealth management products and services, due to potentially higher investment yields in relation to the low interest rate environment and stronger preservation of assets, as a result, this brought CFSG a considerable increase of 143.6% in revenue of its wealth management business, even though with the cross-border lockdowns between PRC and Hong Kong. In response to the changing client interest and hence revenue dynamics, CFSG has resolved to transform into a fully-fledged Wealth Management Advisory Group, providing one-stop wealth management services to clients in Hong Kong and Mainland China. During the year, CFSG has successfully contained its operating costs with cost rationalisation programme, such as streamlining our workforce and reviewing organisation and salary structures. The move of CFSG's headquarters from Central CBD to Kowloon East CBD has also substantially reduced its rental costs.

Overall, CFSG recorded a net loss of HK$39.1 million for the year ended 31 December 2020 as compared to a net loss of HK$116.9 million last year. As part of response to the pandemic, it has followed business continuity processes from CFSG's board-endorsed COVID-19 Business Continuity Plan. Its Business Continuity Plan places the perseverance of its 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 COVID-19 Business Continuity Plan, COVID-19 had limited impact on CFSG's financial results.

Capital Structure

On 27 March 2020, the Company proposed to carry out the open offer on the basis of two offer shares for every one existing share at a price of HK$0.06 per offer share ("Open Offer"). On 7 July 2020, an aggregate of 783,181,944 offer shares at a price of HK$0.06 per offer share had been issued, raising net proceeds of approximately HK$44.0 million, upon completion of the Open Offer.

On 23 July 2020, the Company proposed that every 20 existing shares of HK$0.01 each be consolidated into 1 consolidated share of HK$0.20 each ("Share Consolidation"). The Share Consolidation took effective on 7 September 2020.

Due to the completion of the Open Offer on 7 July 2020 and the Share Consolidation took effective on 7 September 2020, as at 31 December 2020, the total number of issued shares of the Company was 80,720,181 shares (31 December 2019: 831,221,677 shares) and the par value per share was HK$0.20 (31 December 2019: HK$0.01).

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$296.9 million as at 31 December 2020 as compared to HK$199.2 million at the end of the previous year. The increase in equity was mainly due to the net profit reported for the year and the issue of offer shares during the year.

As at 31 December 2020, the Group had total outstanding borrowings of approximately HK$162.3 million as compared to HK$254.9 million as at 31 December 2019. The decrease in borrowings was mainly due to cash inflow from operating activities and increase in shareholder equity by issuing offer shares. The borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately HK$87.2 million and secured loans of approximately HK$75.1 million. The above bank loans of approximately HK$162.3 million were secured by the Group's pledged deposits of HK$69.0 million and corporate guarantees.

As at 31 December 2020, our cash and bank balances totalled HK$215.4 million as compared to HK$206.9 million at the end of the previous year. The increase in cash and bank balances was mainly due to the proceeds from the Open Offer as disclosed under the section headed "Capital Structure" above. 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 2020 at 0.7 times, as compared to 0.61 times as at 31 December 2019. The increase in the liquidity ratio was mainly because current lease liabilities were increased due to short-term lease renewal approach for the year under review.

The gearing ratio, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 62.7% as at 31 December 2020 as compared to 149.5% as at 31 December 2019. The decrease in gearing ratio was mainly due to the decrease in interest bearing borrowings for the year under review. On the other hand, we have no material contingent liabilities at the end of the year.

The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been 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 31 December 2020, the Company proposed, subject to condition precedent, to acquire additional shareholding interests in CFSG for an aggregate of 11,136,000 shares in CFSG from vendors upon exercise of their options in CFSG at a total consideration of HK$8,352,000 (representing HK$0.75 per share in CFSG), which will trigger a possible conditional mandatory cash offers for shares in CFSG upon completion. The acquisitions are subject to approval by shareholders/independent shareholders at a special general meeting of the Company to be convened. Details of the transaction were disclosed in the joint announcement dated 31 December 2020 and the subsequent announcements of the Company and CFSG.

Save as aforesaid, the Group did not make any material acquisitions and disposals 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 financial assets at FVTPL decreased from HK$22.1 million as at 31 December 2019 to approximately HK$11.5 million as at 31 December 2020. A net gain on financial assets at FVTPL of HK$1.7 million was recorded for the year.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Revenue

(HK$'m)	**2020**	2019	% change
Retailing	**1,375.9**	1,385.2	(0.7%)
Asset management	**3.6**	2.6	38.5%
Group total	**1,379.5**	1,387.8	(0.6%)

Key Financial Metrics

	2020	2019	% change
The Group			
Net profit (loss) attributable to shareholders (HK$'m)	**40.0**	(99.4)	140.2%
Earnings (loss) per share (HK cents) (Restated)	**65.47**	(234.00)	128.0%
Total assets (HK$'m)	**1,103.2**	1,121.0	(1.6%)
Cash on hand (HK$'m)	**215.4**	206.9	4.1%
Borrowings (HK$'m)	**162.3**	254.9	(36.3%)
Retailing			
Revenue per sq. ft. (HK$)	**4,199**	4,224	(0.6%)
Growth for same stores (vs last year)	**(2.6%)**	(2.7%)	N/A
Inventory turnover days	**30.8**	26.1	18.0%

Business Review and Outlook

RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

Industry Review

Social unrest in 2019 compounded by the COVID-19 pandemic in 2020 resulted in unprecedented economic contraction for two straight years in Hong Kong. Consumer sentiment was seriously dampened by the stricken economy, with unemployment highest for 16 years at 6.6% by the end of the year. Social distancing measures battered the retail sector most, with local sales plummeting 24.3%, the 23rd consecutive monthly drop since early 2019.

During the year, sales of first-hand private residential property in Hong Kong plunged by more than 27% to a 7-year low, barely exceeding 15,000. This was aggravated by the 53% drop in completion of public houses in the year according to figures of the Transport and Housing Bureau (THB). The furniture market was seriously hit.

Business Review

The pandemic nonetheless drastically changed Hong Kong lifestyles, fuelling growth of the Stay-at-Home economy. Lockdowns and social-distancing measures changing the way we work, study, shop, dine and entertain heightened consumer needs for convenience, health and well-being.

Despite the subdued market, our vision to streamline operating systems since the end of 2018, with supply chain versatility and lean operating structure, enabled us to speedily grasp arising opportunities from the extraordinary situation.

With profound market understanding, we flexibly and swiftly responded to changes in consumer behaviour with an expanded product range, for improved gross profit margins. Our "New Retail" business model for hassle-free, one-stop online shopping and delivery, pioneered since early 2018, also enabled us to capture business opportunities from "new normal" Stay-at-Home economy.

As a result, despite a sluggish furniture market, the Group resiliently maintained revenue similar to last year.

Pricerite Home (PHL)

With a more agile and versatile supply chain and state-of-the-art retail technologies, warehousing, logistics and marketing strategies under our "New Retail" business model, we nimbly met new Stay-at-Home lifestyle needs with an expanded product range.

This focuses on three key areas: "Home Hygiene and Antiseptic", "Home Cooking and Dining" and "Home Organising".

In the early stage of the pandemic, with widespread supply chain disruption, supplies of antiseptic, home hygiene and sanitising products were intermittent. However, leveraging our global sourcing network, Pricerite managed to promptly source quality products from around the world. As a result, our SKUs in this category more than tripled, compared to last year.

In addition to global sourcing, Pricerite also worked with local institutions to provide "made in Hong Kong" antiseptic products. Amid the face mask supply shortage crisis in early 2020, Pricerite partnered CareHK to debut the first Hong Kong-made masks, and the tech company Bull B Tech for the first re-usable photo catalyst mask invented in Hong Kong – ensuring supply of safe, quality masks to protect the well-being of Hong Kong people.

In addition, we also worked with The Chinese University of Hong Kong to provide alcohol hand rubs, and collaborated with The Hong Kong University of Science and Technology for air treatment and purifying units, ensuring sanitised and hygienic conditions for the local community.

Helping society ward-off the pandemic with tech sanitisation technologies, Pricerite leveraged the arrival of the 5G network, partnering several key market players to launch smart home devices using the Internet of Things (IoT). In partnership with HKBN and MOMAX, Pricerite introduced the first series of smart hygienic home appliances using IoT.

Apart from expanding our new product range, our mission to facilitate "Small Space • Big Universe" solutions for Hong Kong consumers living in limited home spaces remained unwavering. Among new innovations, we launched "Space Cube", Hong Kong's first stylish, multifunctional modular system on a ready-made raised platform that substantially enhances home storage space.

We also continued our "New Retail" initiatives to enhance online and offline integrated shopping experiences. New e-shop enhancements included an Augmented Reality (AR) application, personalised content and a Product Information Management (PIM) system. The new platform significantly enriches the online customer journey, from easy browsing and improved order processing to speedy check-out with a comprehensive suite of payment options.

To fortify our "New Retail" business model while strengthening our O2O operating capabilities, we established our latest PGL Logistics Centre in Kwai Chung during the year. Leveraging our comprehensive store network, we also set up a multiple warehouse system to facilitate speedy delivery and BOPIS (buy online, pick up in-store) services. These initiatives enhancing warehousing and distribution capabilities underline our commitment to growing our O2O and e-commerce business.

To better reach out and interact with customers as social-distancing measures curtail their visits to physical stores, Pricerite additionally launched live-stream marketing – with our "New Retail" platform and data-analytical tools enabling customisation of most appropriate content for our customers more effectively.

TMF

Since its inception as a standalone tailor made furniture brand in 2019, TMF has been developing on track, providing customised space management products and services. Nonetheless, the pandemic impacted growth. To weather the challenges, a series of cost containment measures streamlining operations and work processes were implemented.

Meanwhile, we continued adding value to our customers, launching new products and services in response to trends. These included introducing E0-grade plywood, the healthiest and safest interior plywood for making premium furniture, with the least formaldehyde emission, which is well received by health-conscious customers nowadays.

In tandem, growing popularity of nano and studio flats in Hong Kong has inspired us to develop several new product series to maximise home space utilisation, such as loft beds.

We have also gone the extra mile in customer service, pioneering a 15-working days express delivery service. TMF additionally improved store product display to drive sales, seizing opportunities to promote our hero products, such as kids' combination beds and platform storage products.

Looking ahead, our development plan remains on course. New shops are to open in young, expanding residential districts such as Kowloon East and New Territories West. More furniture materials and products are being introduced with new aesthetic and functional designs. We will also leverage social media to demonstrate our space management expertise – presenting latest space management solutions and expert advice.

While the pandemic catalyses market changes in Hong Kong, TMF remains positive about its business prospects. Demand for home improvement products is anticipated to rise with more customers "staying-at-home" or "working-from-home". We also expect sustainable business growth from new private housing construction, while effectively integrating online and offline ("O2O") operations to improve the customer shopping experiences.

SECO

Awareness of personal wellbeing and home hygiene continuously heightened during the COVID-19 pandemic. In response, SECO significantly strengthened its range of home and personal hygiene products to include masks, hand sanitisers, alcohol pads and other pandemic-associated products.

Since SECO's inception in 2018, we have gained solid understanding of customer needs in the personal wellbeing market. Leveraging Pricerite's comprehensive store network, we will grow this personal wellbeing and home hygiene business at full steam ahead by expanding our store-in-store network within Pricerite outlets.

Pricerite Food

PGL launched a new brand, Pricerite Food, in response to the "stay-at-home" pandemic trend for work and study. Carefully hand-picked food and ingredients, matched with unparalleled logistics supply chain support and attentive service bring customers extra peace of mind to shop for door-to-door food delivery in this fast-food age.

Pricerite Food's motto "In Praise of Inner Peace" amplifies merchandising strategies that include sourcing exotic food products from around the Asia-Pacific, as the stern pandemic travel restrictions stem holidays abroad, in addition to quality 'local heritage' favourites. With the revival of home cooking amid restaurant restrictions, we also strengthened our range of cookware, kitchenware and appliances.

In view of the soaring demand of quality food and ingredients, we are considering opening independent stores in the coming year to better serve customers in various districts and facilitate our BOPIS (buy online, pick up in-store) service.

Pricerite Pet

Pets have become increasingly important to Hong Kong families. Official pet ownership figures show exponential growth, soaring by 72% from 297,100 dogs and cats in 2005/6 to 510,600 in 2015/16, reaching 545,600 in 2019. In a global survey, Hong Kong ranked second in Asia in pet ownership, with 35%, after Japan with 37%.

With corresponding growth of the pet food segment, the pet economy presents huge opportunities, inspiring PGL's debut of a new pet brand, Pricerite Pet – a "one-stop" platform of all-round quality pet products and services.

Pricerite Pet embraces all owners could wish for a pet-friendly lifestyle – from a wide variety of food, treats and daily supplies sourced from around the world, to specially-designed pet furniture and homewares, dedicated to building a pet-loving society.

Leveraging Pricerite's cutting-edge e-shop platform and comprehensive stock network, we create a truly "O2O" shopping experience for pet owners. In addition to online ordering and home delivery, in late 2020 we also introduced BOPIS (buy online, pick up in-store).

We also partnered various organisations and pet charities to recruit lifetime members. As a result, despite the pandemic, our month-to-month sales in December 2020 doubled, with more than a 75% increase in registered members.

In 2021, Pricerite will become one of the pioneering retail chains in Hong Kong to introduce pet furniture, aiming at creating pet-friendly homes for pet lovers to enjoy.

Awards

In recognition of excellent quality service performance, Pricerite was accredited with the Hong Kong Retail Management Association's (HKRMA) "Quality Service Recognition Scheme 2020". Pricerite also gained HKRMA recognition for implementing pandemic prevention measures with the "Anti-Epidemic Measures Award 2020".

Both Pricerite and TMF salespersons were additionally recognised by the HKRMA for outstanding sales professionalism, earning "Distinguished Salesperson Awards (DSA) 2020".

Outlook

Looking ahead into 2021, the massive vaccination programme is expected to help contain the COVID-19 pandemic to a certain extent. However, scientists also warn that the crisis may be entering a new phase with mutated hybrid versions of the virus emerging, raising new threats to the world. It is therefore expected that the Stay-at-Home economy will not only be a "new normal" – but also a "new future".

With our multi-brand product offerings and solid foundation in our O2O business, Pricerite Group is well-positioned to take first-mover advantage in this Stay-at-Home economy. We will continue strategic initiatives enhancing our "New Retail" business model, adding value and versatility to our entire supply chain to respond deftly to future market changes.

Despite 2020's sluggish property and housing market, almost 37,000 new private flats are expected to debut in 2021 – a 16-year high of fresh supply. Coupled with a more than 3 times increase in public houses completion in 2021/22 as expected by the THB, more purchasing power is expected to be released in the coming year. In light of this, along with a gradual relaxation of social distancing measures, we expect our furniture sales to pick up.

Overall, we are cautiously optimistic about Pricerite Group's development in 2021.

ALGO TRADING BUSINESS – CAFG

2020 was an extremely volatile year both for the COVID-19 pandemic and the investment market. The global outbreak of the epidemic at the beginning of the year caused the investment sentiment to go into a total panic. The crude oil futures price dropped into negative territory for the first time in history. Some of our trading strategies that relied on continuous market data suffered as the night-trading sessions were shut down after the Lunar New Year until early May by the mainland securities regulators.

During the second half of the year, as vaccine development gradually achieved results and the Federal Reserve pledged unlimited quantitative easing, the investment markets slowly regaining confidence. Our investment portfolios benefited from the gradual pick up of the trading volumes to recoup the earlier losses and achieve new highs in the fourth quarter.

The research focus during the year was chiefly on risk management and volatility reduction of the existing strategies. Development wise, the team pilot traded an equity strategy seeking Alpha with multi-factor long-short of three markets. This strategy is ideal for asset management development down the road.

In addition to managing trading portfolios for the Group in China, the business unit is also preparing for a fund vehicle domicile in Hong Kong in 2021. The goal is to expand the business scope from proprietary trading to asset management business as a sustainable long-term growth strategy.

CFSG – The Group's Associated Company

FINANCIAL SERVICES BUSINESS – CFSG

Industry Review

2020 was a challenging year with worldwide lockdowns halting global economic activity. Unprecedented in modern times, the pandemic tipped the world into recession with global GDP slumping more than 4%. In tandem, Hong Kong's GDP inevitably dropped for six straight quarters, with unemployment hitting a 16-year high of 6.6% in the fourth quarter. For the financial market, the business environment has remained highly challenging, and market sentiment has stayed frail.

Notwithstanding lacklustre economic activity, the global financial market buoyed with most markets rallying during the year. Average daily turnover of Hong Kong's securities market in 2020 was HK$129.5 billion, up 49% over 2019. The Hang Seng Index was volatile, fluctuating by more than 7,000 points over the year, closing at 27,231 at year-end.

This monstrous disconnect between the grim reality of COVID-19 on economies and market over-optimism was a result of generous quantitative easing programmes from central banks across the world and a low interest rate environment.

Business Review

Despite rallies, the Hong Kong brokerage market was unimpressive. There were 37 brokers closed in 2020, according to the Hong Kong Securities Association - a further dive from 22 in 2019. Heightened volatility and the COVID-19 pandemic scared many retail investors off, with the exception for their continued interest in several mega-IPOs.

During the year, our brokerage business recorded a 16.4% decline in commission, while our interest income increased 32.1%. With ever-increasing compliance costs, more stringent regulatory requirements and emergence of cut-throat competition, we expect our brokerage business to continue to face various headwinds, further eroding our brokerage income in the coming year.

On the other hand, the pandemic fallout and low interest rate environment have favourably amplified interest in wealth management products and services, due to potentially higher investment yields and stronger preservation of assets. Our Asset under Management (AUM) rose 53.6% compared with 2019, as we focused on leading blue chips and new economy stocks with visible and promising outlook for our clients.

In response to this changing client interest and hence revenue dynamics, CFSG resolved to transform into a fully-fledged Wealth Management Advisory Group, providing "one-stop" wealth management services to clients in Hong Kong and Mainland China, with particular focus on the Greater Bay Area (GBA) and Yangtze River Area. We took first-mover advantage to fully utilise our resources in our Shenzhen, Guangzhou and Dongguan offices.

With the formal launch of Wealth Management Connect in the Greater Bay Area, historically opening cross-border wealth management for the sector, we can tap into the vast market with a population of more than 70 million and combined GDP of USD1.6 trillion - most importantly including a fast-growing middle-class and more than 450,000 high-net-worth families, accounting for a fifth of China's households with assets over US$1 million.

Leveraging our advanced tech-based platform, extensive business relationships in Mainland China and long-established brand, CFSG is dedicated to capturing this ever-increasing wealth management demand.

At the same time, CFSG is committed to enhancing operating efficiency by integrating latest technology with wealth management and client service excellence. As such, CFSG scaled-up our FinTech operating platforms to enhance communication, execution effectiveness and operating efficiency, and established a new, fully-dedicated middle office for our professional, committed and expanding sales force to provide "one-stop" wealth management solutions to our clients in Hong Kong and the Mainland.

A new online sales management system was also introduced to enhance real-time client communication, further improving customer satisfaction and client engagement. Apart from providing instant, most up-to-date information on our wealth products and services, this also seamlessly synchronises real-time data between front and middle support offices to facilitate and hasten strategic and business decision-making.

We additionally launched an instantaneous, simplified fund deposit service, Electronic Direct Debit Authorisation ("eDDA"), which has greatly improved both turnover time and customer satisfaction.

To diversify and further broaden our revenue streams, we also established a brand new division focusing on business finance - led by a team of experts with extensive connections, especially in the Mainland, leveraging synergy with our long-established offices in China's financial centres Shenzhen and Shanghai.

Outlook

Amid the continuing pandemic, contraction of Hong Kong's economy is expected to continue into early 2021. Worldwide, the IMF expects global economic growth to pick up over the year, but cautions uncertainties and downside risks. On a positive note, it expects China's economic growth to rebound to a high single digit, leading pandemic recovery.

Welcome emergence of vaccines may signal light at the end of the tunnel, but caution is warranted over their supply, delivery, take-up and ultimate efficacy. Positive filtering-through of vaccination programmes into economic activity is likely to take some time.

However, on balance, we are cautiously optimistic towards the prospect of continued economic recovery, with domestic activity and cross-border flows expected to pick up gradually. The financial sector is expected to stay resilient, and may expand further against a more favourable economic and political environment.

As a well-established and trusted Hong Kong brand in the financial services market, CFSG will transform into a fully-fledged wealth management and advisory partner to a wide and expanding client base, offering a full spectrum of products ranging from IPO subscription to wealth management solutions.

China's strong push into cross-border trading initiatives and the growing trend of US-listed Chinese companies to seek secondary listings on the Hong Kong Stock Exchange, amid strong growth already in sizeable listings, will bring diversity and vibrancy to Hong Kong's capital markets, further reinforcing Hong Kong as a fundraising centre. With demand for IPO financing anticipated to increase in tandem, CFSG will strategically leverage IPO subscriptions to expand its Mainland client base.

COVID-19 has accelerated a wave of digital transformation across various business sectors in Hong Kong, at an unprecedented pace with many companies switching to full digitalisation mode. This technology revolution in financial services is momentous. With a strong in-house FinTech-oriented IT Team and an established, reliable trading platform, CFSG is leading this transformation, continuing to invest in digitalisation and automation to further enhance our customer experience and operating efficiency.

Along the same lines, our transformational, re-engineering model encompasses identifying and remodelling business processes to improve operating efficiency and better serve our customer on a holistic level. As such, we will continue to work relentlessly and invest in process automation to actively strive towards Continuous Quality Improvement ("CQI"), further increasing adaptability, productivity and staff morale.

With a low interest rate environment likely to prolong, as central banks continue injecting liquidity to stimulate growth, investment strategy to leverage higher yields is likely sustainable, raising demand for various financing solutions. This opens a window for CFSG to boost relevant interest income from expanding our margin financing and business finance. We also expect our AUM to further increase amid this low interest rate environment.

Riding on CFSG's well-established brand, award-winning services and unique wealth management products - supported by our elite and insightful research team with proven track record - we are dedicated to becoming a leading Hong Kong-based technology driven financial services company, specialising in wealth management and investment products in Hong Kong and Mainland China. We continue striving to deliver personalised and dedicated professional services to our clients with a holistic approach, helping them better plan wealth accumulation and preservation, while driving CFSG's sales and business growth.

EMPLOYEE INFORMATION

At 31 December 2020, the Group had 777 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$197.2 million.

Benefits

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staff. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, presentation, communication, quality management, graduate development and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures and rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code of Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2020, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations with explanation described below:

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

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

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2020 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 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, 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 this preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2020, 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, 12 March 2021

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

Executive Directors:

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

Independent non-executive Directors:

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

** For identification purpose only*