THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Celestial Asia Securities Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Celestial Asia Securities Holdings Limited or CASH Financial Services Group Limited.

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)

POSSIBLE VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF SHARES IN CASH FINANCIAL SERVICES GROUP LIMITED

AND

NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of Celestial Asia Securities Holdings Limited to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 14 May 2021 (Friday) at 9:30 am is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Please see page ii of this circular for various measures that might be implemented by the Company at the SGM in consideration of the outbreak of the Novel Coronavirus (COVID-19). Possible precautionary measures include but are not limited to:

- **Compulsory body temperature check**
- **Mandatory wearing of surgical face mask and maintaining a safe distance between seats**
- **Mandatory health declaration**
- **Appropriate seating arrangement in line with the guidance from the Hong Kong Government will be made**

Any person who does not comply with the precautionary measures or is subject to any compulsory quarantine by the Hong Kong Government on the date of the meeting will be denied entry into the meeting venue.

The Company suggests that Shareholders appoint the Chairman of the meeting as his/her proxy to vote on the resolution at the SGM as an alternative to attending the meeting in person.

23 April 2021

* *For identification purpose only*

CONTENTS

Pages

Precautionary measures for the SGM ii

Definitions 1

Letter from the Board

Introduction 9

The Undertakings and Agreements 10

Reasons for the Acquisitions for the Company 12

Possible consolidation of the CFSG Group in the financial statements of the Company 14

Possible conditional mandatory cash offers of CFSG 14

Shareholding structure of CFSG 19

Information on CFSG and the CFSG Group 21

Information on the Offeror and the Group 22

Offeror's intention in relation to the CFSG Group 23

Effect of the Acquisitions on the earnings, assets and liabilities of the Group 24

Financial and trading prospects of the Enlarged Group. 25

Implications under the Listing Rules 29

The SGM 30

Recommendation 31

Additional information 31

Appendix I – Financial information of the Group I-1

Appendix II – Financial information of the CFSG Group II-1

Appendix III – Unaudited pro forma financial information of the Enlarged Group III-1

Appendix IV – General information. IV-1

Notice of the SGM. SGM-1

In view of the Novel Coronavirus (COVID-19) pandemic, to safeguard the health and safety of Shareholders and other attendees of the SGM, the Company might implement the following precautionary measures at the SGM to prevent and control the spread of COVID-19:

1. There will be compulsory body temperature checks for all persons at the entrance of the SGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the SGM venue and be requested to leave the SGM venue.

2. Each attendee is required to wear a surgical face mask inside the SGM venue throughout the entire meeting. Please note that no mask will be provided at the meeting venue and attendees should bring and wear their own masks.

3. No refreshment will be served, and there will be no corporate gift.

4. Each attendee will be asked (i) if he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; and (ii) if he/she is subject to any Hong Kong Government prescribed quarantine requirement. Any person who responds positively to any of these questions will be denied entry in the SGM venue.

5. Appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained to avoid over-crowding.

6. In the interests of protecting Shareholders from possible exposure to the COVID-19 pandemic, the Company strongly encourages Shareholders NOT to attend the SGM in person and advises Shareholders to appoint the Chairman of the SGM as his/her proxy to vote according to their indicated voting instructions instead of attending in person.

7. Attendees are requested to observe and practise good personal hygiene at all times at the meeting venue. The Company reserves the right to deny entry into the meeting venue or require any person to leave the meeting venue so as to ensure the health and safety of the attendees at the SGM.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate. Shareholders are advised to check the Company's website (www.cash.com.hk) for further announcements and updates on the SGM arrangements that may be issued.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Acquisition"	the proposed acquisition by CIGL of the Sale Shares falling to be issued to the Vendors upon exercise of the CFSG SPA Options pursuant to the Undertakings and Agreements
"Acquisitions"	the Acquisition and the Possible Acquisition under the Offers
"acting in concert"	has the meaning given to it in the Takeovers Code, and "persons acting in concert" and "concert parties" should be construed accordingly
"associate(s)"	has the same meaning as ascribed to it under the Takeovers Code or the Listing Rules as the context may require
"Board"	the board of directors of the Company
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"CAFG"	CASH Algo Finance Group International Limited (a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Company), and its subsidiaries, which are principally engaged in algo trading business
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands with limited liability, which is a 100%-controlled corporation and an associate of Dr Kwan
"CFSG"	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and which securities are listed on the Main Board of the Stock Exchange, and an associated company of the Company as at the Latest Practicable Date
"CFSG Board"	the board of directors of CFSG
"CFSG Directors"	the directors of CFSG
"CFSG Group"	CFSG and its subsidiaries

"CFSG Independent Board Committee"	the independent committee of the CFSG Board (comprising the three independent non-executive directors of CFSG) formed for the purpose of making a recommendation to the Offer Shareholders and to the CFSG Optionholders as to whether the Offers are respectively fair and reasonable and as to acceptance
"CFSG Independent Financial Adviser"	Vinco Capital Limited, being the independent financial adviser appointed by the CFSG Independent Board Committee to advise the CFSG Independent Board Committee in connection with the Offers and, in particular, as to whether the Offers are respectively fair and reasonable and as to acceptance
"CFSG Optionholder(s)"	grantees or holders for the time being of the CFSG Option(s)
"CFSG Options"	the outstanding share options of CFSG, being the CFSG 2019 March Options, the CFSG 2019 June Options and the CFSG 2020 Options, granted by CFSG pursuant to the CFSG Share Option Scheme to subscribe for up to an aggregate of 39,060,000 CFSG Shares as at the Latest Practicable Date
"CFSG Share(s)"	ordinary share(s) of HK$0.40 each in the share capital of CFSG
"CFSG SPA Options"	an aggregate of 11,136,000 CFSG 2020 Options held by the Vendors (including a Connected Person of the Company) conditionally agreed to be exercised and the Sale Shares to be sold by the Vendors to the Offeror under the Undertakings and Agreements
"CFSG Share Option Scheme"	the share option scheme of CFSG adopted by CFSG on 8 June 2018 which became effective on 8 June 2018, and is the existing share option scheme of CFSG
"CFSG Shareholders"	holders of CFSG Shares
"CFSG 2019 June Options"	the outstanding 2,790,000 CFSG Options with exercise price of HK$1.04 granted by CFSG in June 2019
"CFSG 2019 March Options"	the outstanding 12,774,000 CFSG Options with exercise price of HK$1.42 granted by CFSG in March 2019
"CFSG 2020 Options"	the outstanding 23,496,000 CFSG Options with exercise price of HK$0.48 granted by CFSG in April 2020
"close associate(s)"	has the meaning as ascribed thereto under the Listing Rules

"Company" or "CASH"	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and which securities are listed on the Main Board of the Stock Exchange, and the substantial shareholder of CFSG held through CIGL as at the Latest Practicable Date
"Composite Document"	the composite offer and response document to be issued jointly by the Offeror and CFSG to all the Offer Shareholders and the CFSG Optionholders in accordance with the Takeovers Code containing, amongst other things, the detailed terms of the Offers
"connected person(s)"	has the meaning as ascribed thereto under the Listing Rules
"Connected Person(s) of the Company"	Dr Kwan, Mr Leung Siu Pong James, Mr Li Shing Wai Lewis, Mr Kwan Teng Hin Jeffrey (being Directors and holders of CFSG 2020 Options) and Mr Ng Hin Sing Derek (one of the Vendors and a former executive director of the Company within 12 months preceding the date of the Initial Announcement), holding an aggregate of 12,360,000 CFSG 2020 Options as at the Latest Practicable Date, who are connected persons of the Company (as defined under the Listing Rules)
"Director(s)"	the director(s) of the Company
"Dr Kwan"	Dr Kwan Pak Hoo Bankee, who is (i) the chairman and an executive director of each of CFSG and the Company; (ii) a substantial Shareholder of the Company, holding directly and indirectly (through Cash Guardian) in aggregate 40,197,599 Shares (representing approximately 49.79% of issued Shares) as at the Latest Practicable Date; and (iii) a party acting in concert with the Offeror
"Eddid Capital"	Eddid Capital Limited, a corporation licensed by SFC to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the agent making the Offers on behalf of the Offeror and the financial adviser to the Offeror in respect of the Offers
"Encumbrance"	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect

"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Enlarged Group"	the Group upon completion of the Acquisitions
"Exempt Connected Transaction"	the acquisition of 2,472,000 Sale Shares from Mr Ng Hin Sing Derek pursuant to the Undertaking and Agreement and the possible cancellation of the 9,888,000 CFSG 2020 Options held by the relevant Connected Persons of the Company or the possible acquisition of 9,888,000 CFSG Shares falling to be issued upon exercise of such 9,888,000 CFSG 2020 Options from the relevant Connected Persons of the Company at a total maximum consideration of HK$9,270,000 under the Acquisitions
"Facility"	the facility in the total amount of HK$135,000,000 under the loan facility agreement entered into between, among others, Bank of Communications (Hong Kong) Ltd. as lender and the Company (the holding company of the Offeror) as borrower and Dr Kwan as guarantor to the extent of HK$80,000,000 in relation to a loan facility for financing the consideration payable by the Offeror for the Possible Acquisition under the Offers, and the relevant security documents, including, inter alia, a share charge in respect of the 86,000,000 CFSG Shares held by CIGL and the Sale Shares and the Offer Shares to be acquired by the Offeror and pledge of a deposit of HK$60,000,000 given by the Company to Bank of Communications (Hong Kong) Ltd. relating to the said loan facility
"First Closing Date"	the date to be stated in the Composite Document as the first closing date of the Share Offer (or any subsequent closing date as may be decided and announced by the Offeror and approved by the Executive)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Initial Announcement"	the joint announcement dated 31 December 2020 made by the Company, the Offeror and CFSG in relation to, inter alia, the Acquisitions and the Offers

"Joint Announcements"	the Initial Announcement and the subsequent joint announcements dated 21 January 2021, 19 February 2021, 19 March 2021 and 19 April 2021 made by the Company, the Offeror and CFSG in relation to, inter alia, the Acquisitions and the Offers
"Last Trading Day"	31 December 2020, being the last trading day for the CFSG Shares on the date of the Initial Announcement
"Latest Practicable Date"	20 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 September 2021, or such other date as the Vendors and the Offeror may agree in writing
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"Net2Gather (China)"	Net2Gather (China) Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company and the holding company of mobile internet services business
"Offeror" or "CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, and is a wholly-owned subsidiary of the Company, being the beneficial owner of the Sale Shares as at the Latest Practicable Date
"Offers"	the Share Offer and the Option Offer
"Offer Shareholder(s)"	holder(s) of CFSG Share(s), other than the Offeror and parties acting in concert with it
"Offer Share(s)"	CFSG Share(s) subject to the Share Offer

"Option Offer"	the possible conditional mandatory cash offer to be made by Eddid Capital on behalf of the Offeror to the relevant CFSG Optionholders for cancellation of the CFSG Options (except the CFSG SPA Options) at the Option Offer Price in accordance with Rule 13 of the Takeovers Code
"Option Offer Price"	the relevant cash amount per CFSG Option, payable by the Offeror to the relevant CFSG Optionholders for each CFSG Option accepted under the Option Offer as set out under the paragraph headed "The Option Offer" in this circular, which is HK$0.0001 for CFSG Options (except the CFSG 2020 Options) and HK$0.27 for CFSG 2020 Options (except the CFSG SPA Options), as the case may be
"Parties"	CIGL and the Vendors, being the parties to the Undertakings and Agreements
"Possible Acquisition under the Offers"	the possible on-market acquisition of CFSG Shares and possible acquisition of CFSG Shares from all the Offer Shareholders under the Share Offer
"Pricerite" or "Pricerite Group"	Pricerite Group Limited (a company incorporated in the British Virgin Islands with limited liability, an indirect 99.01%-owned subsidiary of the Company as at the Latest Practicable Date), and its subsidiaries (including Pricerite Home Limited, TMF Company Limited, SECO Living Company Limited, Pricerite Food Limited and Pricerite Pet Caring Limited), which mainly engage in the retail management business in Hong Kong under multi-brand names including "Pricerite", "TMF", "SECO", "Pricerite Food" and "Pricerite Pet"
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	an aggregate of 11,136,000 CFSG Shares to be issued upon exercise of the CFSG SPA Options by the Vendors, conditionally agreed by the Vendors to be sold to CIGL under the Undertakings and Agreements
"S&P Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Undertakings and Agreements

"S&P Completion Date"	the date of S&P Completion, which shall take place on the seventh (7th) Business Day following the day on which the S&P Condition has been fulfilled or on such other date as Parties may agree in writing
"S&P Condition"	the condition of the Undertakings and Agreements, as set out under the heading "The S&P Condition" under the section headed "The Undertakings and Agreements" in this circular
"SFC"	the Securities and Futures Commission in Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened to be held on 14 May 2021 (Friday) at 9:30 am to consider and approve, among other things, the Acquisitions and making of the Offers, notice of which is set out on pages SGM-1 to SGM-2 of this circular
"Share Offer"	the possible conditional mandatory cash offer to be made by Eddid Capital on behalf of the Offeror to acquire all of the CFSG Shares (other than those CFSG Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it at the time the Share Offer is made) at the Share Offer Price in accordance with the Takeovers Code
"Share Offer Price"	the cash amount of HK$0.75 per CFSG Share payable by the Offeror to the relevant Offer Shareholders for each CFSG Share accepted under the Share Offer
"Share(s)"	ordinary share(s) of HK$0.20 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning as ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning as ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers published by the SFC as amended from time to time

"trading day"	a day on which the Stock Exchange is open for the business of dealings in securities
"Undertakings and Agreements"	the irrevocable undertakings and agreements all dated 31 December 2020 made between the Offeror with each of the Vendors pursuant to which the Vendors have conditionally agreed to sell, and the Offeror has conditionally agreed to purchase the Sale Shares
"Vendors"	the persons whose names are set out under the heading "Parties" under the section headed "The Undertakings and Agreements" of this circular, holding an aggregate of 11,136,000 CFSG SPA Options as at the Latest Practicable Date
"%"	per cent

All references in this circular to times and dates are references to Hong Kong times and dates unless otherwise specified.

All percentages stated in this circular are approximations and certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
時富投資集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

Board of Directors:
Executive:
KWAN Pak Hoo Bankee
LI Shing Wai Lewis
LEUNG Siu Pong James
KWAN Teng Hin Jeffrey

Independent non-executive:
LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

23 April 2021

To the Shareholders

Dear Sir/Madam,

POSSIBLE VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF SHARES IN CASH FINANCIAL SERVICES GROUP LIMITED

AND

NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

References are made to the Joint Announcements. On 31 December 2020 (after trading hours), the Vendors and the Offeror entered into the Undertakings and Agreements pursuant to which the Vendors have conditionally undertaken to exercise the CFSG SPA Options in full and have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of the Sale Shares, representing approximately 4.59% of the existing issued share capital of CFSG as at the Latest Practicable Date and approximately 4.39% of the enlarged issued share capital of CFSG as at S&P Completion (assuming that there will be no change in the issued share capital of CFSG from the Latest Practicable Date up to S&P Completion other than the allotment and issue of the Sale Shares), for a total cash consideration of HK$8,352,000 (being HK$0.75 per CFSG Share).

* *For identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisitions and making of the Offers; (ii) financial information of the Group; (iii) financial information of the CFSG Group; (iv) pro forma financial information of the Enlarged Group; and (v) a notice convening the SGM.

THE UNDERTAKINGS AND AGREEMENTS

Date

All dated 31 December 2020

Parties

Purchaser: CIGL, a wholly-owned subsidiary of the Company.

Vendors: Mr Ng Hin Sing Derek *(Notes 1 and 3)* (executive director of CFSG and former executive director of the Company), Mr Cheung Wai Ching Anthony *(Notes 1 and 4)*, Mr Ho Tsz Cheung Jack *(Notes 1 and 4)* (directors of subsidiaries of CFSG Group), Mr Law Ping Wah Bernard *(Notes 1 and 4)* and Mr Lau Chi Wo *(Note 2)* (CFSG Optionholders).

Notes:

(1) Each of them holds 2,472,000 CFSG Options as at the Latest Practicable Date.

(2) Mr Lau Chi Wo holds 1,248,000 CFSG Options as at the Latest Practicable Date. He is a senior financial manager of CFSG and the Company.

(3) Mr Ng Hin Sing Derek is a former Director (within 12 months preceding the date of the Initial Announcement), being the connected person of the Company (as defined under the Listing Rules).

(4) Mr Cheung Wai Ching Anthony and Mr Ho Tsz Cheung Jack are former CFSG Directors and are not the Directors. Mr Law Ping Wah Bernard is a consultant of CFSG and former executive directors of the Company and CFSG. He has ceased as executive directors of the Company and CFSG for more than 12 months preceding the date of the Initial Announcement. They are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

(5) Each of the Vendors listed above is neither presumed nor de facto concert party of the Offeror.

Sale and purchase of the Sale Shares

Subject to fulfillment of the S&P Condition, the Vendors holding an aggregate of 11,136,000 CFSG SPA Options have irrevocably undertaken to, inter alia, exercise the CFSG SPA Options in full on or before the S&P Completion and have agreed to sell and the Offeror has agreed to acquire at the S&P Completion an aggregate of 11,136,000 CFSG Shares, representing approximately 4.59% of the existing issued share capital of CFSG as at the Latest Practicable Date and approximately 4.39% of the enlarged issued share capital of CFSG as at S&P Completion (assuming that there will be no change in the issued share capital of CFSG from the Latest Practicable Date up to S&P Completion other than the allotment and issue of the Sale Shares), free from any Encumbrances and together with all rights and benefits attached to them as at S&P Completion or subsequently becoming attached to them, including all rights to any dividend or other distribution declared, made or paid, the record date of which falls on or after the S&P Completion Date.

Each of the Undertakings and Agreements was entered into by a Vendor and the Offeror separately and each of the Undertakings and Agreements has substantially the same terms and was executed on the same date. The Undertakings and Agreements with each of the Vendors are not inter-conditional upon each other. In case the S&P Completion does not take place for some of the Vendors under the relevant Undertakings and Agreements, the Offeror will proceed with the S&P Completion with the remaining Vendors. In the event that the S&P Completion does not result in the increase of shareholding of the Offeror and parties acting in concert with it in CFSG by more than 2% from the lowest percentage holding of the Offeror and parties acting in concert with it in the 12 month period ending on and inclusive of the date of the S&P Completion, the Offers will not be made.

Consideration for the Sale Shares

The total consideration for the sale and purchase of the Sale Shares under the Acquisition shall be HK$8,352,000 (representing HK$0.75 per Sale Share and the price per CFSG Share is the same for each of the Vendors), which shall be paid by the Offeror in cash to the Vendors at S&P Completion. The consideration for the Sale Shares will be financed by internal resources of the Offeror.

The consideration was determined following arm's length negotiations between the Vendors and the Offeror after taking into account factors including but not limited to (i) the unaudited consolidated net asset value of the CFSG Group as at 30 June 2020; (ii) the trading prices per CFSG Share on the Stock Exchange which ranged between HK$0.395 and HK$0.98 during the six-month period immediately preceding the date of the Initial Announcement; (iii) the prevailing market price of the CFSG Shares; and (iv) the business prospects and development potential of the CFSG Group as set out in the section headed "Reasons for the Acquisitions for the Company" below.

The total maximum consideration for the Exempt Connected Transaction is HK$9,270,000. The original acquisition cost of the Sale Shares to the Connected Persons of the Company is the same as the aggregate amount to be paid by them for exercising the CFSG 2020 Options. Based on a total of 12,360,000 CFSG 2020 Options (including the 2,472,000 CFSG SPA Options) held by the Connected Persons of the Company and the exercise price of HK$0.48 per CFSG Shares, the total amount to be paid by the Connected Persons of the Company for exercising their CFSG SPA Options will be HK$5,932,800.

The S&P Condition

The S&P Completion is conditional upon the Company having obtained approvals from its Shareholders/independent Shareholders at the SGM for approving the Acquisitions and the making of the Offers on or before the Long Stop Date (or such later date as the Vendors and the Offeror may agree in writing).

The Parties may not waive the above S&P Condition.

If the S&P Condition has not been fulfilled by the Long Stop Date, the Undertakings and Agreements shall cease to have any effect and the Parties shall not have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

The S&P Completion

It is expected that the S&P Completion shall take place on the same date as the date of allotment and issue of the Sale Shares upon exercise of CFSG SPA Options by the Vendors, which shall be the seventh (7th) Business Day following the day on which the S&P Condition has been fulfilled (or such other date as the Parties may agree in writing).

REASONS FOR THE ACQUISITIONS FOR THE COMPANY

CFSG has been transformed into a full-fledged financial services company with fully-digitalised trading platform for its brokerage specialising in wealth management and investment products in Hong Kong and Mainland China. CFSG has also established strong presence in the Greater Bay Area for its wealth management business in recent years. In view of the severe competition in Hong Kong's brokerage market, CFSG has implemented business transformation to adopt various technological enhancements and to implement a digitalisation programme to build its competitive advantages and to increase operational efficiency along with the cost effective strategy during this difficult period.

Leveraging on CFSG's solid business foundation in the financial services industry, its financial services and information technology capabilities, advanced and digitalised trading platform and professional talents and a cost effective structure after its business transformation, it is expected that there are tremendous growth potential for brokerage and wealth management businesses of CFSG on the back of economic recovery. The economic activities and stock market are expected to rebound when the pandemic becomes under control upon successful mass production of the COVID-19 vaccines. The Board considers that the Acquisitions and the Offers represent an opportunity for the Company to increase its shareholding interest in CFSG at a reasonable price.

Since 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 are also implemented. The global and local economies showed some improvement in first quarter of 2021. It is expected that global and local economies growth will pick up soon and in particular, China's economic growth is foreseen to rebound to a high single digit, leading the pandemic recovery. The pandemic fallout and low interest rate environment have favourably amplified interest in CFSG's 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, CFSG recorded a considerable increase of 141.9% in its wealth management revenue for the year ended 31 December 2020 as compared with the previous year. During the year ended 31 December 2020, CFSG also successfully contained its operating costs which decreased by 27.6% year-on-year and there was an improvement in its financial performance with a 66.5% reduction in net loss as compared with that of the previous year. The Board's view about the tremendous growth potential for the brokerage and wealth management businesses of CFSG on the back of economic recovery has not changed since the Initial Announcement. The Board considers that the Acquisitions and the Offers provide an opportunity for the Company to acquire additional shares in CFSG at a reasonable price.

As the external environment is still volatile with uncertainties subject to the COVID-19 pandemic and the local economic environment is still challenging with growing unemployment rate, the Possible Acquisition under the Offers can provide all CFSG Shareholders with an opportunity to realise their share investments in CFSG at a premium over the market share price in recent years prior to the Initial Announcement.

The purchase price of the Sale Shares was arrived at after arm's length negotiations between the Vendors and the Offeror. Although the purchase price represents a premium of around 50% over the market price of CFSG Shares over the preceding 3 months of the Initial Announcement, it also represents (i) only a premium of approximately 7.1% over the closing price of HK$0.7 per CFSG Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a substantial discount of over 60% and 59.9% to the net asset value of CFSG per Share as at 30 June 2020 and 31 December 2020 respectively; and (iii) a 23% discount to the highest traded price of HK$0.98 per CFSG Share in the six-month period immediately preceding the date of the Initial Announcement. Taking into account the various factors including the net asset value per CFSG Share as at 30 June 2020 and 31 December 2020, the traded prices per CFSG Shares in the period of six months preceding the Initial Announcement, the prevailing market price of the CFSG Shares and the business prospects of CFSG as highlighted above, the Board (including the independent non-executive directors of the Company) considers that the purchase price is fair and reasonable and on normal commercial terms.

The Share Offer Price of HK$0.75 per CFSG Share under the Share Offer is the same as the price per Sale Share of HK$0.75 under the Undertakings and Agreements. The Option Offer Price of HK$0.27 was based on the difference between the exercise price and the Share Offer Price for those CFSG Options which are in-the-money.

Based on the above, the Board (including the independent non-executive directors of the Company) is of the opinion that the terms of the Undertakings and Agreements, the Offers and the respective transactions contemplated thereunder including the consideration for the Sale Shares, the Share Offer Price and the Option Offer Price are normal commercial terms and that the Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

POSSIBLE CONSOLIDATION OF THE CFSG GROUP IN THE FINANCIAL STATEMENTS OF THE COMPANY

CFSG was held as to 35.50% by the Company via CIGL and was an associated company of the Company as at the Latest Practicable Date.

Immediately after the CFSG SPA Options are fully exercised and following the S&P Completion, CFSG will be held as to 38.33% by CIGL.

If and upon the Offers becoming unconditional, CFSG will be held as to over 50% by CIGL and will become a subsidiary of the Company. The financial results of the CFSG Group will then be consolidated in the financial results of the Group.

POSSIBLE CONDITIONAL MANDATORY CASH OFFERS OF CFSG

As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned a total of 86,140,854 CFSG Shares, representing approximately 35.50% of the issued share capital of CFSG. Subject to fulfillment of the S&P Condition and immediately following the S&P Completion (assuming that there will be no change in the issued share capital of CFSG from the Latest Practicable Date up to the S&P Completion other than the allotment and issue of the Sale Shares), the Offeror and parties acting in concert with it will own a total of 97,276,854 CFSG Shares, representing approximately 38.33% of the enlarged issued share capital of CFSG. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will then be required to make the Share Offer for all the issued CFSG Shares (other than those CFSG Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it at the time the Share Offer is made). The Offeror will also be required to make the Option Offer for the cancellation of all outstanding CFSG Options (other than the CFSG SPA Options) pursuant to Rule 13 of the Takeovers Code.

Subject to the S&P Completion having taken place, the Offeror may purchase CFSG Shares on market at a price not higher than the Share Offer Price so as to enhance the chance that the Offeror (together with the persons acting in concert with it) could successfully obtain and hold not less than 50% of the voting rights of CFSG upon the close of the Offers and to increase the likelihood that the conditions to the Offers as set out in the paragraph headed "Conditions of the Offers" below could be fulfilled. In the event that any such purchase is made, an announcement will be made in accordance with the Takeovers Code and the Listing Rules as and when appropriate.

Eddid Capital has been appointed as the financial adviser to the Offeror in respect of the Offers. If the Offers are made, Eddid Capital will, for and on behalf of the Offeror, make the Offers on the following terms in accordance with Rule 26.1 and Rule 13 of the Takeovers Code.

The Share Offer

Subject to and upon S&P Completion, the Share Offer will be made on the following basis:

HK$0.75 in cash **For each CFSG Share accepted under the Share Offer**

The Share Offer Price will be equal to the price per Sale Share paid by the Offeror under the Undertakings and Agreements. The Share Offer Price also represents the highest price paid by the Offeror and parties acting in concert with it for CFSG Shares in the preceding 6 months from the date of the Initial Announcement.

The Option Offer

For the outstanding 15,564,000 CFSG Options (except the CFSG 2020 Options)

HK$0.0001 in cash **For cancellation of each such CFSG Option**

For the outstanding 12,360,000 CFSG 2020 Options (except the CFSG SPA Options)

HK$0.27 in cash **For cancellation of each such CFSG 2020 Option**

As at the Latest Practicable Date, there were 39,060,000 outstanding CFSG Options granted under the CFSG Share Option Scheme, being (a) 15,564,000 CFSG Options, out of which:- (i) 12,774,000 CFSG 2019 March Options are exercisable at the exercise price of HK$1.42 each; (ii) 2,790,000 CFSG 2019 June Options are exercisable at the exercise price of HK$1.04 each; and (b) 23,496,000 CFSG 2020 Options are exercisable at HK$0.48 each (including 11,136,000 CFSG SPA Options), each relating to one CFSG Share. Pursuant to Rule 13 of the Takeovers Code, the Offeror will make an appropriate cash offer to the CFSG Optionholders to cancel the CFSG Options (except the CFSG SPA Options, which will be exercised in full before the Offers pursuant to the Undertakings and Agreements).

As the CFSG 2019 March Options and the CFSG 2019 June Options have an exercise price of HK$1.42 and HK$1.04 per CFSG Share respectively, which are above the Share Offer Price so that all such CFSG Options are out-of-the-money, the Option Offer Price for the cancellation of each such CFSG Option will be a nominal cash amount of HK$0.0001 (whether such CFSG Options are exercisable or not).

As the CFSG 2020 Options have an exercise price of HK$0.48 per CFSG Share, which is less than the Share Offer Price, the Option Offer Price for the cancellation of each such CFSG 2020 Option (other than the CFSG SPA Options) will be a cash amount equal to the "see-through" price of HK$0.27 (being the Share Offer Price of HK$0.75 minus the exercise price of such CFSG 2020 Options of HK$0.48) (whether such CFSG 2020 Options are exercisable or not). As the CFSG SPA Options will all be exercised on or before the S&P Completion pursuant to the Undertakings and Agreements, the Option Offer will not be extended to the CFSG SPA Options. In the event that some of the CFSG SPA Options are not exercised on or before the S&P Completion pursuant to the Undertakings and Agreements, the Option Offer will be extended to such CFSG SPA Options and the Share Offer will be extended to any CFSG Shares falling to be issued upon exercise of the CFSG SPA Options.

Save for the CFSG Options, as at the Latest Practicable Date, there are no outstanding convertible securities, warrants, options or derivatives issued by CFSG which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into CFSG Shares.

Under the terms of the CFSG Share Option Scheme, if the Option Offer is not accepted in respect of any CFSG Options, any unexercised CFSG Options shall remain valid in accordance with the terms of the CFSG Options and subject to such restrictions as applied to it before the Offers.

Comparisons of value

The Share Offer

The Share Offer Price represents:

(a) a discount of approximately 7.4% to the closing price of HK$0.81 per CFSG Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 7.1% over the closing price of HK$0.7 per CFSG Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 10.6% over the average closing price of HK$0.678 per CFSG Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;

(d) a premium of approximately 30.7% over the average closing price of HK$0.574 per CFSG Share as quoted on the Stock Exchange over the last 30 consecutive trading days up to and including the Last Trading Day;

(e) a premium of approximately 45.9% over the average closing price of HK$0.514 per CFSG Share as quoted on the Stock Exchange over the last 60 consecutive trading days up to and including the Last Trading Day;

(f) a premium of approximately 48.8% over the average closing price of HK$0.504 per CFSG Share as quoted on the Stock Exchange over the last 90 consecutive trading days up to and including the Last Trading Day;

(g) a discount of approximately 63.9% to the audited consolidated net asset value attributable to the CFSG Shareholders of approximately HK$2.08 per CFSG Share (based on the audited consolidated net asset value of CFSG of HK$503,798,000 as at 31 December 2019 and 242,622,779 issued CFSG Shares as at the Latest Practicable Date);

(h) a discount of approximately 61.7% to the unaudited consolidated net asset value attributable to the CFSG Shareholders of approximately HK$1.96 per CFSG Share (based on the unaudited consolidated net asset value of CFSG of HK$475,674,000 as at 30 June 2020 and 242,622,779 issued CFSG Shares as at the Latest Practicable Date); and

(i) a discount of approximately 59.9% to the audited consolidated net asset value attributable to the CFSG Shareholders of approximately HK$1.87 per CFSG Share (based on the audited consolidated net asset value of CFSG of HK$453,880,000 as at 31 December 2020 and 242,622,779 issued CFSG Shares as at the Latest Practicable Date).

Highest and lowest trading prices

During the six-month period immediately preceding the Last Trading Day, the highest closing price of CFSG Shares as quoted on the Stock Exchange was HK$0.98 on 6 July 2020 and the lowest closing price of the CFSG Shares as quoted on the Stock Exchange was HK$0.395 on 6 October 2020.

Total consideration for the Offers

As at the Latest Practicable Date, there were (i) 242,622,779 CFSG Shares in issue, (ii) 23,496,000 CFSG 2020 Options outstanding (including 11,136,000 CFSG SPA Options which would be exercised in full on or before the S&P Completion pursuant to the Undertakings and Agreements), all of which were in-the-money, and (iii) 12,774,000 CFSG 2019 March Options and 2,790,000 CFSG 2019 June Options outstanding, all of which were out-of-the-money.

Upon the exercise in full of all the CFSG SPA Options on or before the S&P Completion prior to the Offers, there will be 253,758,779 CFSG Shares in issue.

On the basis that (i) 156,481,925 CFSG Shares will be subject to the Share Offer (representing the CFSG Shares not already held or to be acquired by the Offeror and parties acting in concert with it before the Offers) at the Share Offer Price of HK$0.75, (ii) 12,360,000 CFSG 2020 Options (representing the outstanding CFSG 2020 Options other than the CFSG SPA Options) will be subject to the Option Offer at the Option Offer Price of HK$0.27, and (iii) 15,564,000 CFSG Options (representing the aggregate of all the outstanding CFSG 2019 March Options and CFSG 2019 June Options) will be subject to the Option Offer at the Option Offer Price of HK$0.0001, and assuming acceptance of the Offers in full and assuming that no CFSG Options are exercised before the close of the Offers, the total amount of cash required for the Offers will be HK$120,700,200, including as to HK$117,361,444 for the Share Offer and HK$3,338,756 for the Option Offer.

The Offeror is of the view that the outstanding CFSG Options (except the CFSG 2020 Options) are out-of-the-money options and rational investors are assumed not to exercise such options given they will incur a loss by doing so. On that basis assuming no CFSG Options (except the CFSG 2020 Options) will be exercised, (i) 168,841,925 CFSG Shares (including the 12,360,000 CFSG Shares upon exercise of the outstanding 12,360,000 CFSG 2020 Options) will be subject to the Share Offer (representing the CFSG Shares not already held or to be acquired by the Offeror and parties acting in concert with it before the Offers) at the Share Offer Price of HK$0.75, (ii) 15,564,000 CFSG Options (representing an aggregate of outstanding CFSG 2019 March Options and CFSG 2019 June Options) will be subject to the Option Offer at the Option Offer Price of HK$0.0001, and assuming acceptance of the Offers in full, the total amount of cash required for the Offers will be HK$126,633,000, including as to HK$126,631,444 for the Share Offer and HK$1,556 for the Option Offer. Based on the calculation set out above, the maximum funding required for the Offers is HK$126,633,000.

Pre-conditions to the Offers

The Offers will not be made unless and until S&P Completion occurs. If the S&P Condition to the Undertakings and Agreements are not satisfied in accordance with the terms of the Undertakings and Agreements, the Offers will not be made.

In case the S&P Completion does not take place for some of the Vendors under the relevant Undertakings and Agreements, the Offeror will proceed with the S&P Completion with the remaining Vendors. In the event that the S&P Completion does not result in the increase of shareholding of the Offeror and parties acting in concert with it in CFSG by more than 2% from the lowest percentage holding of the Offeror and parties acting in concert with it in the 12 month period ending on and inclusive of the date of the S&P Completion, the Offers will not be made.

Conditions of the Offers

The Share Offer will be conditional upon the Offeror having received (and, where permitted, such acceptances not having been withdrawn), at or before 4:00 pm on the First Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide), valid acceptances in respect of the CFSG Shares which, together with the CFSG Shares acquired or agreed to be acquired before or during the Share Offer, will result in the Offeror and any person acting in concert with it holding more than 50% of the voting rights of CFSG. If such condition is not satisfied on or before the First Closing Date, the Share Offer will lapse unless the offer period is extended by the Offeror in accordance with the Takeovers Code. Under Rule 15.5 of the Takeovers Code, the latest time on which the Offers may become or may be declared unconditional as to acceptance is 7:00 pm on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent). The Option Offer will be subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

Confirmation of financial resources

The Offeror intends to finance and satisfy the total maximum consideration payable (including the stamp duty payable) under the Offers from the Facility. The Facility is provided by Bank of Communications (Hong Kong) Ltd. for financing the consideration payable by the Offeror for the Offers, and which is to be secured by, among others, (i) the 86,000,000 CFSG Shares held by CIGL, (ii) the Sale Shares and the Offer Shares to be acquired by the Offeror and (iii) pledge of a deposit of HK$60,000,000 from the Company. Eddid Capital has been appointed as the financial adviser to the Offeror in respect of the Offers. Eddid Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for the Sale Shares under the Undertakings and Agreements and the full acceptance of the Offers as described above.

Composite Document

It is the intention of the respective board of directors of the Offeror and CFSG to combine the offer document and the offeree board circular into a composite offer document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things, the terms of the Offers (including the expected timetable), the letter from the CFSG Independent Board Committee in relation to the Offers, the letter of advice from the CFSG Independent Financial Adviser to the CFSG Independent Board Committee in respect of the Offers, and a form of acceptance and transfer of the CFSG Shares and cancellation of the CFSG Options is required to be despatched to the CFSG Shareholders and the CFSG Optionholders within 21 days of the date of the Initial Announcement (or such later date as the Executive may approve). However, as the making of the Offers will be subject to S&P Completion having taken place and additional time is required for the preparation of this circular for the Shareholders to consider and (if appropriate) approve the Acquisitions and the Offers at the SGM, an application has been made to the Executive and the Executive has granted its consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the latest time for the despatch of the Composite Document to (i) seven (7) days after the date of S&P Completion or (ii) 19 October 2021, whichever is earlier.

SHAREHOLDING STRUCTURE OF CFSG

As at the Latest Practicable Date, CFSG had 242,622,779 CFSG Shares in issue and 39,060,000 outstanding CFSG Options (including the 11,136,000 CFSG SPA Options which would be fully exercised prior to making of the Offers pursuant to the Undertakings and Agreements) granted under the CFSG Share Option Scheme. Save for the 242,622,779 CFSG Shares in issue and the 39,060,000 outstanding CFSG Options, there were no relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of CFSG in issue.

The following tables set out the shareholding structure of CFSG assuming none of the CFSG Options (except CFSG SPA Options which shall be fully exercised pursuant to the Undertakings and Agreements) is exercised on or before the S&P Completion and that there are no other changes to the issued share capital of CFSG:

	(i) As at the Latest Practicable Date		(ii) Immediately before the S&P Completion (and assuming that only the CFSG SPA Options are exercised and that there are no other changes to the issued share capital of CFSG after the Latest Practicable Date)		(iii) Immediately after the S&P Completion but before the Offers are made (and assuming that only the CFSG SPA Options are exercised and that there are no other changes to the issued share capital of CFSG after the Latest Practicable Date)	
	No. of CFSG Share	Approximate %	No. of CFSG Shares	Approximate %	No. of CFSG Shares	Approximate %
CIGL	86,140,854	35.50	86,140,854	33.95	97,276,854	38.33
Directors of the Company and directors of the Offeror:						
Dr Kwan Pak Hoo Bankee *(Notes 1 and 3)*	–	–	–	–	–	–
Mr Leung Siu Pong James *(Note 3)*	–	–	–	–	–	–
Mr Li Shing Wai Lewis *(Notes 1 and 3)*	–	–	–	–	–	–
Mr Kwan Teng Hin Jeffrey *(Notes 1 and 3)*	–	–	–	–	–	–
(1) CIGL and parties acting in concert with it *(Note 5)*	86,140,854	35.50	86,140,854	33.95	97,276,854	38.33
CFSG Directors:						
Mr Ng Hin Sing Derek *(Note 2)*	–	–	2,472,000	0.98	–	–
Mr Lo Kwok Hung John	62,775	0.03	62,775	0.02	62,775	0.02
(2) CFSG Directors	62,775	0.03	2,534,775	1.00	62,775	0.02
Director of CFSG subsidiaries:						
Mr Cheung Wai Ching Anthony *(Notes 2 and 4)*	–	–	2,472,000	0.97	–	–
Mr Ho Tsz Cheung Jack *(Notes 2 and 4)*	–	–	2,472,000	0.97	–	–
(3) CFSG Subsidiaries' Director	–	–	4,944,000	1.94	–	–
Sub-total ((1) to (3))	86,203,629	35.53	93,619,629	36.89	97,339,629	38.35
Substantial Shareholder:						
Ever Billion Group Limited *(Note 6)*	41,300,000	17.02	41,300,000	16.28	41,300,000	16.28
Other Vendors:						
Mr Law Ping Wah Bernard *(Notes 2 and 4)*	8,800	–	2,480,800	0.98	8,800	–
Mr Lau Chi Wo *(Note 2)*	95,820	0.04	1,343,820	0.53	95,820	0.04
Other Public	115,014,530	47.41	115,014,530	45.32	115,014,530	45.33
Public Shareholders	115,119,150	47.45	118,839,150	46.83	115,119,150	45.37
TOTAL ISSUED SHARES *(Note 7)*	242,622,779	100.00	253,758,779	100.00	253,758,779	100.00

Notes:

1. Dr Kwan, Mr Li Shing Wai Lewis and Mr Kwan Teng Hin Jeffrey are also CFSG Directors.

2. One of the Vendors and holders of the CFSG SPA Options.

3. Save for Dr Kwan, Mr Leung Siu Pong James, Mr Li Shing Wai Lewis and Mr Kwan Teng Hin Jeffrey who are CFSG Optionholders (details of which are set out under the section headed "Directors' Interests in Securities" in Appendix IV to this circular), no other Directors hold any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of CFSG.

4. Mr Cheung Wai Ching Anthony and Mr Ho Tsz Cheung Jack are former CFSG Directors and are not directors of the Company. Mr Law Ping Wah Bernard is a consultant of CFSG and former executive directors of the Company and CFSG. He has ceased as executive directors of the Company and CFSG for more than 12 months preceding the date of the Initial Announcement. They are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

5. It is expected that the S&P Completion shall take place on the same date as the date of allotment and issue of the 11,136,000 Sale Shares upon exercise of the 11,136,000 CFSG SPA Options by the Vendors. The number of CFSG Shares held by CIGL and parties acting in concert it will be increased to 97,276,854 CFSG Shares after acquiring 11,136,000 Sales Shares upon the S&P Completion.

6. The shareholding interest of Ever Billion Group Limited was based on the notice dated 20 June 2017 filed by it pursuant to Divisions 2 and 3 of Part XV of the SFO after adjusting the number of CFSG Shares held by it due to the 20-to-1 share consolidation of CFSG which took effect on 7 September 2020. Based on the said notice filed by Ever Billion Group Limited, Ever Billion Group Limited is a wholly-owned subsidiary of Sunbase International (Holdings) Limited, which is in turn owned as to 66.67% by Mr Gao Gunter and 33.33% by Ms Yang Linda.

7. The enlarged issued share capital of CFSG will be 253,758,779 CFSG Shares after the allotment and issue of the 11,136,000 Sale Shares upon exercise of the CFSG SPA Options in full by the Vendors.

INFORMATION ON CFSG AND THE CFSG GROUP

General information

CFSG is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. CFSG was accounted for as an associated company of the Company as at the Latest Practicable Date.

Principal activities

The principal activity of CFSG is investment holding. The principal activities of the CFSG Group are (a) provision of online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund products, (b) proprietary trading of debt and equity securities and derivatives, (c) provision of margin financing and money lending services, (d) provision of investment banking services, and (e) provision of asset management services. For additional information, please visit www.cfsg.com.hk.

Financial information

Based on the audited accounts of CFSG, the net losses (before and after taxation and extraordinary items) for the financial year ended 31 December 2019 were both approximately HK$116.9 million, and the audited net asset value as at 31 December 2019 was approximately HK$503.8 million.

Based on the audited accounts of CFSG, the net losses (before and after taxation and extraordinary items) for the financial year ended 31 December 2020 were both approximately HK$39.1 million, and the audited net asset value as at 31 December 2020 was approximately HK$453.9 million.

Please refer to Appendix II to this circular for further information on the CFSG Group with reference to the published documents of CFSG.

INFORMATION ON THE OFFEROR AND THE GROUP

CIGL, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of the Company. Its principal activity is investment holding. As at the Latest Practicable Date, it held 86,140,854 CFSG Shares (representing approximately 35.50% of issued CFSG Shares).

The current principal activities of the Group consist of: (a) retail management business including sales of furniture and household items, electrical appliances, food and pets accessories through the chain stores under multi-brand names including "Pricerite", "TMF", "SECO", "Pricerite Food" and "Pricerite Pet" in Hong Kong; (b) provision of asset management services to the fund investors; (c) general investment holding. For additional information, please visit www.cash.com.hk.

Based on the audited accounts of the Company, the net losses (before taxation and extraordinary items) for the financial year ended 31 December 2019 were approximately HK$72.2 million and the net losses (after taxation and extraordinary items) was approximately HK$100.3 million, and the audited net asset value as at 31 December 2019 was approximately HK$170.5 million.

Based on the audited accounts of the Company, the net profit (before taxation and extraordinary items) for the financial year ended 31 December 2020 were approximately HK$38.7 million and the net profit (after taxation and extraordinary items) was approximately HK$41.0 million, and the audited net asset value as at 31 December 2020 was approximately HK$259.1 million.

Please refer to Appendix I to this circular for further information on the Group with reference to the published documents of the Group.

OFFEROR'S INTENTION IN RELATION TO THE CFSG GROUP

It is the intention of the Offeror to continue the existing business of the CFSG Group and has no intention to put forward any major changes to the businesses of the CFSG Group after the close of the Offers.

Proposed change to the board composition of CFSG

It is expected that all of the existing executive CFSG Directors and independent non-executive CFSG Directors will remain unchanged. The Offeror does not intend to make any changes to the existing management and employment of the employees of the CFSG Group.

Public float

To the best knowledge, belief and information of the Directors, CFSG has sufficient public float in compliance with the Listing Rules. CIGL intends CFSG to remain listed on the Main Board of the Stock Exchange. The Directors, the directors of CIGL and the CFSG Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the CFSG Shares after the close of the Share Offer. Such steps may include, without limitation, a placing down of sufficient number of CFSG Shares by the Offeror where appropriate. If at the close of the Share Offer, less than 25% of the CFSG Shares are held by the public or if the Stock Exchange believes that:

(a) a false market exists or may exist in the trading of the CFSG Shares; or

(b) there are insufficient CFSG Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the CFSG Shares. In that connection, it should be noted that, upon completion of the Share Offer, there may be insufficient public float for the CFSG Shares and therefore trading in the CFSG Shares may be suspended until a prescribed level of public float is attained.

EFFECT OF THE ACQUISITIONS ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Upon S&P Completion and completion of the Offers (if and upon the Offers becoming unconditional), CFSG will become a subsidiary of the Company and thus the assets, liabilities and financial results of the CFSG Group will be consolidated into those of the Group.

Assets and liabilities

As extracted from the annual report of the Company for the year ended 31 December 2020, the audited consolidated total assets and total liabilities of the Group were approximately HK$1,103.1 million and HK$844.0 million respectively. The audited net asset value attributable to the equity holders of the Company as at 31 December 2020 was approximately HK$259.1 million. As set out in Appendix III to this circular, assuming S&P Completion and completion of the Offers had taken place on 31 December 2020, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would increase by approximately HK$1,145.4 million to approximately HK$2,248.5 million, and by approximately HK$1,013.3 million to approximately HK$1,857.3 million, respectively. The unaudited pro forma net asset value attributable to the equity holders of the Enlarged Group would increase by approximately HK$132.1 million to approximately HK$391.2 million.

Earnings

As extracted from the annual report of the Company for the year ended 31 December 2020, the profit attributable to the equity holders of the Company was approximately HK$41.0 million. As set out in Appendix III to this circular, assuming S&P Completion and completion of the Offers had taken place on 1 January 2020, the unaudited pro forma profit attributable to the equity holders of the Enlarged Group for the year ended 31 December 2020 would increase by approximately HK$144.3 million to approximately HK$185.3 million.

The financial information regarding the CFSG Group for the three years ended 31 December 2020 have been set out in Appendix II to this circular. For further information regarding the financial implication of the Acquisitions on the Group, please refer to the unaudited pro forma financial information of the Enlarged Group prepared pursuant to and in compliance with Rule 4.29 of the Listing Rules and set out in Appendix III to this circular.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon S&P Completion and completion of the Offers (if and upon the Offers becoming unconditional), the businesses of the Enlarged Group will be mainly (i) retail management business including sales of furniture and household items, electrical appliances, food and pets accessories through the chain stores under multi-brand names including "Pricerite", "TMF", "SECO", "Pricerite Food" and "Pricerite Pet" in Hong Kong; (ii) provision of asset management services to the fund investors; (iii) general investment holding; and (iv) financial services business carried out via the CFSG Group.

Retail management business – Pricerite Group

Social unrest in 2019 compounded by the COVID-19 pandemic in 2020 resulted in unprecedented economic contraction for two straight years in Hong Kong. Social distancing measures battered the retail sector most, with local sales plummeting 24.3%, the 23rd consecutive monthly drop since early 2019.

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.

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

Apart from expanding its new product range, the mission to facilitate "Small Space • Big Universe" solutions for Hong Kong consumers living in limited home spaces remained unwavering. Pricerite also continued the "New Retail" initiatives to enhance online and offline integrated shopping experiences.

To fortify the "New Retail" business model while strengthening its O2O operating capabilities, Pricerite established its latest PGL Logistics Centre in Kwai Chung in 2020. Leveraging its comprehensive store network, Pricerite 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 its commitment to growing its O2O and e-commerce business.

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, TMF continued adding value to its customers, launching new products and services in response to trends.

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". TMF 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.

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.

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

Pricerite Pet

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, it created a truly "O2O" shopping experience for pet owners. In addition to online ordering and home delivery, in late 2020 it also introduced BOPIS (buy online, pick up in-store).

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.

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 the multi-brand product offerings and solid foundation in the O2O business, Pricerite Group is well-positioned to take first-mover advantage in this Stay-at-Home economy. It will continue strategic initiatives enhancing its "New Retail" business model, adding value and versatility to its 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, its expect its furniture sales to pick up.

Overall, it is 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. Some of the 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 2020, as vaccine development gradually achieved results and the Federal Reserve pledged unlimited quantitative easing, the investment markets slowly regaining confidence. CAFG's 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 in 2020 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 CAFG 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.

Financial services business – CFSG

With ever-increasing compliance costs, more stringent regulatory requirements and emergence of cut-throat competition, CFSG expects its brokerage business to continue to face various headwinds, further eroding its 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. The Asset under Management (AUM) rose 53.6% compared with 2019, as it focused on leading blue chips and new economy stocks with visible and promising outlook for its 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 “total caring” wealth management services to clients in Hong Kong and Mainland China, with particular focus on the Greater Bay Area (GBA) and Yangtze River Area. It took first-mover advantage to fully utilise the resources in its 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, it 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 its 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 its FinTech operating platforms to enhance communication, execution effectiveness and operating efficiency, and established a new, fully-dedicated middle office for the professional, committed and expanding sales force to provide “total caring” wealth management solutions to its clients in Hong Kong and the Mainland.

Outlook

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.

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. CFSG also expect its 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 its elite and insightful research team with proven track record – it is 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. CFSG continues striving to deliver personalised and dedicated professional services to its clients with a holistic approach, helping them better plan wealth accumulation and preservation, while driving CFSG's sales and business growth.

IMPLICATIONS UNDER THE LISTING RULES

The maximum aggregate value of the Offers and the Acquisitions is HK$134,985,000, being the total cash consideration of HK$8,352,000 under the Acquisition and the maximum cash required for the Possible Acquisition under the Offers of HK$126,633,000, details of which are set out under the heading "Total consideration for the Offers" under the section headed "Possible conditional mandatory cash offers of CFSG" in this "Letter from the Board".

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions and the Offers exceeds 100%, the Acquisitions and the Offers (on an aggregated basis) constitute a very substantial acquisition for the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Given that CFSG Shares are listed on the Main Board of the Stock Exchange, the Company is exempted from including the accountant's report on CFSG in this circular under Rule 4.01(3) of the Listing Rules.

The Exempt Connected Transaction, being the acquisition of 2,472,000 Sale Shares from Mr Ng Hin Sing Derek pursuant to the Undertaking and Agreement entered into by him and the possible cancellation of the 9,888,000 CFSG 2020 Options held by the other Connected Persons of the Company or the possible acquisition of 9,888,000 CFSG Shares falling to be issued upon exercise of such 9,888,000 CFSG 2020 Options from the other Connected Persons of the Company at a total maximum consideration of HK$9,270,000, constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Exempt Connected Transaction is more than 5% but less than 25% and the total consideration is less than HK$10,000,000, the Exempt Connected Transaction is exempt from the circular (including independent financial advice) and shareholders' approval requirements but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

THE SGM

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong at 9:30 am on 14 May 2021 (Friday).

At the SGM, an ordinary resolution for approving the Acquisitions and making of the Offers will be proposed for the Shareholders' approval. The resolution will be voted by way of poll at the SGM.

As Dr Kwan (together with Cash Guardian (being a 100%-controlled corporation of Dr Kwan)) and Mr Leung Siu Pong James (being holders of CFSG 2020 Options and it is possible that they may tender the CFSG 2020 Options held by them for cancellation in the Option Offer or exercise their CFSG 2020 Options in part or in full and tender their CFSG Shares falling to be issued upon exercise of their CFSG 2020 Options for acceptance of the Share Offer) and Mr Law Ping Wah Bernard (being one of the Vendors), holding an aggregate of 42,736,407 Shares (representing approximately 52.94% of the issued share capital of the Company as at the Latest Practicable Date), are regarded as having material interests in the Acquisitions, each of Dr Kwan, Cash Guardian, Mr Leung Siu Pong James and Mr Law Ping Wah Bernard shall therefore abstain from voting in respect of the resolution to be proposed at the SGM for approving the Acquisitions and making of the Offers.

As at the Latest Practicable Date, all the other Vendors and/or Directors other than Dr Kwan, Mr Leung Siu Pong James and Mr Law Ping Wah Bernard (i.e. Mr Li Shing Wai Lewis, Mr Kwan Teng Hin Jeffrey, Mr Ng Hin Sing Derek, Mr Cheung Wai Ching Anthony, Mr Ho Tsz Cheung Jack and Mr Lau Chi Wo) did not hold any Shares and therefore they could not vote at the SGM.

To the best of the knowledge of the Directors, save as aforementioned, no other Shareholder has a material interest in the transactions contemplated under the Undertakings and Agreements and making of the Offers and no other Shareholder is required to abstain from voting at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors are of the view that the Acquisitions and making of the Offers are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

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

(A) FINANCIAL INFORMATION OF THE GROUP

1. Financial Information of the Group

Details of the published financial information of the Group (including the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of change in equity and consolidated statement of cash flows) for each of the years ended 31 December 2018, 2019 and 2020 were disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cash.com.hk).

- Annual report of the Company for the year ended 31 December 2018 (pages 72 to 164) (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292645.pdf);

- Annual report of the Company for the year ended 31 December 2019 (pages 60 to 144) (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042800928.pdf); and

- Annual report of the Company for the year ended 31 December 2020 (pages 61 to 148) (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0408/2021040800664.pdf).

2. Statement of Indebtedness

As at the close of business on 28 February 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following indebtedness:

Bank borrowings

The Enlarged Group had total outstanding borrowings of approximately HK$715.5 million, comprising of (i) secured and guaranteed bank borrowings of approximately HK$267.0 million; (ii) secured and guaranteed trust receipt loans of approximately HK$34.4 million; (iii) secured and unguaranteed bank borrowings of HK$319.0 million; (iv) unsecured and guaranteed bank borrowings of approximately HK$1.7 million; (v) unsecured and guaranteed trust receipt loans of approximately HK$93.4 million. The aforesaid guarantees were granted by the Company and/or its subsidiary, CFSG or Dr Kwan.

Pledge of assets

Trust receipts loan in aggregate of approximately HK$34.4 million and bank borrowings of approximately HK$39.0 million were secured by pledged bank deposits of the Enlarged Group. Bank borrowings in aggregate of HK$412.0 million was secured by marketable securities provided by clients of the Enlarged Group. Bank borrowing of HK$135.0 million was secured by pledged bank deposits of the Enlarged Group and shares of CFSG held by a subsidiary of the Company.

As at 28 February 2021, bank deposits of the Enlarged Group of approximately HK$7.0 million were pledged to banks for facilities which have not been drawn.

Lease obligations

As at 28 February 2021, the Enlarged Group had outstanding lease payments in respect of motor vehicle, office premises, warehouses, retail shops of approximately HK$294.3 million, which were unguaranteed and secured by motor vehicle or rental deposits paid by the Enlarged Group.

Contingent liabilities

As at 28 February 2021, the Enlarged Group had no litigations/claims of material importance as stated in the paragraph headed "Litigation" in Appendix IV to this circular. Accordingly, the Enlarged Group had no contingent liabilities as at 28 February 2021.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, the Enlarged Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases commitments, lease obligations, guarantees or material contingent liabilities, at the close of business on 28 February 2021.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Enlarged Group since 28 February 2021.

3. Working Capital

The Directors are of the opinion that, after taking into account the financial resources, including banking facilities available to the Enlarged Group and its internally generated funds, and the effect of the Acquisitions and the Offers, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of publication of this circular.

4. Material Adverse Change

The Directors has confirmed that, at the Latest Practicable Date, there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

(B) MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2018, 2019 and 2020 extracted from the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020 respectively. Capitalised terms used below shall have the same meanings as defined in the respective annual reports.

The principal activities of the Group during the three years ended 31 December 2020 consisted of (i) retail management business; (ii) algorithmic trading business via CAFG; (iii) mobile internet services business; and (iv) investment holding.

Due to inactive operation of mobile internet services business, the segment was no longer identified as reportable segment since 2019.

Business and financial review for the year ended 31 December 2018

The Group

Business review and result

- Recorded revenue of HK$1,420.3 million which was increased as compared with previous year. The increase in revenue was due to the mild growth in revenue recorded by Pricerite in retail management business.

- Taking into account (1) the segment profit of Pricerite Group, (2) the segment loss of Net2Gather (China), (3) the segment loss of CAFG; (4) the impairment loss recognised on interest in an associate and (5) the share of loss of associates, the Group recorded a net loss of HK$204.9 million for the year ended 31 December 2018.

Retail management business – Pricerite Group

Business review

Year 2018 was difficult for Hong Kong's retailing business which had been full of uncertainties. Although the booming trend in property and capital markets of Hong Kong in 2017 had carried forward to the early 2018, the good signs of economy had been fading since March 2018, the abrupt outbreak of the US-China trade war and the interest rate hike triggered the global economic and market conditions to deteriorate significantly causing a fall in property and stock markets. Due to the sudden economic downturn and pessimistic outlook, not only the first-hand but also the second-hand residential property market was adversely affected evidenced by the postponement in the sales of new properties. As a result, the consumption sentiment was dragged down even further. Value of total retail sales in Hong Kong decreased by approximately 2.9% in the third quarter of 2018, compared with the preceding quarter and dropped by a further 1.1% in the fourth quarter. In 2018, its business initiatives and strategic investments proceeded as planned based on the then optimistic 2018 outlook at the end of the preceding year, including the opening of New Retail Concept Stores which integrated mobile payment, artificial intelligence to bring a unique shopping experience to its customers. Extra resources were deployed in big-data analytics technologies to improve the level of personalisation and to optimise its product mix in order to keep the pace as the worldwide trend of retail industry. Furthermore, comprehensive brand building campaigns with TV commercials were launched for Pricerite and TMF to strengthen its leading market position. Against the backdrop of the US-China trade war, the unexpected downturn of the residential property market and the poor consumption sentiment, the traffic and revenue of Pricerite's flagship New Retail Concept Stores took longer to build up. To capture the demand before the Christmas and New Year holiday seasons with the slightly improving sentiment towards the end of 2018, it carried out an anniversary sales in Pricerite to stimulate the traffic and improve the revenue. These measures, together with the brand building campaign, were effective, bringing a strong growth in sales in the fourth quarter of 2018. The full return of its initiatives, however, may take longer time to surface due to the persistent adverse economic and market conditions. Moreover, the US-China trade war in the second half of 2018 also affected the growth of its newly opened retail outlets for SECO and Galleon under its multi-brand strategy which only commenced operation since the second quarter of 2018. In addition to stimulating sales growth, it also started a number of measures to reduce the operating costs on the other hand, such as streamlining the running overheads by staff since the last quarter of 2018.

Operating results

The Group's retailing management business recorded revenue of HK$1,420.3 million and a segment loss of HK$23.9 million for the year ended 31 December 2018.

Algo trading business – CAFG

Business review

CAFG faced a rough market condition and staff turnover in 2018. The risk team conducted a thorough review of all the Algo strategies to ensure the company's investment positions and risk control efforts at the corporate level stayed long. On the investment front, CAFG had formed a task team to assess and test the viability of cryptocurrency as an alternative investment tool since 2017. Capital was allocated to pilot test the trading ideas and scaled up gradually during the year as the team secured additional trading venues to capture trading opportunities and diversify counterparty risk. The performance of cryptocurrency strategy trading was promising, however safe keeping of crypto asset and concentration risk remained a challenge as the portfolio grown in size. CAFG will continue to seek trading opportunities from the global markets and new FinTech initiatives. Expanding its FinTech business, IT infrastructure development, risk management, and talent discovery in 2019.

Operating results

The Group's algo trading business did not generate any revenue and a segment loss of HK$35.5 million for the year ended 31 December 2018.

Mobile internet services business –Net2Gather (China)

Business review

An online game industry report jointly released by China Game Publishers Association Publications Committee (GPC) and Gamma Data (CNG New Game Research) indicated that, in 2018, Chinese mobile game users reached 626 million, an increase of 7.3%. Although China's mobile game market continued to grow in 2018, the growth rate has been on the decline as compared with the previous year, while growth of sales revenue has also been slowed down. In view of the very severe industry competition, its mobile game licensing business in overseas market had already been suspended in 2017.

Operating results

The Group's mobile internet services business did not generate any revenue and a segment loss of HK$0.4 million for the year ended 31 December 2018.

The Group – Financial position and other information

Capital structure, liquidity, financial resources and treasury policy

As at 31 December 2018, the Group had net assets of approximately HK$280.3 million. The Group had total borrowings of approximately HK$233.2 million, of which approximately HK$208.7 million would be repayable within 1 year and approximately HK$24.5 million would be repayable after 1 year. The above borrowings comprised unsecured loans of approximately HK$92.1 million and secured loans of approximately HK$141.1 million. The above bank loans of approximately HK$141.1 million were secured by the Group's corporate guarantees and the pledged deposits of HK$39.0 million.

The Group's borrowings as at 31 December 2018 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread. The bank borrowings were mostly denominated in Hong Kong dollars.

As at 31 December 2018, the Group's cash and bank balances amounted to approximately HK$256.8 million. 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 of the Group as at 31 December 2018 was approximately 0.76 times. The gearing ratio as at 31 December 2018, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 83.8%.

For the year ended 31 December 2018, the Group financed its liquidity requirements mainly through cash flows generated from operating activities and cash inflows from financing activities which principally came from banking facilities granted to the Group.

Foreign exchange fluctuation and hedge

As at 31 December 2018, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

More than 90% of financial assets and financial liabilities of the Group were denominated in the Group entity's functional currency. No foreign currency sensitivity was disclosed as in the opinion of the directors of the Group, the foreign currency exposure was considered insignificant during the year ended 31 December 2018. No financial instruments for hedging purposes were used. No foreign currency net investments were hedged by currency borrowings and other hedging instruments.

Significant investments, material acquisitions and disposals

In the first half of 2018, the Group subscribed for 19.9% of shareholding interest in Weever FinTech Limited (a non-wholly-owned subsidiary of CFSG which engaged in brokerage services business for digital assets trading) at total cash consideration of approximately HK$1.9 million. In the second half of 2018, the shareholding interest of the Group in Weever FinTech Limited was diluted from 19.9% to 18.91% upon issuance of 500,000 new subscription shares (representing 5% of enlarged share capital) by Weever FinTech Limited to an independent investor at total cash consideration of US$5,000,000 (equivalent to approximately HK$39,000,000), resulting in a gain on dilution of interests in an associate of HK$7.3 million to the Group.

In 2018, the Group did not make any disposal of shares in CFSG under and subject to the terms of disposal mandate as announced by the Company and CFSG dated 7 November 2017 and approved by Shareholders at a special general meeting held on 18 December 2017. Such disposal mandate was expired on 17 December 2018.

Save as aforesaid, the Group did not make any significant investments, material acquisitions or disposals during the year ended 31 December 2018.

Capital commitments and contingent liabilities

The Group did not have any material capital commitments or contingent liabilities as at 31 December 2018.

Material Investments

As at 31 December 2018, the Group was holding a portfolio of investments held for trading with market value of approximately HK$2.0 million. The net gain derived from investment held for trading of HK$8.4 million was recorded for the year.

Employee information

At 31 December 2018, the Group had 924 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it also offered staff benefits including medical insurance schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$248.3 million. It continued to organise training to employees in areas such as language proficiency, product knowledge, customer service, selling techniques, presentation, team building, communication, coaching, quality management, graduate development, leadership transformation and professional regulatory training programs as required by regulatory bodies.

Future plans for material investments and acquisition of capital assets

The Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 December 2018.

Business and financial review for the year ended 31 December 2019

The Group

Business review and result

- Recorded revenue of HK$1,387.8 million which was decreased as compared with previous year. The decrease in revenue was due to the slightly drop in revenue recorded by Pricerite in retail management business.

- Taking into account (1) the segment loss of Pricerite Group, (2) the segment profit of CAFG, (3) the impairment loss recognised on interest in an associate and (4) the share of loss of associates, the Group recorded a net loss of HK$100.4 million for the year ended 31 December 2019.

Retail management business – Pricerite Group

Business review

The Hong Kong retailing business was experiencing a rapid downturn in 2019, the uncertainty caused by the China-US trade tension and the social unrest in Hong Kong were weighing heavily the local consumption sentiment which had continued to face significant downward pressure especially starting from the second half of 2019, demonstrated by the Hong Kong retail sales figure which recorded a 11-month downturn consecutively in 2019, the first time since the 2008 global financial crisis. The GDP had experienced two consecutive quarters of negative economic growth which brought Hong Kong into a technical economic recession in the third quarter. Months of social unrest have inflicted tremendous harm on Hong Kong economy during the second half of 2019, some of its stores were frequently forced to shorten the trading hours or even close for days inevitably due to the broaden street protest. The value of total retail sales in Hong Kong had decreased by approximately 11.1% when compared with 2018. Despite the challenging economic environment, the Hong Kong property market still remained stable, the transaction volume of Hong Kong residential market rose by 4.4%, compared with same period last corresponding year. Benefited by this solid demand of the property market, it recorded only a mild decrease in revenue against this significant economic downturn. To counteract the downturn, it had optimised the store network by closing down 4 underperforming stores and opening 1 new store in strategy northern district, the new store has been making a substantial revenue contribution to the Group since its opening in October. Moreover, in order to adopt the ever-changing customer preferences, it reviewed and improved its product mix and further strengthened its supply chain management. This not only optimised the use of warehouse space and enhanced the logistic efficiency, but also strengthened sourcing price negotiation which improved its gross profit margin. The improvement of the warehouse and logistic efficiency also lead to further reduce the labour cost and rental cost compared with last corresponding year. In addition, it had continued implementing its strategic O2O business model in order to keep its leading position in the retail market, it had introduced its first virtual store by simulating the actual environment of one of its flagship store which allowed its customers to shop through virtual store and browse the product details by clicking on a product on the shelf of virtual store. By integrating the O2O elements such as virtual reality, big data analytics, artificial intelligence, cryptocurrency payment, to both physical and online store, the traffic had been picking up satisfactorily.

Operating results

The Group's retailing management business recorded revenue of HK$1,385.1 million and a segment loss of HK$2.4 million for the year ended 31 December 2019.

Algo trading business – CAFG

Business review

In 2019, CAFG launched seven funds across various asset classes. The investment strategies covers a wide array of instruments, including futures and forward contracts, index ETF and options, based on integrated algorithmic trading strategies such as statistical arbitrage of relative values, signals tracking trends and anticipating reversals. It also introduced equity strategies utilising value investing approach to generate long-term capital growth. In 2019, its Multi-Strategy Fund implementing a quant-based CTA (Commodity Trading Advisors) strategy topped China's Suntime Private Equity Funds Chart, ranking second among 500 selected quant-based CTA hedge funds. It will continue to strengthen the research and development capability of its core investment strategies, enrich its product offerings, and expand its distribution network via its team and institutional channels. It dedicates to provide excellent asset management services to create long-term and stable investment capital growth for its clients.

Operating results

The Group's algo trading business recorded revenue of HK$2.6 million and a segment profit of HK$11.8 million for the year ended 31 December 2019.

Mobile internet services business –Net2Gather (China)

Business review

The Group had set its mobile internet services business as inactive operation after reviewing the market situation and business prospects, in order to allocate the Group's resources to more promising businesses.

The Group – Financial position and other information

Capital structure, liquidity, financial resources and treasury policy

As at 31 December 2019, the Group had net assets of approximately HK$170.5 million. The Group had total borrowings of approximately HK$254.9 million, of which approximately HK$210.6 million would be repayable within 1 year and approximately HK$44.3 million would be repayable after one year. The above borrowings comprised unsecured loans of approximately HK$135.2 million and secured loans of approximately HK$119.7 million. The above bank loans of approximately HK$210.7 million were secured by the Group's corporate guarantees and the pledged deposits of HK$69.0 million.

The Group's borrowings as at 31 December 2019 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread. The bank borrowings were mostly denominated in Hong Kong dollars.

As at 31 December 2019, the Group's cash and bank balances amounted to approximately HK$206.9 million. The Group derives its revenue mainly in Hong Kong dollars and maintains its house funds mainly in Hong Kong dollars.

The liquidity ratio of the Group as at 31 December 2019 was approximately 0.61 times. The gearing ratio as at 31 December 2019, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 149.5%.

For the year ended 31 December 2019, the Group financed its liquidity requirements mainly through cash flows generated from operating activities and cash inflows from financing activities which principally came from banking facilities granted to the Group.

Foreign exchange fluctuation and hedge

As at 31 December 2019, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

More than 90% of financial assets and financial liabilities of the Group were denominated in the Group entity's functional currency. No foreign currency sensitivity was disclosed as in the opinion of the directors of the Group, the foreign currency exposure was considered insignificant during the year ended 31 December 2019. No financial instruments for hedging purposes were used. No foreign currency net investments were hedged by currency borrowings and other hedging instruments.

Significant investments, material acquisitions and disposals

In 2019, the Group as tenants entered into various tenancy agreements for new lease or renewal of existing leases for use as retail stores or warehouse of retail management business or office premises of the Group. These tenancy agreements were (i) letter agreement dated 30 April 2019 regarding the premises at "Portion of Level 1, Hilton Plaza, Shatin" for a term of 13 months from 1 March 2019 to 31 March 2020 at an aggregate consideration of approximately HK$9.4 million; (ii) new lease dated 23 May 2019 regarding the premises at "28th Floor, Manhattan Place, Kowloon Bay" for a term of 3 years from 15 December 2019 to 14 December 2022 at an aggregate consideration of approximately HK$25.5 million; (iii) renewal offer letter dated 16 August 2019 regarding the premises at "Shop nos. 2715-23, Level 2, MOSTown" for a term of 2 years from 26 September 2019 to 25 September 2021 at an aggregate consideration of approximately HK$10.5 million; (iv) confirmation of tenancy dated 22 August 2019 regarding the premises at "Shop on 1/F and 2/F of Heya Delight Shopping Centre" for a term of 4 years from 16 October 2019 to 15 October 2023 at an aggregate consideration of approximately HK$10.8 million; (v) renewal tenancy agreement dated 4 September 2019 regarding the premises at "Shop no. N212, Second Floor, Temple Mall North, Wong Tai Sin" for a term of 2 years and 3 months and 15 days from 2 July 2019 to 16 October 2021 at an aggregate consideration of approximately HK$14.4 million; (vi) letter of offer dated 15 October 2019 regarding the premises at "Shop no. L9, Lower Ground Floor, FitFort, North Point" for a term of 4 years from 16 October 2019 to 15 October 2023 at an aggregate consideration of approximately HK$20.2 million; and (vii) tenancy offer dated 1

November 2019 regarding the premises at "A Portion of Ground Floor in the warehouse accommodation of China Resources International Logistics Centre, Kwai Chung" for a fixed term of 4 years and renewal term of 3 years from 1 May 2020 to 30 April 2027 at an aggregate consideration of approximately HK$111.8 million.

Upon implementation of HKFRS 16 effective from 1 January 2019, the entering into the above lease transactions by the Group as a lessee was required to recognise the right-of-use asset and was regarded as an acquisition of asset under the Listing Rules. As a result, in 2019, the right-of-use asset of the Group increased to HK$341.4 million at the end of 2019, while the lease liabilities of the Group also increased to HK$358.8 million at end of 2019 at the same time. The above lease transactions constituted notifiable transactions of the Company under the Listing Rules, and details of the transactions were disclosed in the announcements of the Company from April to November 2019 and as set out in the circular of the Company dated 18 December 2019. The tenancy offer dated 1 November 2019 including the exercise of the renewal options were approved by Shareholders at a special general meeting of the Company held on 10 January 2020.

Save as aforesaid, the Group did not make any significant investments, material acquisitions or disposals during the year ended 31 December 2019.

Capital commitments and contingent liabilities

The Group did not have any material capital commitments or contingent liabilities as at 31 December 2019.

Material Investments

As at 31 December 2019, the Group was holding financial assets at FVTPL with market value of approximately HK$22.1 million. The net gain on financial assets at FVTPL of HK$10.2 million was recorded for the year.

Employee information

At 31 December 2019, the Group had 797 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it also offered staff benefits including medical insurance schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$207.4 million. It continued to organise training to employees in areas such as language proficiency, product knowledge, customer service, selling techniques, presentation, team building, communication, coaching, quality management, graduate development, leadership transformation and professional regulatory training programs as required by regulatory bodies.

Future plans for material investments and acquisition of capital assets

The Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 December 2019.

Business and financial review for the year ended 31 December 2020

The Group

Business review and result

- Recorded revenue of HK$1,379.5 million similar to previous year.

- Taking into account (1) the turnaround segment profit of Pricerite Group, (2) the segment loss of CAFG, (3) the reversal of impairment loss on interests in an associate and (4) the share of loss of associates, the Group recorded a turnaround net profit of HK$41.0 million for the year ended 31 December 2020.

Retail management business – Pricerite Group

Business review

In 2020, 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. It 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 the resources. It had diversified its 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, it had initiated a delivery safety protocol and non-contact delivery service to assure the safe and healthful working environment for the 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, the online sales had been booming, 2020 had become the highest annual growth in e-commerce in our record. With the early implementation of its O2O business model into the 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, it had redesigned its overall logistic network by relocating the warehouse to the central of Hong Kong logistic hub to improve operating efficiency, it had gone through a major upgrade on the online platform to provide a smoother browsing experience and quality shopping journey to the customers. By riding on the booming in Stay-at-home economy along with the O2O business model, it was able to deliver better results compared to the previous year in this most challenging landscape. Due to the multidimensional measures of the COVID-19 pandemic, there was no significant financial impact or risk from the negative impact to the Group.

Operating results

The Group's retailing management business recorded revenue of HK$1,375.9 million and a turnaround segment profit of HK$77.4 million for the year ended 31 December 2020.

Algo trading business – CAFG

Business review

It had 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 its 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 it was also able to recover part of the earlier losses.

Operating results

The Group's algo trading business recorded revenue of HK$3.6 million and a segment loss of HK$0.6 million for the year ended 31 December 2020.

The Group – Financial position and other information

Capital structure, liquidity, financial resources and treasury policy

As at 31 December 2020, the Group had net assets of approximately HK$259.1 million. The Group had total borrowings of approximately HK$162.3 million, which would be repayable within 1 year. The above borrowings comprised unsecured loans of approximately HK$87.1 million and secured loans of approximately HK$75.2 million. The above bank loans of approximately HK$162.3 million were secured by the Group's corporate guarantees and the pledged deposits of HK$69.0 million.

The Group's borrowings as at 31 December 2020 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread. The bank borrowings were mostly denominated in Hong Kong dollars.

As at 31 December 2020, the Group's cash and bank balances amounted to approximately HK$215.4 million. 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 of the Group as at 31 December 2020 was approximately 0.70 times. The gearing ratio as at 31 December 2020, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 62.7%.

For the year ended 31 December 2020, the Group financed its liquidity requirements mainly through cash flows generated from operating activities and cash inflows from financing activities which principally came from banking facilities granted to the Group.

Foreign exchange fluctuation and hedge

As at 31 December 2020, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

More than 90% of financial assets and financial liabilities of the Group were denominated in the Group entity's functional currency. No foreign currency sensitivity was disclosed as in the opinion of the directors of the Group, the foreign currency exposure was considered insignificant during the year ended 31 December 2020. No financial instruments for hedging purposes were used. No foreign currency net investments were hedged by currency borrowings and other hedging instruments.

Significant investments, material acquisitions and disposals

On 31 December 2020, the Company proposed, subject to condition precedent, the Acquisitions and making of the Offers. The Acquisitions is subject to approval by Shareholders/ independent Shareholders at the SGM. Details of the transaction were disclosed in the Joint Announcements and this circular.

Save as aforesaid, the Group did not make any significant investments, material acquisitions or disposals during the year ended 31 December 2020.

Capital commitments and contingent liabilities

The Group did not have any material capital commitments or contingent liabilities as at 31 December 2020.

Material Investments

As at 31 December 2020, the Group was holding financial assets at FVTPL with market value of approximately HK$11.5 million. The net gain on financial assets at FVTPL of HK$1.7 million was recorded for the year.

Employee information

At 31 December 2020, the Group had 777 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it also offered staff benefits including medical insurance schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$197.2 million. It continued to organise training to employees in areas such as product knowledge, customer service, selling techniques, presentation, communication, quality management, graduate development and professional regulatory training programs as required by regulatory bodies.

Future plans for material investments and acquisition of capital assets

The Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 December 2020.

(A) FINANCIAL INFORMATION OF THE CFSG GROUP

Details of the published financial information of the CFSG Group (including the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of change in equity and consolidated statement of cash flows) for each of the three years ended 31 December 2018, 2019 and 2020 were disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and CFSG (www.cfsg.com.hk).

- Annual report of CFSG for the year ended 31 December 2018 (pages 65 to 151) (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291996.pdf);

- Annual report of CFSG for the year ended 31 December 2019 (pages 52 to 135) (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700581.pdf); and

- Annual report of CFSG for the year ended 31 December 2020 (pages 55 to 147) (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0329/2021032900947.pdf).

(B) MANAGEMENT DISCUSSION AND ANALYSIS OF THE CFSG GROUP

Set out below is the management discussion and analysis of the CFSG Group for each of the years ended 31 December 2018, 2019 and 2020 extracted from the annual reports of CFSG for the years ended 31 December 2018, 2019 and 2020 respectively. Capitalised terms used below shall have the same meanings as defined in the respective annual reports.

Business and financial review for the year ended 31 December 2018

The CFSG Group

Business review

The global economic conditions and markets in 2018 were quite unpredictable. The promising economic outlook and stronger than expected corporate earnings growth in the US after the tax cut campaign were the drivers for the global stock markets to rise and made a new record in the beginning of the year under review. The Hang Seng Index rose to new record high at 33,484 in January 2018. However, the unexpectedly strong employment figures in the US raised the concern of inflation upcoming. The concern of interest rate hike by the Federal Reserve pushed up the yield of US Treasury Bond, leading to a small scale of financial crisis in the global stock markets in February 2018. Strong US Dollar encouraged investors to park their capital to the US market from the emerging market. The US Federal Reserve raised the interest rate four times by 25 basis points each during 2018, together with the adoption of Quantitative Tightening (QT) caused the amount of liquidity decreased within the US economy. These measures dragged down the global stock market as well as property market. Meanwhile, the US-China trade war kicked off at the beginning of July 2018 deteriorated the export and the overall economic situation in China and the Renminbi against USD depreciated close to the key supporting level. The subsequent capital outflow from Hong Kong, the intensified trade tension relationship between the US and China as well as the depreciation of the Renminbi against USD triggered a downside momentum to the local stock market and the Hang Seng Index fell to 24,541 in October, the lowest of the year and it closed at 25,846 at the end of December 2018, down by 13.61% compared with the end of December 2017 while the H-share index closed at 10,125 at the end of December 2018, down by 13.46% compared with the end of December 2017. Due to such a tremendous downturn in local stock market, its brokerage business clients who are mostly retail investors had suffered huge losses when making their investment strategies and trading activities in securities and commodities. These losses discouraged its clients to further invested in the market and the trading volume then reduced drastically. As they had taken a very cautious view to the market, its margin loan book had decreased substantially in the second half of 2018. Its brokerage business commission and interest incomes in securities and commodities trading therefore had dropped significantly. Furthermore, advanced technologies had been utilised by many leading financial institutions, corporate investors and hedge-fund managers to execute sophisticated investment strategies in trading activities, retail investors are more difficult to take profit by engaging in high volume trading activities in the market and therefore had adopted more conservative attitude in securities dealings. These changes in trading mechanism also hindered the performance of its brokerage business which mainly targeted on retail investors. Owing to the decline of investment sentiment and change in trading mechanism, CFSG's brokerage business recorded a drop of 14.9% in income for 2018. On the other hand, despite the downhill of Hong Kong's stock market and uncertain economic outlook for the second half of 2018, CFSG's asset management business recorded a 55.8% growth in revenue compared with 2017 through the provision of high quality tailor-made investment strategies to its clients to cope with market changes. In addition, CFSG's investment banking team had secured a number of sponsor and advisory contracts to achieve a satisfactory revenue growth in 2018. To embrace the ever-changing capital market in the FinTech area, we had launched "Alpha i" – a new mobile trading application which integrated and utilised artificial intelligence, Big Data and cloud computing technologies, to bring a speedy, convenient and cost-effective investing experience to millennial generation investors. Moreover, in order to further explore and expand the types of products and service it is able to offer to its clients, it had submitted an application for a virtual banking licence to the Hong Kong Monetary Authority. CFSG had incurred some upfront costs to invest for these two initiatives. Apart from brokerage, asset management and investment banking business operations, for treasury function, CFSG recorded a net loss of HK$54.1 million on its portfolio of investment securities held for trading due to the downturn of Hong Kong stock market in 2018.

Operating results

CFSG recorded revenue of HK$123.4 million. Taking into account the aforesaid net loss on portfolio of investment securities held for trading, CFSG recorded a net loss of HK$144.5 million for the year ended 31 December 2018.

The CFSG Group – Financial position and other information

Capital structure, liquidity, financial resources and treasury policy

As at 31 December 2018, the CFSG Group had net assets of approximately HK$623.9 million. The CFSG Group had total bank borrowings of approximately HK$106.4 million, of which approximately HK$102.5 million would be repayable within 1 year and approximately HK$3.9 million would be repayable after 1 year. Bank borrowings of HK$49.0 million were collateralised by its margin clients' securities pledged to the CFSG Group and a bank loan of HK$50.0 million was secured by a pledged Hong Kong dollar deposit of HK$25.1 million. The remaining bank loans of HK$7.4 million were secured by corporate guarantees from CFSG.

The CFSG Group's borrowings as at 31 December 2018 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread. All of the borrowings were denominated in Hong Kong dollars.

As at 31 December 2018, the CFSG Group's cash and bank balances including the trust and segregated accounts amounted to approximately HK$1,239.7 million. The CFSG Group derives its revenue and maintains bank balance in its house funds mainly in Hong Kong dollars.

The liquidity ratio of the CFSG Group as at 31 December 2018 was approximately 1.50 times. The gearing ratio as at 31 December 2018, which represents the ratio of interest bearing borrowings of the CFSG Group divided by the total equity, was 17.1%.

For the year ended 31 December 2018, the CFSG Group financed its liquidity requirements mainly through cash flows generated from operating activities and cash inflows from financing activities which principally came from banking facilities granted to the CFSG Group.

Foreign exchange fluctuation and hedge

As at 31 December 2018, the CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

More than 90% of financial assets and financial liabilities of the CFSG Group were denominated in the CFSG Group entity's functional currency. No foreign currency sensitivity was disclosed as in the opinion of the directors of the CFSG Group, the foreign currency exposure was considered insignificant during the year ended 31 December 2018. No financial instruments for hedging purposes were used. No foreign currency net investments were hedged by currency borrowings and other hedging instruments.

Significant investments, material acquisitions and disposals

On 21 December 2018, the CFSG Group issued 500,000 new subscription shares (representing 5% of enlarged share capital) in Weever FinTech Limited (a subsidiary of the CFSG Group engaged in brokerage services business for digital assets trading) at total cash consideration of US$5,000,000 (equivalent to approximately HK$39,000,000) to an independent investor. Since then, Weever FinTech Limited became a 76.1%-owned subsidiary of the CFSG Group.

In 2018, the Company (the substantial shareholder of CFSG) did not make any disposal of shares in CFSG under and subject to the terms of disposal mandate as announced by CFSG and the Company dated 7 November 2017. Such disposal mandate was expired on 17 December 2018.

Save as aforesaid, the CFSG Group did not make any significant investments, material acquisitions or disposals during the year ended 31 December 2018.

Capital commitments and contingent liabilities

The CFSG Group did not have any material capital commitments or contingent liabilities as at 31 December 2018.

Material Investments

As at 31 December 2018, the CFSG Group was holding a portfolio of investments held for trading with market values of approximately HK$143.2 million. The net loss on investments held for trading of HK$54.1 million was recorded for the year.

Employee information

At 31 December 2018, the CFSG Group had 183 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it also offered staff benefits including medical insurance schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the CFSG Group for the year under review was approximately HK$75.6 million. It continued to organise training to employees in areas such as language proficiency, products knowledge, operational techniques, security awareness, risk and compliance, quality management, graduate development, leadership transformation and professional regulatory training programs as required by regulatory bodies.

Future plans for material investments and acquisition of capital assets

The CFSG Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 December 2018.

Business and financial review for the year ended 31 December 2019

The CFSG Group

Business review

In view of the China-US trade tensions, Brexit and others geopolitical tensions, the fear of slower global economic growth lingered and the US has become more dovish. In the second half of 2019, the interest rate cut by 0.75%, the reduction of the Quantitative Tightening and the improved corporate earnings have sent the longest growth in history to the US economy and exuberance to the US stock market which made a new record high. On the other hand, the prolonged social unrest in Hong Kong has kept investors on the edge since June 2019, hammering local industries from tourism to retail. Hong Kong's economy faced serious challenges from a lingering fallout from the political unrest and confidence among investors had taken a beating. The economic circumstances and the Hong Kong stock market were pulled back. The Hong Kong economy fell into a technical recession in the third quarter of 2019. There was a general increase in unemployment as the overall growth continued to weaken towards the year-end. This caused investors to take a more defensive investing stance and gave extra downside risk to the Hong Kong stock market. However, Hong Kong stocks traded at a low valuation which provided a protection against the downside risks. As a result, trading in the Hong Kong securities market continued to languish in the second half of 2019 and the index remained stable and traded in a narrow range after the flourishing first half of 2019. Even though the stock market rebounded following the improved social situation and the alleviated China-US trade war on the scheduled signing of the first phrase trade deal between China and US, the Hang Seng Index only reached to 28,189.75 at the end of 2019, up by 9.06% compared with the end of 2018 whereas the H-share Index closed at 11,168.06 at the end of 2019, up by 10.3% compared with the end of 2018. Affected by the overall investor sentiment, the average daily trading volume of the Hong Kong stock market for the year recorded a significant decrease compared with last year. The decrease in trading volume had a direct impact on its securities business. Its clients who are mostly retail investors had chosen to flee the highly volatile stock markets to avoid suffering investment and trading losses during this uncertain financial environment. As a result CFSG's brokerage income recorded a decrease of 11.3% for the year. Furthermore, CFSG's asset management business, owing to the poorer market sentiments and uncertain economic outlook, had recorded a drop in revenue compared with 2018. Notwithstanding the market doldrums, CFSG's investment banking team had secured a number of sponsors, advisory and placing contracts and achieved a mild revenue growth in 2019. Owing to the flat Hong Kong stock market in the second half of the year, CFSG recorded a small gain on its portfolio of proprietary trading in the year. To further strengthen its financial services and products to cater for the diverse needs of its clients in order to improve their financial well-being, CFSG had made a change in the strategy direction in the third quarter of 2019 that to scale up its wealth management business by hiring more professional advisers in both Hong Kong and PRC, and at the same time set up offices in Greater Bay Area to promote the wealth management business.

Operating results

CFSG recorded revenue of HK$107.5 million and a net loss of HK$116.9 million for the year ended 31 December 2019.

The CFSG Group – Financial position and other information

Capital structure, liquidity, financial resources and treasury policy

As at 31 December 2019, the CFSG Group had net assets of approximately HK$503.8 million. The CFSG Group had total bank borrowings of approximately HK$149.4 million, of which approximately HK$149.1 million would be repayable within 1 year and approximately HK$0.3 million would be repayable after 1 year. Bank borrowings of HK$98.0 million were collateralised by its margin clients' securities pledged to the CFSG Group and a bank loan of HK$51.4 million was secured by a pledged Hong Kong dollar deposit of HK$25.2 million.

The CFSG Group's borrowings as at 31 December 2019 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread. All of the borrowings were denominated in Hong Kong dollars.

As at 31 December 2019, the CFSG Group's cash and bank balances including the trust and segregated accounts amounted to approximately HK$1,239.7 million. The CFSG Group derives its revenue and maintains bank balance in its house funds mainly in Hong Kong dollars.

The liquidity ratio of the CFSG Group as at 31 December 2019 was approximately 1.41 times. The gearing ratio as at 31 December 2019, which represents the ratio of interest bearing borrowings of the CFSG Group divided by the total equity, was 29.7%.

For the year ended 31 December 2019, the CFSG Group financed its liquidity requirements mainly through cash flows generated from operating activities and cash inflows from financing activities which principally came from banking facilities granted to the CFSG Group.

Foreign exchange fluctuation and hedge

As at 31 December 2019, the CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

More than 90% of financial assets and financial liabilities of the CFSG Group were denominated in the CFSG Group entity's functional currency. No foreign currency sensitivity was disclosed as in the opinion of the directors of the CFSG Group, the foreign currency exposure was considered insignificant during the year ended 31 December 2019. No financial instruments for hedging purposes were used. No foreign currency net investments were hedged by currency borrowings and other hedging instruments.

Significant investments, material acquisitions and disposals

Upon implementation of HKFRS 16 effective from 1 January 2019, the CFSG Group if entering into lease transaction as a lessee should recognise the right-of-use asset and will be regarded as an acquisition of asset under the Listing Rules. In 2019, the CFSG Group as tenant entered into new lease dated 23 May 2019 regarding the lease for the premises at "22nd Floor, Manhattan Place, Kowloon Bay" for 3 years and 5 months from 15 July 2019 to 14 December 2022 at an aggregate consideration of approximately HK$24.9 million for use as office premises of the CFSG Group. The above lease transaction constituted a discloseable transaction of CFSG, and details of the transaction were disclosed in the announcement of CFSG dated 23 May 2019.

In July 2019, the CFSG Group announced a discloseable transaction relating to the subscription of non-voting shareholding interests in ZWC CFSG Investments Limited for investment in a FinTech company in the PRC at a subscription amount of US$2,000,000 (equivalent to approximately HK$15,600,000) in cash under a subscription agreement dated 2 July 2019. Details of the transaction were disclosed in the announcement of CFSG dated 2 July 2019.

In December 2019, the CFSG Group announced a discloseable transaction relating to the subscription of limited partner interests in private equity fund called "武漢老鷹創新投資中心(有限合夥)" (translated as Wuhan Eagles Innovation Investment Centre, L.P.) ("Fund") with capital commitment of RMB10 million (equivalent to approximately HK$11.1 million) in cash under a letter of commitment and partnership agreement with 北京老鷹投資基金管理有限公司 (translated as Beijing Eagles Investment Fund Management Company Limited) dated 20 December 2019. As at 31 December 2019, the CFSG Group did not make any payment in the Fund. Details of the transaction were disclosed in the announcement of CFSG dated 20 December 2019.

Save as aforesaid, the CFSG Group did not make any significant investments, material acquisitions or disposals during the year ended 31 December 2019.

Capital commitments and contingent liabilities

The capital commitment in relation to the subscription of the Fund as mentioned above was RMB10,000,000 (equivalent to approximately HK$11,100,000) as at 31 December 2019.

Save as aforesaid, the CFSG Group did not have any material capital commitments or contingent liabilities as at 31 December 2019.

Material Investments

As at 31 December 2019, the CFSG Group was holding a portfolio of investments held for trading with market values of approximately HK$101.4 million. The net gain on investments held for trading of HK$3.6 million was recorded for the year.

Employee information

At 31 December 2019, the CFSG Group had 158 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it also offered staff benefits including medical insurance schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the CFSG Group for the year under review was approximately HK$82.2 million. It continued to organise training to employees in areas such as language proficiency, products knowledge, operational techniques, security awareness, risk and compliance, graduate development, leadership transformation and professional regulatory training programs as required by regulatory bodies.

Future plans for material investments and acquisition of capital assets

The CFSG Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 December 2019.

Business and financial review for the year ended 31 December 2020

The CFSG Group

Business review

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 its 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, its 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 141.9% 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. In 2020, 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.

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.

Operating results

CFSG recorded revenue of HK$103.7 million and a net loss of HK$39.1 million for the year ended 31 December 2020.

The CFSG Group – Financial position and other information

Capital structure, liquidity, financial resources and treasury policy

As at 31 December 2020, the CFSG Group had net assets of approximately HK$453.9 million. The CFSG Group had total bank borrowings of approximately HK$110.8 million, which would be repayable within 1 year. Bank borrowings of HK$73.0 million were collateralised by its margin clients' securities pledged to the CFSG Group and a bank loan of HK$37.8 million was secured by a pledged Hong Kong dollar deposit of HK$25.2 million.

The CFSG Group's borrowings as at 31 December 2020 carried variable interest at HIBOR plus a spread. All of the borrowings were denominated in Hong Kong dollars.

As at 31 December 2020, the CFSG Group's cash and bank balances including the trust and segregated accounts amounted to approximately HK$966.2 million. The CFSG Group derives its revenue and maintains bank balance in its house funds mainly in Hong Kong dollars.

The liquidity ratio of the CFSG Group as at 31 December 2020 was approximately 1.38 times. The gearing ratio as at 31 December 2020, which represents the ratio of interest bearing borrowings of the CFSG Group divided by the total equity, was 24.4%.

For the year ended 31 December 2020, the CFSG Group financed its liquidity requirements mainly through cash flows generated from operating activities and cash inflows from financing activities which principally came from banking facilities granted to the CFSG Group.

Foreign exchange fluctuation and hedge

As at 31 December 2020, the CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

More than 90% of financial assets and financial liabilities of the CFSG Group were denominated in the CFSG Group entity's functional currency. No foreign currency sensitivity was disclosed as in the opinion of the directors of the CFSG Group, the foreign currency exposure was considered insignificant during the year ended 31 December 2020. No financial instruments for hedging purposes were used. No foreign currency net investments were hedged by currency borrowings and other hedging instruments.

Significant investments, material acquisitions and disposals

The capital commitment in relation to the subscription of the Fund as mentioned above has been reduced from RMB10,000,000 (equivalent to approximately HK$11,100,000) to RMB5,000,000 (equivalent to approximately HK$5,550,000) pursuant to supplemental agreement to the partnership agreement dated 12 May 2020. The capital commitment has been paid in full in January 2020.

On 31 December 2020, CIGL proposed, subject to condition precedent, the Acquisitions and making of the Offers. The Acquisitions is subject to approval by Shareholders/independent Shareholders at the SGM. Details of the transaction were disclosed in the Joint Announcements and this circular.

Save as aforesaid, the CFSG Group did not make any significant investments, material acquisitions or disposals during the year ended 31 December 2020.

Capital commitments and contingent liabilities

The CFSG Group did not have any material capital commitments or contingent liabilities as at 31 December 2020.

Material Investments

As at 31 December 2020, the CFSG Group was holding a portfolio of investments held for trading with market values of approximately HK$82.5 million. The net gain on investments held for trading of HK$2.4 million was recorded for the year.

Employee information

At 31 December 2020, the CFSG Group had 160 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it also offered staff benefits including medical insurance schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the CFSG Group for the year under review was approximately HK$64.6 million. It continued to organise training to employees in areas such as products knowledge, operational techniques, risk and compliance, customer service, selling techniques, graduate development and professional regulatory training programs as required by regulatory bodies.

Future plans for material investments and acquisition of capital assets

The CFSG Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 December 2020.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The following is an illustrative and unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Enlarged Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisitions as if the Acquisitions had been completed as of 31 December 2020 in the case of the unaudited pro forma consolidated statement of financial position as at 31 December 2020, or 1 January 2020 in the case of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020, after making the pro forma adjustments relating to the Acquisitions that are factually supportable and directly attributable, as explained in the notes below and based on the following scenarios:

(I) the Group only acquires the Sale Shares issued upon exercise of CFSG SPA Options by the Vendors and holds 38.33% of the issued capital of CFSG after the S&P Completion and no Share Offer was accepted; or

(II) The Group holds 100% of the issued capital of CFSG after the S&P Completion as a result of the full acceptance of the Offers (without taking into accounts the CFSG Shares that will be placed down by the Offeror to maintain the minimum public float of 25% of the shares of CFSG).

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared for illustrative purposes only (practically the above scenario (II) will not happen as the Offeror has to maintain the minimum public float of 25% of the shares of CFSG) and, because of its hypothetical nature, it may not give a true picture of (i) the consolidated statement of financial position as at 31 December 2020 had the Acquisitions been completed as of 31 December 2020, and (ii) the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 and consolidated statement of cash flows for the year ended 31 December 2020 had the Acquisitions been completed as at 1 January 2020 or at any future dates.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	(I) Assuming the Group holds 38.33% of the issued capital of CFSG after the S&P Completion and no acceptance of the Offers				(II) Assuming the Group holds 100% of the issued capital of CFSG after the S&P Completion and full acceptance of the Offers				
	The Group as at 31 December 2020	Pro forma adjustments		The Group upon the acquisition of the Sale Shares as at 31 December 2020	CFSG Group as at 31 December 2020	Reclassification	Pro forma adjustments		The Enlarged Group as at 31 December 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)*	*Note (3)*		*Note (4)*	*Note (5)*	*Note (6)*	*Note (7)*	
Non-current assets									
Property and equipment	40,090	–	–	40,090	16,430	(10,577)	–	–	45,943
Right-of-use assets	261,604	–	–	261,604	–	10,577	–	–	272,181
Investment property	–	–	–	–	18,934	–	–	–	18,934
Goodwill	39,443	–	–	39,443	–	–	–	–	39,443
Intangible assets	43,460	–	–	43,460	9,092	–	–	–	52,552
Club debentures	–	–	–	–	660	–	–	–	660
Other assets	–	–	–	–	8,235	–	–	–	8,235
Financial assets at fair value through other comprehensive income ("FVTOCI")	–	–	–	–	25,649	–	–	–	25,649
Financial assets at fair value through profit or loss ("FVTPL")	–	–	–	–	5,335	–	–	–	5,335
Interests in associates	196,055	(6,496)	23,642	213,201	–	–	(213,201)	–	–
Rental and utilities deposits	34,853	–	–	34,853	1,243	–	–	–	36,096
Deferred tax assets	5,450	–	–	5,450	–	–	–	–	5,450
	620,955	(6,496)	23,642	638,101	85,578	–	(213,201)	–	510,478
Current assets									
Inventories – finished goods held for sale	74,341	–	–	74,341	–	–	–	–	74,341
Accounts and other receivables	179,126	–	–	179,126	–	316,032	–	–	495,158
Accounts receivable	–	–	–	–	309,363	(309,363)	–	–	–
Contract assets	–	–	–	–	2,690	–	–	–	2,690
Prepayments, deposits and other receivables	–	–	–	–	6,669	(6,669)	–	–	–
Loans receivable	1,800	–	–	1,800	14,091	–	–	–	15,891
Amounts due from related companies	–	–	–	–	1,341	–	–	(1,341)	–
Tax recoverable	3	–	–	3	–	–	–	–	3
Financial assets at FVTPL	11,495	–	–	11,495	82,523	–	–	–	94,018
Pledged bank deposits	74,197	–	–	74,197	–	–	–	–	74,197
Bank deposits subject to conditions	–	–	–	–	25,231	–	–	–	25,231
Bank balances – trust and segregated accounts	–	–	–	–	732,123	–	–	–	732,123
Bank balances (general accounts) and cash	141,246	–	(8,352)	132,894	208,859	–	(117,361)	–	224,392
	482,208	–	(8,352)	473,856	1,382,890	–	(117,361)	(1,341)	1,738,044

	(I) Assuming the Group holds 38.33% of the issued capital of CFSG after the S&P Completion and no acceptance of the Offers				(II) Assuming the Group holds 100% of the issued capital of CFSG after the S&P Completion and full acceptance of the Offers				
	The Group as at 31 December 2020	Pro forma adjustments		The Group upon the acquisition of the Sale Shares as at 31 December 2020	CFSG Group as at 31 December 2020	Reclassification	Pro forma adjustments		The Enlarged Group as at 31 December 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (1)	*Note (2)*	*Note (3)*		*Note (4)*	*Note (5)*	*Note (6)*	*Note (7)*	
Current liabilities									
Accounts payable	236,534	–	–	236,534	856,276	–	–	–	1,092,810
Financial liabilities arising from consolidated investment funds	29,918	–	–	29,918	–	–	–	–	29,918
Accrued liabilities and other payables	82,279	–	–	82,279	23,223	–	–	–	105,502
Contract liabilities	20,112	–	–	20,112	–	–	–	–	20,112
Amount due to an associate	1,341	–	–	1,341	–	–	–	(1,341)	–
Taxation payable	18,723	–	–	18,723	3,000	–	–	–	21,723
Lease liabilities	136,009	–	–	136,009	10,832	–	–	–	146,841
Borrowings	162,349	–	–	162,349	110,804	–	–	–	273,153
	687,265	–	–	687,265	1,004,135	–	–	(1,341)	1,690,059
Net current assets	(205,057)	–	(8,352)	(213,409)	378,755	–	(117,361)	–	47,985
Total assets less current liabilities	415,898	(6,496)	15,290	424,692	464,333	–	(330,562)	–	558,463
Capital and reserves									
Share capital	16,144	–	–	16,144	97,049	–	(97,049)	–	16,144
Reserves	280,720	(6,496)	15,290	289,514	348,293	–	(226,741)	–	411,066
Equity attributable to owners of the Company	296,864	(6,496)	15,290	305,658	445,342	–	(323,790)	–	427,210
Non-controlling interests	(37,729)	–	–	(37,729)	8,538	–	(6,772)	–	(35,963)
Total equity	259,135	(6,496)	15,290	267,929	453,880	–	(330,562)	–	391,247
Non-current liabilities									
Deferred tax liabilities	6,825	–	–	6,825	40	–	–	–	6,865
Lease liabilities	149,938	–	–	149,938	9,280	–	–	–	159,218
Provision for restoration	–	–	–	–	1,133	–	–	–	1,133
	156,763	–	–	156,763	10,453	–	–	–	167,216
	415,898	(6,496)	15,290	424,692	464,333	–	(330,562)	–	558,463

Notes:

(1) These figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2020 as set out in the annual report of the Company for the year ended 31 December 2020.

(2) The adjustment represents the loss of the dilution of interests in CFSG amounting to HK$6,496,000 upon the exercise of CFSG SPA Options by the Vendors assuming the exercise of CFSG SPA Options on 31 December 2020. The exercise of CFSG SPA Options by the Vendors is the pre-condition for the Group to acquire the Sale Shares. Upon the exercise of CFSG SPA Options by the Vendors, the Group's interests in CFSG is decreased from 35.5% to 33.83%. The loss of the dilution of interests in CFSG is determined by the difference between the carrying amount of CFSG attributable to the interests disposed of and the proceed received by CFSG upon the exercise of CFSG SPA Options.

(3) The adjustment represents the acquisition of the Sale Shares by the Group on 31 December 2020. Upon the completion of acquisition of the Sale Shares, the Group's interests in CFSG are increased from 33.83% to 38.33%. The adjustment includes (i) the share of the carrying amount of net assets attributable to additional interests in CFSG acquired of amounting to HK$23,642,000; (ii) cash consideration paid for the acquisition of Sale Shares of HK$8,352,000; and (iii) the gain of HK$15,290,000 resulting from the excess of the share of carrying amount of net assets attributable to additional interests in CFSG being acquired over the consideration paid to acquire the Sale Shares by the Group on 31 December 2020.

(4) These figures are extracted from the audited consolidated statement of financial position of CFSG as at 31 December 2020 as set out in the annual report of CFSG for the year ended 31 December 2020.

(5) The adjustment represents the reclassification of assets of CFSG in order to conform with the classification of the Group as at 31 December 2020.

(6) Upon the completion of the Acquisitions, CFSG will become a subsidiary of the Company. The identifiable assets and liabilities of the CFSG Group are accounted for by the Group at their fair values in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination". For the purpose of preparation of the unaudited pro forma consolidated statement of financial position, the Directors assumed the fair values of the identifiable assets and liabilities of the CFSG Group as at 31 December 2020 approximate to the carrying amount of the assets and liabilities of CFSG Group as disclosed in the annual report of CFSG for the year ended 31 December 2020.

The adjustment represents the derecognition of the Group's interests in associates of HK$213,201,000 (assuming the acquisition of Sale Shares had been completed), elimination of the share capital of CFSG of HK$97,049,000, payment of cash consideration of HK$117,361,000 and aggregate adjustments to reserves of HK$226,741,000, which includes the discount on acquisition of CFSG and loss on deemed disposal of associates.

The calculation of adjustments to reserves, discount on acquisition and loss on deemed disposal of associates are presented as follows:

		HK$'000
Adjustment to reserves		
Elimination of CFSG Group's reserves as at 31 December 2020		348,293
Loss on deemed disposal of associates		138,440
Discount on acquisition		(259,992)
		226,741
Loss on deemed disposal of associates		
Carrying amount of associates as at 31 December 2020 (assuming the acquisition of Sale Shares had been completed)	(vi)	213,201
Fair value of the Group's previously held equity interests in CFSG and Weever	(ii)	(74,761)
Loss on deemed disposal of associates		138,440
Discount on acquisition		
Consideration for acquisition of 100% issued capital of CFSG	(i)	117,361
Previously held interests in CFSG and Weever as associates, at fair value	(ii)	74,761
Plus: Non-controlling interests of Weever	(iii)	1,766
Less: net assets of CFSG	(iv)	(453,880)
Discount on acquisition	(v)	(259,992)

(i) The cash consideration of HK$117,361,000 is determined by 156,481,925 CFSG Shares, which represented CFSG Shares subject to Share Offer, with the Share Offer Price of HK$0.75 per CFSG Share.

(ii) The fair value of interests in associates consists of: (i) the fair value of CFSG of HK$68,085,000 which was assumed to be based on the 97,276,854 CFSG Shares owned by the Company upon the completion of acquisition of the Sale Shares and the market price of CFSG Share of HK$0.7 per CFSG Share as quoted on The Stock Exchange of Hong Kong Limited as at 31 December 2020; and (ii) the fair value of Weever FinTech Limited ("Weever"), which is 76.1% interest owned by CFSG and 18.9% interest owned by the Company as at 31 December 2020, of HK$6,676,000 as at 31 December 2020, which was assumed to be the carrying amount of the interests in Weever held by the Group as at 31 December 2020.

(iii) Upon the completion of the Acquisitions, the Group owns 95% interests in Weever. Non-controlling interest of Weever upon completion of the Acquisitions was determined based on the carrying amount of net assets of Weever as at 31 December 2020 with 5% interest attributable to the non-controlling interest of Weever.

(iv) The CFSG Group's net assets of HK$453,880,000 as at 31 December 2020 are extracted from the published annual report of CFSG for the year ended 31 December 2020.

(v) Discount on acquisition arising from the acquisition of 100% interests in CFSG is derived from the difference between the fair value of the consideration paid and estimated fair value of the identifiable assets and liabilities of the CFSG Group, assuming the Acquisitions had taken place on 31 December 2020. The fair values and carrying amounts of the identifiable net assets of the CFSG Group as at the date of completion of the Acquisitions may be different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information. Accordingly, the actual amounts of the fair values of the identifiable net assets and discount on acquisition to be recognised in the consolidated financial statements of the Group upon the completion of the Acquisitions may be different from the amounts presented above.

(vi) The Group's carrying amount of interests in associates of HK$213,201,000 is based on the Group's interests in associates of HK$196,055,000 at 31 December 2020 as extracted from the published annual report of the Company for the year ended 31 December 2020 adjusting by the loss of dilution of interests in CFSG upon exercise of CFSG SPA Options by the Vendors of HK$6,496,000 as stated in Note (2) above and share of additional carrying amount of net assets attributable to additional interests in CFSG being acquired amount to HK$23,642,000 as stated in Note (3) above.

(7) The adjustment represents intragroup elimination on the current account between the Group and CFSG Group.

No other adjustment has been made to the unaudited pro forma consolidated statement of financial position of the Enlarged Group to reflect any operating results or other transactions entered into by the Group or the CFSG Group subsequent to 31 December 2020.

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

	(I) Assuming the Group holds 38.33% of the issued capital of CFSG after the S&P Completion and no acceptance of the Offers					(II) Assuming the Group holds 100% of the issued capital of CFSG after the S&P Completion and full acceptance of the Offers					
	The Group for the year ended 31 December 2020	Pro forma adjustments			The Group upon the acquisition of the Sale Shares for the year ended 31 December 2020	CFSG Group for the year ended 31 December 2020	Reclassification	Pro forma adjustments			The Enlarged Group as at 31 December 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (8)	*Note (9)*	*Note (10)*	*Note (11)*		*Note (12)*	*Note (13)*	*Note (14)*	*Note (15)*	*Note (16)*	
Revenue	1,379,513	–	–	–	1,379,513	103,688	–	–	–	(200)	1,483,001
Cost of inventories	(770,227)	–	–	–	(770,227)	–	–	–	–	–	(770,227)
Other income	11,798	–	–	–	11,798	6,814	–	–	–	(1,467)	17,145
Other gains and losses	4,957	(6,439)	16,196	–	14,714	4,877	–	–	169,210	–	188,801
Salaries, allowances and related benefits	(166,010)	–	–	–	(166,010)	(64,636)	–	–	–	–	(230,646)
Commission expenses	–	–	–	–	–	(22,204)	–	–	–	–	(22,204)
Other operation, administrative and selling expenses	(220,628)	–	–	–	(220,628)	(47,205)	–	–	–	1,667	(266,166)
Depreciation of property and equipment	(19,828)	–	–	–	(19,828)	(8,769)	5,694	–	–	–	(22,903)
Depreciation of right-of-use assets and related rent concessions	(145,379)	–	–	–	(145,379)	–	(5,694)	–	–	–	(151,073)
Impairment losses under expected credit loss model, net of reversal	–	–	–	–	–	(1,447)	–	–	–	–	(1,447)
Change in fair value of investment property	–	–	–	–	–	824	–	–	–	–	824
Finance costs	(23,432)	–	–	–	(23,432)	(11,083)	–	–	–	–	(34,515)
Profit (loss) before loss arising from associates and taxation	50,764	(6,439)	16,196	–	60,521	(39,141)	–	–	169,210	–	190,590
Share of loss of associates	(12,016)	–	–	(982)	(12,998)	–	–	12,998	–	–	–
Reveral of impairment loss on interests in an associate	7,536	–	–	–	7,536	–	–	(7,536)	–	–	–
Profit (loss) before taxation	46,284	(6,439)	16,196	(982)	55,059	(39,141)	–	5,462	169,210	–	190,590
Taxation	(5,310)	–	–	–	(5,310)	–	–	–	–	–	(5,310)
Profit (loss) for the year	40,974	(6,439)	16,196	(982)	49,749	(39,141)	–	5,462	169,210	–	185,280

	(I) Assuming the Group holds 38.33% of the issued capital of CFSG after the S&P Completion and no acceptance of the Offers					(II) Assuming the Group holds 100% of the issued capital of CFSG after the S&P Completion and full acceptance of the Offers					
	The Group for the year ended 31 December 2020	Pro forma adjustments			The Group upon the acquisition of the Sale Shares for the year ended 31 December 2020	CFSG Group for the year ended 31 December 2020	Reclassification	Pro forma adjustments			The Enlarged Group as at 31 December 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (8)	*Note (9)*	*Note (10)*	*Note (11)*		*Note (12)*	*Note (13)*	*Note (14)*	*Note (15)*	*Note (16)*	
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 FVTOCI of an associate	(4,922)	–	–	(392)	(5,314)	–	–	5,314	–	–	–
Fair value loss on financial assets at FVTOCI	–	–	–	–	–	(13,863)	–	–	–	–	(13,863)
Items that may be reclassified subsequently to profit or loss:											
Exchange difference on translation of foreign operation	6,742	–	–	–	6,742	864	–	–	–	–	7,606
Share of exchange difference on translation of foreign operation of an associate	307	–	–	24	331	–	–	(331)	–	–	–
	2,127	–	–	(368)	1,759	(12,999)	–	4,983	–	–	(6,257)
Total comprehensive income (expense) for the year	43,101	(6,439)	16,196	(1,350)	51,508	(52,140)	–	10,445	169,210	–	179,023
Profit (loss) for the year attributable to:											
Owners of the Company	39,985	(6,439)	16,196	(982)	48,760	(39,178)	–	5,462	169,210	–	184,254
Non-controlling interests	989	–	–	–	989	37	–	–	–	–	1,026
	40,974	(6,439)	16,196	(982)	49,749	(39,141)	–	5,462	169,210	–	185,280
Total comprehensive income (expense) attributable to:											
Owners of the Company	42,112	(6,439)	16,196	(1,350)	50,519	(52,177)	–	10,445	169,210	–	177,997
Non-controlling interests	989	–	–	–	989	37	–	–	–	–	1,026
	43,101	(6,439)	16,196	(1,350)	51,508	(52,140)	–	10,445	169,210	–	179,023

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	(I) Assuming the Group holds 38.33% of the issued capital of CFSG after the S&P Completion and no acceptance of the Offers					(II) Assuming the Group holds 100% of the issued capital of CFSG after the S&P Completion and full acceptance of the Offers					
	The Group for the year ended 31 December 2020	Pro forma adjustments			The Group upon the acquisition of the Sale Shares for the year ended 31 December 2020	CFSG Group for the year ended 31 December 2020	Pro forma adjustments				The Enlarged Group as at 31 December 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (8)	*Note (9)*	*Note (10)*	*Note (11)*		*Note (12)*	*Note (13)*	*Note (14)*	*Note (15)*	*Note (17)*	
Operating activities											
Profit (loss) before taxation	46,284	(6,439)	16,196	(982)	55,059	(39,141)	–	5,462	169,210	–	190,590
Adjustments for:											
Depreciation of property and equipment	19,828	–	–	–	19,828	8,769	(5,694)	–	–	–	22,903
Depreciation of right-of-use assets and related rent concessions	159,342	–	–	–	159,342	–	5,694	–	–	–	165,036
Negative variable lease payment	–	–	–	–	–	(34)	–	–	–	–	(34)
Write-down of inventories	3,872	–	–	–	3,872	–	–	–	–	–	3,872
Interest expense	23,432	–	–	–	23,432	11,083	–	–	–	–	34,515
Interest income	(2,426)	–	–	–	(2,426)	(26,189)	–	–	–	–	(28,615)
Dividend income	(185)	–	–	–	(185)	(245)	–	–	–	–	(430)
Change in fair value of investment property	–	–	–	–	–	(824)	–	–	–	–	(824)
Loss on disposal/written-off of property and equipment	505	–	–	–	505	–	–	–	–	–	505
Loss on fair value changes of financial assets at FVTPL	–	–	–	–	–	4,150	–	–	–	–	4,150
Share-based payments	–	–	–	–	–	4,699	–	–	–	–	4,699
Impairment loss under expected credit loss model, net of reversal	–	–	–	–	–	1,447	–	–	–	–	1,447
Gain on early termination of a lease	(529)	–	–	–	(529)	–	–	–	–	–	(529)
Gain (loss) on increase in interests in an associate	(6,211)	6,439	(16,196)	–	(15,968)	–	–	–	–	–	(15,968)
Share of loss of associates	12,016	–	–	982	12,998	–	–	(12,998)	–	–	–
Discount on acquisition and loss on deemed disposal of associates	–	–	–	–	–	–	–	–	(169,210)	–	(169,210)
Reversal of impairment loss recognised on interests in an associate	(7,536)	–	–	–	(7,536)	–	–	7,536	–	–	–
Operating cash flow before movements in working capital	248,392	–	–	–	248,392	(36,285)	–	–	–	–	212,107
Increase in other assets	–	–	–	–	–	(1,834)	–	–	–	–	(1,834)
Increase in contract assets	–	–	–	–	–	(930)	–	–	–	–	(930)
Decrease in contract costs	–	–	–	–	–	2,444	–	–	–	–	2,444
Increase in inventories	(22,768)	–	–	–	(22,768)	–	–	–	–	–	(22,768)
Increase in accounts receivable	(431)	–	–	–	(431)	(855)	–	–	–	–	(1,286)
(Increase) decrease in prepayments, deposits and other receivables	(54,705)	–	–	–	(54,705)	1,348	–	–	–	–	(53,357)
Decrease in loans receivable	–	–	–	–	–	12,175	–	–	–	–	12,175
Decrease in financial assets at FVTPL	11,103	–	–	–	11,103	14,899	–	–	–	–	26,002
Increase in accounts payable	16,763	–	–	–	16,763	62,056	–	–	–	–	78,819
Increase in bank balances – trust and segregated accounts	–	–	–	–	–	(87,581)	–	–	–	–	(87,581)
Increase in financial liabilities arising from consolidated investment funds	21,715	–	–	–	21,715	–	–	–	–	–	21,715
Increase in accrued liabilities and other payables	15,791	–	–	–	15,791	2,653	–	–	–	–	18,444
Increase (decrease) in contract liabilities	3,723	–	–	–	3,723	(4,330)	–	–	–	–	(607)

	(I) Assuming the Group holds 38.33% of the issued capital of CFSG after the S&P Completion and no acceptance of the Offers					(II) Assuming the Group holds 100% of the issued capital of CFSG after the S&P Completion and full acceptance of the Offers					
	The Group for the year ended 31 December 2020	Pro forma adjustments			The Group upon the acquisition of the Sale Shares for the year ended 31 December 2020	CFSG Group for the year ended 31 December 2020	Pro forma adjustments				The Enlarged Group as at 31 December 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (8)	*Note (9)*	*Note (10)*	*Note (11)*		*Note (12)*	*Note (13)*	*Note (14)*	*Note (15)*	*Note (17)*	
Net cash generated from (used in) operations	239,583	–	–	–	239,583	(36,240)	–	–	–	–	203,343
Interest received	–	–	–	–	–	26,311	–	–	–	–	26,311
Dividend received	–	–	–	–	–	245	–	–	–	–	245
Income taxes paid	(410)	–	–	–	(410)	–	–	–	–	–	(410)
Net cash from (used in) operating activities	239,173	–	–	–	239,173	(9,684)	–	–	–	–	229,489
Investing activities											
Interest received	655	–	–	–	655	–	–	–	–	–	655
Dividend received	185	–	–	–	185	–	–	–	–	–	185
Placement of pledged bank deposits	(410)	–	–	–	(410)	–	–	–	–	–	(410)
Withdrawl of pledged bank deposits	647	–	–	–	647	–	–	–	–	–	647
Repayment of loans receivable	2,614	–	–	–	2,614	–	–	–	–	–	2,614
Proceeds from disposal of property and equipment	38	–	–	–	38	–	–	–	–	–	38
Purchase of property and equipment	(16,520)	–	–	–	(16,520)	(1,768)	–	–	–	–	(18,288)
Purchase of financial assets at FVTPL	–	–	–	–	–	(5,550)	–	–	–	–	(5,550)
Payments for rental deposits	(5,348)	–	–	–	(5,348)	(56)	–	–	–	–	(5,404)
Refund of rental deposits	5,831	–	–	–	5,831	–	–	–	–	–	5,831
Acquisition of additional interest in an associate	(1,673)	–	(8,352)	–	(10,025)	–	–	–	–	–	(10,025)
Advance to related companies	–	–	–	–	–	(1,402)	–	1,402	–	–	–
Repayment from an associate	198	–	–	–	198	61	–	(259)	–	–	–
Net cash inflow from acquisition of subsidiary	–	–	–	–	–	–	–	–	–	170,831	170,831
Net cash (used in) from investing activities	(13,783)	–	(8,352)	–	(22,135)	(8,715)	–	1,143	–	170,831	141,124
Financing activities											
Issue of shares of subsidiaries	4	–	–	–	4	–	–	–	–	–	4
Payment on repurchase of shares by CFSG	–	–	–	–	–	(2,477)	–	–	–	–	(2,477)
Drawdown of borrowings	427,906	–	–	–	427,906	16,356,600	–	–	–	–	16,784,506
Repayment of borrowings	(520,482)	–	–	–	(520,482)	(16,395,225)	–	–	–	–	(16,915,707)
Repayment of lease liabilities	(150,308)	–	–	–	(150,308)	(8,426)	–	–	–	–	(158,734)
Interest paid on lease liabilities	(13,847)	–	–	–	(13,847)	(970)	–	–	–	–	(14,817)
Interest paid on borrowings	(9,585)	–	–	–	(9,585)	(10,081)	–	–	–	–	(19,666)
Advance from an associate	1,341	–	–	–	1,341	–	–	(1,341)	–	–	–
Advance from related companies	–	–	–	–	–	667	–	(667)	–	–	–
Repayments to related companies	–	–	–	–	–	(865)	–	865	–	–	–
Proceeds on issues of shares of the Company	46,991	–	–	–	46,991	–	–	–	–	–	46,991
Expenses directly attributable to issue of shares	(1,469)	–	–	–	(1,469)	–	–	–	–	–	(1,469)
Net cash used in financing activities	(219,449)	–	–	–	(219,449)	(60,777)	–	(1,143)	–	–	(281,369)
Net increase (decrease) in cash and cash equivalents	5,941	–	(8,352)	–	(2,411)	(79,176)	–	–	–	170,831	89,244
Cash and cash equivalents at beginning of the year	132,450	–	–	–	132,450	288,192	–	–	–	(288,192)	132,450
Effect of foreign exchange rate changes	1,294	–	–	–	1,294	(157)	–	–	–	–	1,137
Cash and cash equivalents at end of the year	139,685	–	(8,352)	–	131,333	208,859	–	–	–	(117,361)	222,831

(8) These figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2020 as set out in the annual report of the Company for the year ended 31 December 2020.

(9) The adjustment represents the loss of the dilution of interests in CFSG upon the exercise of CFSG SPA Options by the Vendors amounting to HK$6,439,000 assuming the exercise of CFSG SPA Options on 1 January 2020. The exercise of CFSG SPA Options by the Vendors is the pre-condition for the Group to acquire the Sale Shares. Upon the exercise of CFSG SPA Options by the Vendors, the Group's interests in CFSG is decreased from 33.65% to 32.21%. The loss of the dilution of interests in CFSG is determined by the difference between the carrying amount of CFSG attributable to the interests disposed of and proceed received by CFSG upon the exercise of CFSG SPA Options.

(10) The adjustment represents the gain of HK$16,196,000 upon the completion of acquisition of the Sale Shares on 1 January 2020 with the Group's interests in CFSG increasing from 33.65% to 36.51%. The gain of HK$16,196,000 is determined by the share of the carrying amount of net assets attributable to additional interests in CFSG acquired of amounting to HK$24,548,000 less the cash consideration paid for the acquisition of the Sale Shares of HK$8,352,000.

(11) The adjustment represents the additional share of loss of an associate of HK$982,000, additional share of fair value loss on financial assets at FVTOCI of an associate of HK$392,000 and additional share of exchange difference on translation of foreign operation of an associate of HK$24,000 resulting from the acquisition of the Sale Share on 1 January 2020.

(12) These figures are extracted from the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of CFSG Group for the year ended 31 December 2020 as set out in the annual report of CFSG for the year ended 31 December 2020.

(13) The adjustment represents the reclassification of depreciation of right-of-use assets of CFSG in order to conform with the classification of depreciation of right-of-use assets of the Group during the year ended 31 December 2020.

(14) The adjustment represents the elimination of the share of loss of associates of HK$12,998,000 (after the adjustment as stated in note (11)), reversal of the impairment loss on interests in an associate of HK$7,536,000, share of fair value loss on financial assets at FVTOCI of an associate of HK$5,314,000, share of exchange difference on translation of foreign operation of an associate of the Group of HK$331,000 and elimination of cash flows between the Group and CFSG during the year ended 31 December 2020 as CFSG and Weever are the subsidiaries of the Group as if the Acquisitions are completed on 1 January 2020.

(15) For the purpose of preparing the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, the Directors assumed the fair values of the identifiable assets and liabilities of the CFSG Group as at 1 January 2020 approximated the carrying amount of the assets and liabilities of CFSG Group as disclosed in the annual report of CFSG for the year ended 31 December 2019.

The adjustment represents aggregate effect of the discount on acquisition of HK$303,853,000 and loss of deemed disposal of associates of HK$134,643,000 with the calculation are presented as follows:

		HK$'000
Discount on acquisition		
Consideration for acquisition of 100% of issued capital of CFSG	(i)	117,361
Previously held interests in CFSG and Weever as associates, at fair value	(ii)	80,732
Plus: Non-controlling interests of Weever	(iii)	1,852
Less: net assets of CFSG	(iv)	(503,798)
Discount on acquisition		(303,853)
Loss on deemed disposal of associates		
Carrying amount of associates as at 1 January 2020	(v)	215,375
Fair value of the Group's previously held equity interests in CFSG and Weever	(ii)	(80,732)
Loss on deemed disposal of associates		134,643

(i) The cash consideration of HK$117,361,000 is determined by 156,481,925 CFSG Shares, which represented CFSG Shares subject to Share Offer, with the Share Offer Price of HK$0.75 per CFSG Share.

(ii) The fair value of interests in associates consists of: (i) the fair value of CFSG of HK$73,731,000 which was assumed to be based on the 94,515,053 CFSG Shares owned by the Company upon the completion of acquisition of the Sale Shares and the market price of CFSG Share of HK$0.78 per CFSG Share as quoted on The Stock Exchange of Hong Kong Limited as at 1 January 2020. 94,515,053 CFSG Shares are determined based on 1,667,821,069 shares of CFSG owned by the Company as at 31 December 2019 adjusting with share consolidation by CFSG with every twenty of the then existing issued shares of CFSG into one consolidated share on 7 September 2020 and the Sale Shares acquired by the Company as if the completion on 1 January 2020; and (ii) the fair value of Weever of HK$7,001,000 as at 31 December 2019, which was assumed to be to the carrying amount of the interests in Weever by the Company as at 31 December 2019.

(iii) Upon the completion of the Acquisitions, the Company owns 95% interests in Weever. Non-controlling interest of Weever upon completion of the Acquisitions was determined based on the carrying amount of net assets of Weever as at 1 January 2020 with 5% interest attributable to the non-controlling interest of Weever.

(iv) The CFSG Group's net assets of HK$503,798,000 as at 31 December 2019 are extracted from the published annual report of CFSG for the year ended 31 December 2019.

(v) The Group's carrying amount of interests in associates of HK$215,375,000 is based on the Group's interests in associates of HK$197,266,000 at 31 December 2019 as extracted from the published annual report of the Company for the year ended 31 December 2019 adjusting by the loss of dilution of interests in CFSG upon exercise of CFSG SPA Options by the Vendors of HK$6,439,000 as stated in Note (9) above and share of additional carrying amount of net assets attributable to additional interests in CFSG being acquired amounted to HK$24,548,000.

(16) The adjustment represents the elimination of the management fee income received by the Group from CFSG of HK$1,467,000 and the financial advisory fee received by CFSG from the Group of HK$200,000 upon the completion of the Acquisitions. These figures are extracted from the annual report of the Company for the year ended 31 December 2020.

(17) The adjustment represents the net cash inflow of the Acquisition with the calculation as follows:

		HK$'000
Cash and cash equivalents of CFSG as at 1 January 2020	(i)	288,192
Less: consideration for acquisition of 100% of issued capital of CFSG	(ii)	(117,361)
Net cash inflow from the Acquisition		170,831

(i) The figure is extracted from the audited consolidated statement of financial position of CFSG Group as at 1 January 2020 as set out in the annual report of CFSG for the year ended 31 December 2019.

(ii) The cash consideration of HK$117,361,000 is determined by 156,481,925 CFSG Shares, which represented CFSG Shares subject to Share Offer, with the Share Offer Price of HK$0.75 per CFSG Share.

No other adjustment has been made to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group to reflect any operating results or other transactions entered into by the Group or the CFSG Group subsequent to 31 December 2020. These pro forma adjustments will not have any continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

The following is the text of the independent reporting accountants' assurance report, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Unaudited Pro Forma Financial Information of the Group, prepared for the purpose of inclusion in this Circular.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Celestial Asia Securities Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company ("Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2020, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020 and related notes ("Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-13 of the circular issued by the Company dated 23 April 2021 ("Circular"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-13 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisitions of the shares of CFSG ("Acquisitions") on the Group's financial position as at 31 December 2020 and the Group's financial performance and cash flows for the year ended 31 December 2020 as if the Acquisitions had taken place at 31 December 2020 and 1 January 2020 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2020, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2020 or 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 April 2021

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) The Company

Long positions in the Shares

		Number of Shares		
Name	**Capacity**	**Personal**	**Corporate interest**	**Shareholding** *(%)*
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	598,501	39,599,098*	49.79
Leung Siu Pong James	Beneficial owner	37,642	–	0.05
		636,143	39,599,098	49.84

* The Shares were held by Cash Guardian (which was 100% beneficially owned by Dr Kwan Pak Hoo Bankee and he was a director of Cash Guardian). Dr Kwan Pak Hoo Bankee was deemed to be interested in all these Shares as a result of his interests in Cash Guardian as disclosed in the paragraph headed "3. Substantial Shareholders" below.

(B) Associated corporation (within the meaning of SFO)

CFSG

(a) Long positions in the ordinary shares of HK$0.40 each

Name	Capacity	Number of CFSG Shares Corporate interest	Shareholding *(%)*
Kwan Pak Hoo Bankee	Interest in a controlled corporation	86,140,854*	35.50

* The shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company). The Company was beneficially owned as to approximately 49.79% by Dr Kwan Pak Hoo Bankee, details of which were disclosed in the paragraph headed "3. Substantial Shareholders" below. Pursuant to the SFO, Dr Kwan Pak Hoo Bankee was deemed to be interested in all the shares held by CIGL in CFSG.

(b) Long positions in the underlying shares – options under share option schemes

Name		Date of grant	Exercise period	Exercise price per share *(HK$)*	Number of CFSG Options outstanding	Percentage to issued CFSG Shares *(%)*
Kwan Pak Hoo Bankee	CFSG 2019 March Options	29/3/2019	1/5/2019 – 30/4/2022	1.42	1,800,000	0.74
	CFSG 2020 Options	29/4/2020	1/5/2020 – 30/4/2022	0.48	2,472,000	1.01
Li Shing Wai Lewis	CFSG 2019 March Options	29/3/2019	1/5/2019 – 30/4/2022	1.42	450,000	0.18
	CFSG 2020 Options	29/4/2020	1/5/2020 – 30/4/2022	0.48	2,472,000	1.01
Leung Siu Pong James	CFSG 2020 Options	29/4/2020	1/5/2020 – 30/4/2022	0.48	2,472,000	1.01
Kwan Teng Hin Jeffrey	CFSG 2019 March Options	29/3/2019	1/5/2019 – 30/4/2022	1.42	1,800,000	0.74
	CFSG 2020 Options	29/4/2020	1/5/2020 – 30/4/2022	0.48	2,472,000	1.01
					13,938,000	5.70

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name	Capacity	Number of Shares	Shareholding *(%)*
Hobart Assets Limited *(Notes (1) & (2))*	Interest in a controlled corporation	39,599,098	49.05
Cash Guardian *(Notes (1) & (2))*	Interest in a controlled corporation	39,599,098	49.05
Mr Wang Shui Ming *(Note (3))*	Beneficial owner, interest in a controlled corporation and other interest	4,110,245	5.09

Notes:

(1) This refers to the same number of the Shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan Pak Hoo Bankee. Dr Kwan Pak Hoo Bankee was a director of Cash Guardian and Hobart Assets Limited. Pursuant to the SFO, Dr Kwan Pak Hoo Bankee and Hobart Assets Limited were deemed to be interested in the Shares held by Cash Guardian.

(2) Dr Kwan Pak Hoo Bankee (a Director whose interests are not shown in the above table) was interested and/or deemed be interested in a total of 40,197,599 Shares (49.79%), which were held as to 39,599,098 Shares by Cash Guardian and as to 598,501 Shares in his personal name. Details of his interest are set out in the paragraph headed "2. Directors' interests in securities" above.

(3) The shareholding interest of Mr Wang Shui Ming was based on the notice dated 7 September 2020 (filed by him on 9 September 2020) pursuant to Divisions 2 and 3 of Part XV of the SFO after adjusting the number of Shares held by him due to the 20-to-1 share consolidation of the Company which took effect on 7 September 2020. Based on the said notice filed by Mr Wang Shui Ming, the Shares were held as to 1,022,061 in his personal name, as to 2,223,607 by Mingtak Holdings Limited (a 100%-owned controlled corporation of Mr Wang Shui Ming), and as to 864,577 by him as nominee under a power of attorney. Pursuant to the SFO, Mr Wang Shui Ming was deemed to be interested in all such Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Enlarged Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).

6. INTEREST OF DIRECTORS IN THE GROUP'S ASSETS

Since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up), save for the Acquisitions and the Offers, each of the Directors did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Enlarged Group or are proposed to be acquired or disposed of by or leased to the Enlarged Group.

7. INTEREST OF DIRECTORS IN CONTRACTS

Save for the Acquisitions and the Offers, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other company in the Enlarged Group was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against either the Company or any other company in the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and have been entered into by the Enlarged Group within two years preceding the Latest Practicable Date:

(a) the letter agreement dated 30 April 2019 entered into between Yau Fook Hong Company Limited, The World Realty Limited, Macfarlane Estates Limited, Sublime Finance & Investments Limited and Fung Cheung Realty Limited as the landlords and Pricerite Home Limited (an over 90%-owned subsidiary of the Company) as the tenant in relation to extension of tenancy for the premises at Hilton Plaza, Shatin for 13 months commencing from 1 March 2019 and expiring on 31 March 2020 (both days inclusive) at an aggregate value of consideration of approximately HK$9,354,000 for use as retail store of the Group;

(b) the new lease dated 23 May 2019 entered into between Pioneer Chest Limited as the landlord and Champion Ford Limited (a wholly-owned subsidiary of the Company) as the tenant in relation to renewal of lease for the premises at Manhattan Place, Kowloon Bay for 3 years commencing from 15 December 2019 and expiring on 14 December 2022 (both days inclusive) at an aggregate value of consideration of approximately HK$25,526,000 for use as office premises of the Group;

(c) the new lease dated 23 May 2019 entered into between Pioneer Chest Limited as the landlord and Celestial Asia Investment Limited (a wholly-owned subsidiary of CFSG) as the tenant in relation to renewal of lease for the premises at Manhattan Place, Kowloon Bay for 3 years commencing from 15 July 2019 and expiring on 14 December 2022 (both days inclusive) at an aggregate value of consideration of approximately HK$24,939,000 for use as office premises of CFSG;

(d) the subscription agreement dated 2 July 2019 entered into between CFSG China Investment Limited (a wholly-owned subsidiary of CFSG), ZWC CFSG Investments Limited as the target company and Zhong Wei General Partner Limited in relation to the subscription of 2,000 class A shares in the target company (representing 99.95% of the total issued shares of the target company immediately after the subscription) at the consideration of US$2,000,000 (equivalent to approximately HK$15,600,000) and the shareholders' agreement dated 2 July 2019 entered into between the same parties as the subscription agreement in relation to the governance of the target company;

(e) the renewal offer letter dated 16 August 2019 entered into between Henderson Real Estate Agency Limited as the agent of landlords and Pricerite Home Limited as the tenant in relation to renewal of tenancy for the premises at MOSTown, New Territories for 2 years commencing from 26 September 2019 to 25 September 2021 (both days inclusive) at an aggregate value of consideration of approximately HK$10,489,000 for use as retail store of the Group;

(f) the confirmation of tenancy dated 22 August 2019 entered into between The Hong Kong Housing Society as the landlord and Pricerite Home Limited as the tenant in relation to renewal of tenancy for the premises at Heya Delight Shopping Centre, Kowloon for 4 years commencing from 16 October 2019 to 15 October 2023 at an aggregate value of consideration of approximately HK$10,762,000 for use as retail store of the Group;

(g) the renewal tenancy agreement dated 4 September 2019 entered into between Link Properties Limited as the landlord and Pricerite Home Limited as the tenant in relation to renewal of tenancy for the premises at Temple Mall North, Wong Tai Sin for 2 years 3 months and 15 days from and including 2 July 2019 and expiring on 16 October 2021 at an aggregate value of consideration of approximately HK$14,410,000 for use as retail store of the Group;

(h) the letter of offer dated 15 October 2019 entered into between National Goal Limited as the landlord and Pricerite Home Limited as the tenant in relation to new tenancy for the premises at FitFort, North Point for 4 years commencing on 16 October 2019 or such other date as notified by written notice of the landlord (if any) at an aggregate value of consideration of approximately HK$20,230,000 for use as retail store of the Group;

(i) the tenancy offer dated 1 November 2019 entered into between Shine Fame Holdings Limited as the landlord and Pricerite Home Limited as the tenant in relation to new tenancy for the premises at China Resources International Logistics Centre, Kwai Chung for 7 years (4 years fixed term and 3 years renewed term) commencing from 1 May 2020 and expiring on 30 April 2027 at an aggregate value of consideration of approximately HK$111,840,000 for use as warehouse of retail management business of the Group;

(j) the letter of commitment and the partnership agreement both dated 20 December 2019 entered into between 上海懿睿股權投資基金管理有限公司 (translated as Shanghai Yirui Equity Investment Fund Management Company Limited) (a wholly-owned subsidiary of CFSG) as subscriber and 北京老鷹投資基金管理有限公司 (translated as Beijing Eagles Investment Fund Management Company Limited) in relation to the subscription of limited partner interests in the fund of 武漢老鷹創新投資中心(有限合夥) (translated as Wuhan Eagles Innovation Investment Centre, L.P.) by the subscriber with a capital commitment of RMB10,000,000 (equivalent to approximately HK$11,100,000) and the supplemental agreement to the partnership agreement and the revised letter of commitment both dated 12 May 2020 entered into between the same parties in relation to reduction of the capital commitment of the subscription in the fund from RMB10,000,000 (equivalent to approximately HK$11,100,000) to RMB5,000,000 (equivalent to approximately HK$5,550,000);

(k) the placing agreement dated 27 March 2020 entered into between the Company and Celestial Securities Limited (a wholly-owned subsidiary of CFSG) as the placing agent in respect of the arrangement to place the unsubscribed shares of the Company by the placing agent on a best effort basis to the placees under the open offer of the Company; and

(l) the Undertakings and Agreements.

10. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Registered Public Interest Entity Auditors

As at the Latest Practicable Date, Deloitte Touche Tohmatsu was not interested beneficially in the shares in any member of the Enlarged Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Enlarged Group or are proposed to be acquired or disposed of by or leased to the Enlarged Group since 31 December 2020, being the date up to which the latest published audited consolidated accounts of the Company were made up.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

11. MISCELLANEOUS

(a) The secretary of the Company is Ms Luke Wing Sheung Suzanne, a fellow member of The Chartered Governance Institute, UK.

(b) The head office and the principal place of business of the Company in Hong Kong are at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The principal share registrar and transfer office of the Company in Bermuda is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited at 54/F Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 December 2019 and 2020;

(c) the annual reports of CFSG for the years ended 31 December 2019 and 2020;

(d) the assurance report on unaudited pro forma financial information of the Enlarged Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this circular;

(e) the material contracts referred to in the paragraph headed "9. Material contracts" in this Appendix;

(f) the written consent referred to in the paragraph headed "10. Expert's qualification and consent" in this Appendix; and

(g) this circular.

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
時富投資集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("SGM") of Celestial Asia Securities Holdings Limited ("Company") will be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 14 May 2021 (Friday) at 9:30 am for the purpose of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the irrevocable undertakings and agreements all dated 31 December 2020 ("Undertakings and Agreements") (copies of which having been produced to this meeting and marked "A" and initialled by the chairman of this meeting for the purpose of identification) entered into between Celestial Investment Group Limited ("Offeror", a wholly-owned subsidiary of the Company) and each of the vendors, namely Mr Ng Hin Sing Derek, Mr Cheung Wai Ching Anthony, Mr Ho Tsz Cheung Jack, Mr Law Ping Wah Bernard and Mr Lau Chi Wo (collectively the "Vendors") pursuant to which the Vendors have conditionally undertaken to exercise the aggregate of 11,136,000 options in CASH Financial Services Group Limited ("CFSG", an associated company of the Company) ("CFSG SPA Options") in full and have conditionally agreed to sell and the Offeror has conditionally agreed to purchase an aggregate of 11,136,000 shares in CFSG ("Sale Shares") for a total cash consideration of HK$8,352,000 (being HK$0.75 per share in CFSG ("CFSG Share")), and the transactions contemplated thereunder, be and are hereby approved and confirmed;

(b) subject to the completion of the sale and purchase of the Sale Shares as set out in the above resolution (a) having taken place, the acquisition of all the outstanding shares in the issued share capital of CFSG including (i) purchase of CFSG Shares on market at a price not higher than the share offer price of HK$0.75 per CFSG Share; and (ii) acquisition of CFSG Shares (other than those shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and the cancellation of all the outstanding options in CFSG (except the CFSG SPA Options) by way of conditional mandatory cash offers ("Offers") pursuant to the Code on Takeovers and Mergers by Eddid Capital Limited on behalf of the Offeror, and all transactions contemplated thereunder, be and are hereby approved; and

* *For identification purpose only*

(c) any one Director be and is hereby authorised to do all such acts and things and to sign and execute (under seal, if required) all such documents, and to take all such steps for and on behalf of the Company which in his opinion may be necessary, appropriate, desirable or expedient for the purpose of giving effect to or in connection with the Undertakings and Agreements, the Offers and completing the transactions contemplated thereby, and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 23 April 2021

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or, if he is a holder of two or more shares, more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company. A form of proxy is also enclosed.

2. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the SGM or any adjournment thereof.

3. In order to qualify for attending and voting at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 pm on 5 May 2021.

4. The votes to be taken at the meeting for the resolution(s) will be by way of poll.