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 OF CASH FINANCIAL SERVICES GROUP LIMITED AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

MERDEKA 領智

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 9 September 2022 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.

* *For identification purpose only*

22 August 2022

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Taking into account the recent development of the pandemic caused by the Novel Coronavirus (COVID-19) pandemic, **the Company strongly recommends the Shareholders to appoint the chairman of the SGM as their proxy to vote on their behalf in respect of the resolution(s) to be proposed at the SGM to minimise the risk of infection**. The Company also encourages the Shareholders to submit any question they have to the management of the Company by email at inquiry@cash.com.hk in advance of the SGM. For Shareholders attending the SGM in person, the Company will implement the following precautionary measures at the SGM:

(a) **compulsory body temperature check** will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be permitted to access to the meeting venue;

(b) every Shareholder or proxy is required to **sterilise their hands with hand sanitiser** and register at the counter at the entrance of the venue;

(c) every Shareholder or proxy is required to **wear surgical face mask** throughout the meeting; and

(d) no distribution of corporate gifts and no refreshments will be served due to pandemic.

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it under the Takeovers Code
"Bank"	Bank of Communications (Hong Kong) Limited
"Board"	board of the Directors
"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 wholly-owned by Dr Kwan
"Celestial Securities"	Celestial Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO, and is a wholly-owned subsidiary of CFSG and an associated company of the Company
"CFSG"	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and whose securities are listed on the Main Board of the Stock Exchange, and is an associated company of the Company
"CFSG Board"	board of CFSG Directors
"CFSG Directors"	directors of CFSG
"CFSG Group"	CFSG and its subsidiaries

"CFSG Independent Board Committee"	an independent committee of the CFSG Board, comprising all independent non-executive CFSG Directors, namely Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, established for the purpose of making a recommendation to the Offer Shareholders and the CFSG Optionholders as to whether the Offers are fair and reasonable and whether to accept the Offers
"CFSG Independent Financial Adviser"	Vinco Financial 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)"	holder(s) of the CFSG Option(s)
"CFSG Option(s)"	the share option(s) granted by CFSG under the CFSG Share Option Scheme
"CFSG Share(s)"	ordinary share(s) with par value of HK$0.04 each in the share capital of CFSG
"CFSG Share Option Scheme"	the share option scheme of CFSG adopted by CFSG on 8 June 2018
"CFSG Shareholder(s)"	holder(s) of the CFSG Share(s)
"Closing Date"	the closing date of the Share Offer (or such later date to be determined by the Offeror and consented by the Executive)
"Company" or "CASH"	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and whose securities are listed on the Main Board of the Stock Exchange, and is the controlling shareholder of CFSG held through CIGL

"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
"Directors"	directors 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 controlling 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
"Encumbrance(s)"	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
"Enlarged Group"	the Group upon completion of the Possible Acquisition following the close of the Offers
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate
"Facility"	the bank facility in the total amount of HK$71 million under the facility agreement dated 21 June 2022 entered into between, among others, the Bank as lender and the Company (the holding company of the Offeror) as borrower
"GBA"	Greater Bay Area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC

"Joint Announcement"	the announcement dated 30 June 2022 jointly issued by the Company, the Offeror and CFSG in relation to, among the others, the Offers and the Possible Acquisition
"Last Trading Day"	23 June 2022, being the last trading day of the CFSG Shares on the Stock Exchange before the publication of the Joint Announcement
"Latest Practicable Date"	18 August 2022, 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
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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, holding 102,928,854 CFSG Shares, representing approximately 39.41% of the entire issued share capital of CFSG as at the Latest Practicable Date
"Offers"	collectively, the Share Offer and the Option Offer
"Offer Shareholder(s)"	holder(s) of CFSG Share(s), other than the Offeror and the parties acting in concert with it
"Offer Share(s)"	all issued CFSG Share(s) (other than those already owned or to be acquired by the Offeror and the parties acting in concert with it) that are subject to the Share Offer
"Option Offer"	the voluntary cash offer to be made by Celestial Securities for and on behalf of the Offeror to the CFSG Optionholders (other than those already owned by the Offeror and the parties acting in concert with it) in accordance with Rule 13 of the Takeovers Code to cancel the CFSG Options

"Option Offer Price"	the price at which Option Offer will be made, being HK$0.0001 per each CFSG Option
"Possible Acquisition"	possible acquisition of the Offer Shares from all the Offer Shareholders under the Share Offer
"PRC" or "Mainland China"	the People's Republic of China
"Pre-Condition"	the approval from the Shareholders in respect of the Possible Acquisition to be obtained by the Company at the SGM
"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 Home", "TMF", "SECO", "Pricerite Food" and "Pricerite Pet"
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Charge"	the share charge in respect of the 97,960,854 CFSG Shares given by the Offeror in favour of the Bank. The 97,960,854 CFSG Shares represent approximately 37.50% of the issued share capital of CFSG as at the Latest Practicable Date
"Share Offer"	the voluntary cash offer to be made by Celestial Securities for and on behalf of the Offeror to acquire all of the CFSG Shares (other than those already owned by or agreed to be acquired by the Offeror and the parties acting in concert with it) at the Share Offer Price in accordance with the Takeovers Code
"Share Offer Price"	the offer price of HK$0.42 per CFSG Share payable by the Offeror to an Offer Shareholder for each CFSG Share to be accepted under the Share Offer

"Share(s)"	ordinary share(s) with par value of HK$0.20 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SGM"	the special general meeting to be convened by the Company to obtain the approval from the Shareholders in respect of the Possible Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning as ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning as ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"%"	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)

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

Independent Non-executive Directors:
Mr Leung Ka Kui Johnny
Mr Wong Chuk Yan
Dr Chan Hak Sin

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

22 August 2022

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

References are made to (i) the Joint Announcement whereby the Company and CFSG jointly announced that the Offeror intends to make, through Celestial Securities, and subject to the satisfaction of the Pre-Condition, voluntary conditional cash offers to acquire all the issued CFSG Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it) at the Share Offer Price and to cancel all the outstanding CFSG Options at the Option Offer Price; (ii) the announcement dated 21 July 2022 jointly issued by the Company, the Offeror and CFSG in relation to the delay in despatch of the Composite Document; and (iii) the announcements of CFSG in relation to lapse of the CFSG Options dated 1 August 2022 and 15 August 2022.

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

* *For identification purpose only*

THE OFFERS AND THE VERY SUBSTANTIAL ACQUISITION

On 30 June 2022 (after trading hours), the Offeror announced that, subject to the satisfaction of the Pre-Condition, Celestial Securities, for and on behalf of the Offeror, will make the Share Offer to acquire all the issued CFSG Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it) at the Share Offer Price and the Option Offer to cancel all the outstanding share options of CFSG at the Option Offer Price.

The making of the Offers will be subject to the Pre-Condition, which is not waivable by the Offeror. If the Pre-Condition is not satisfied by 31 October 2022, the Offers will not be made. The Offers will be made on the date of despatching the Composite Document (i.e. any time within seven (7) days after the fulfilment of the Pre-Condition or 7 November 2022, whichever is earlier). The maximum value of the Share Offer is HK$63,348,569, being the maximum cash required for the Possible Acquisition.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Possible Acquisition, exceeds 100%, the Possible Acquisition constitutes 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.

The Offer Shareholders and their respective ultimate beneficial owners are third parties independent of and not connected with the Company.

The Share Offer

Celestial Securities, for and on behalf of the Offeror, subject to the satisfaction of the Pre-Condition, will make the Share Offer to acquire all the Offer Shares in compliance with the Takeovers Code on the basis set out below:

For every Offer Share . . . . HK$0.42 in cash

The Share Offer Price was determined after taking into account, among other things, the historical and prevailing trading prices of the CFSG Shares, the audited net asset value of the CFSG Group and the business development of the CFSG Group as set out in the section headed "REASONS FOR THE POSSIBLE ACQUISITION FOR THE COMPANY" below.

As at the Latest Practicable Date, the Offeror and the parties acting in concert with it hold an aggregate of 110,344,854 CFSG Shares (representing approximately 42.23% of the entire issued share capital of CFSG), therefore, the remaining 150,829,925 CFSG Shares will be subject to the Share Offer.

The Option Offer

As at the Latest Practicable Date, there are 20,190,000 outstanding CFSG Options, which are exercisable into 20,190,000 CFSG Shares at the exercise price of HK$0.572. As the exercise price is above the Share Offer Price, all the CFSG Options are out-of-money. Subject to the satisfaction of the Pre-Condition, Celestial Securities, for and on behalf of the Offeror, will make the Option Offer at a nominal value of HK$0.0001 for each CFSG Option as follow:

For cancellation of each CFSG Option . . . . HK$0.0001 in cash

As at the Latest Practicable Date, the Offeror and the parties acting in concert with it hold an aggregate of 7,200,000 CFSG Options, therefore, the remaining 12,990,000 CFSG Options will be subject to the Option Offer.

As at the Latest Practicable Date, save for the CFSG Shares and the outstanding CFSG Options, there are no other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of CFSG in issue.

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

Comparison of value

The Share Offer

The Share Offer Price of HK$0.42 represents:

(i) a premium of approximately 15.07% over the closing price of HK$0.365 per CFSG Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 25.37% over the closing price of HK$0.335 per CFSG Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 58.73% over the average closing price of HK$0.2646 per CFSG Share as quoted on the Stock Exchange over the five (5) consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a premium of approximately 49.41% over the average closing price of approximately HK$0.2811 per CFSG Share as quoted on the Stock Exchange over the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;

(v) a premium of approximately 33.16% over the average closing price of approximately HK$0.3154 per CFSG Share as quoted on the Stock Exchange over the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a premium of approximately 41.27% over the average closing price of approximately HK$0.2973 per CFSG Share as quoted on the Stock Exchange over the sixty (60) consecutive trading days immediately prior to and including the Last Trading Day;

(vii) a discount of approximately 73.40% to the audited consolidated net asset value attributable to the CFSG Shareholders of approximately HK$1.579 per CFSG Share (based on the audited consolidated net asset value of CFSG of HK$412,368,000 as at 31 December 2021 and 261,174,779 CFSG Shares in issue as at the Latest Practicable Date); and

(viii) a discount of approximately 71.03% to the unaudited consolidated net asset value attributable to the CFSG Shareholders of approximately HK$1.45 per CFSG Share (based on the unaudited consolidated net asset value of CFSG of HK$378,048,000 as at 30 June 2022 and 261,174,779 CFSG Shares in issue as at the Latest Practicable Date).

Highest and lowest CFSG Share price

During the six-month period immediately preceding the Last Trading Day:

(i) the highest closing price of the CFSG Shares quoted on the Stock Exchange was HK$0.70 per Share on 23 December 2021; and

(ii) the lowest closing price of the CFSG Shares quoted on the Stock Exchange was HK$0.223 per Share on 16 June 2022.

Total consideration for the Offers

As at the Latest Practicable Date, the Offeror and the parties acting in concert with it collectively hold (i) a total of 110,344,854 CFSG Shares (representing approximately 42.23% of the entire issued share capital of CFSG); and (ii) 7,200,000 CFSG Options.

On the basis that (i) there are 261,174,779 CFSG Shares in issue and 150,829,925 Offer Shares will be subject to the Share Offer at the Share Offer Price; and (ii) 12,990,000 CFSG Options will be subject to the Option Offer at the Option Offer Price, 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$63,349,868, including as to HK$63,348,569 for the Share Offer and HK$1,299 for the Option Offer.

The Offeror intends to finance and satisfy the total maximum consideration payable under the Offers from the Facility. The Facility is provided by the Bank for financing the consideration payable by the Offeror for the Offers, and which is secured by, among others, the Share Charge.

Pre-Condition to the Offers

The making of the Offers will be subject to the Pre-Condition, i.e. approval in respect of the Possible Acquisition by the Shareholders at the SGM. The Offers will be made on the date of despatching the Composite Document (i.e. any time within seven (7) days after the fulfilment of the Pre-Condition or 7 November 2022, whichever is earlier).

The Pre-Condition is not waivable by the Offeror. If the Pre-Condition is not satisfied by 31 October 2022, 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 p.m. on the Closing Date, 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 the parties acting in concert with it holding more than 50% of the voting rights of CFSG. The Offers must also remain open for acceptance for at least fourteen (14) days after the Share Offer becomes unconditional in all respects.

If the aforesaid acceptance condition is not satisfied on or before the 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 p.m. 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.

Payment

Payment in cash in respect of acceptances of the Offers (after deducting the accepting Offer Shareholders' share of stamp duty) will be made as soon as possible but in any event within seven (7) Business Days of the date of receipt of a duly completed acceptance, or the date on which the Offers become or are declared unconditional in all aspects, whichever is later. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offers complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code. No fractions of a cent will be payable and the amount of the consideration payable to an Offer Shareholder or an Optionholder who accepts the Share Offer or the Option Offer (as the case may be) will be rounded up to the nearest cent.

SHAREHOLDING STRUCTURE OF CFSG

As at the Latest Practicable Date, CFSG has 261,174,779 CFSG Shares in issue and 20,190,000 CFSG Options remain outstanding. Save for the CFSG Shares and the outstanding CFSG Options, there are no other 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 as at the Latest Practicable Date.

	As at the Latest Practicable Date	
	No. of CFSG Shares	**Approximate %**
CIGL	102,928,854	39.41%
Directors of the Company and directors of the Offeror:		
Dr Kwan (Notes 1 and 2)	2,472,000	0.94%
Mr Li Shing Wai Lewis (Note 2)	2,472,000	0.94%
Mr Kwan Teng Hin Jeffrey (Notes 1 and 2)	2,472,000	0.94%
Mr Leung Siu Pong James	–	–
(1) CIGL and parties acting in concert with it	**110,344,854**	**42.23%**
CFSG Directors:		
Mr Cheung Wai Lim William (Note 3)	–	–
Mr Law Hin Ong Trevor (Note 3)	–	–
Mr Lo Kwok Hung John (Note 4)	62,775	0.02%
(2) CFSG Directors	**62,775**	**0.02%**
Subtotal (1) to (2)	**110,407,629**	**42.25%**
Public CFSG Shareholders	150,767,150	57.75%
TOTAL ISSUED CFSG SHARES	**261,174,779**	**100.00%**

Notes:

1. Dr Kwan and Mr Kwan Teng Hin Jeffrey are also executive CFSG Directors.

2. Save for Dr Kwan, Mr Li Shing Wai Lewis and Mr Kwan Teng Hin Jeffrey who are the CFSG Optionholders (details of which are set out under the section headed " 2. DIRECTORS' INTERESTS IN SECURITIES" in the Appendix IV to this circular), no other CASH Directors hold any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of CFSG as at the Latest Practicable Date.

3. Mr Cheung Wai Lim William and Mr Law Hin Ong Trevor are the executive CFSG Directors and the CFSG Optionholders. As at the Latest Practicable Date, Mr Cheung Wai Lim William holds 675,000 CFSG Options, and Mr Law Hin Ong Trevor holds 450,000 CFSG Options.

4. Mr Lo Kwok Hung John is an independent non-executive CFSG Director.

INFORMATION ON CFSG AND THE CFSG GROUP

The principal activity of CFSG is investment holding. The principal activities of the CFSG Group are (i) provision of online and traditional brokerage of securities, futures and options as well as general and life insurance, mutual funds and mandatory provident fund products, (ii) proprietary trading of debt and equity securities and derivatives, (iii) provision of margin financing and money lending services, and (iv) provision of asset management services.

Set out below is the summary of financial information of the CFSG Group (i) for the two years ended 31 December 2020 and 2021 as extracted from the annual report of CFSG for the year ended 31 December 2021; and (ii) for the six months ended for 30 June 2021 and 2022 as extracted from the interim result announcement of CFSG for the six months ended 30 June 2022:

	For the six months ended 30 June		**Year ended 31 December**	
	2022	2021	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
	Unaudited	*Unaudited*	*Audited*	*Audited*
Total Revenue	35,706	55,772	96,863	103,688
(Loss) before taxation	(35,004)	(19,029)	(53,510)	(39,141)
(Loss) for the period/year	(35,004)	(19,029)	(53,470)	(39,141)

	As at 30 June	**As at 31 December**	
	2022	2021	2020
	HK$'000	HK$'000	HK$'000
	Unaudited	*Audited*	*Audited*
Total assets	1,235,372	1,295,577	1,468,468
Net assets	378,048	412,368	453,880

Please refer to Appendix II to this circular for further information of the CFSG Group.

INFORMATION ON THE OFFEROR AND THE GROUP

CIGL, a company incorporated in the British Virgin Islands with limited liability, is principally engaged in investment holding and is a wholly-owned subsidiary of the Company, which is ultimately held by Dr Kwan as to approximately 49.79% of the entire issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, CIGL is interested in 102,928,854 CFSG Shares, representing approximately 39.41% of total issued CFSG Shares. CFSG is currently an associated company of the Company.

Dr Kwan, who is the controlling shareholder of the Company, is responsible for devising the overall business strategy of the Group and has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. An MBA graduate from The Murdoch University of Perth, Australia and a BBA graduate from The Chinese University of Hong Kong, Dr Kwan was also conferred an Honorary Doctorate degree in Business Administration of Sabi University, France. Dr Kwan is also a fellow of the Institute of Financial Accountants, UK, the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Marketing (HKIM). Dr Kwan is a Certified Professional Marketer (HK) of HKIM, and is also a Justice of Peace (JP) of the HKSAR.

The principal activity of the Company is investment holding. The principal activities of the Group consists of (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 Home”, “TMF”, “SECO”, “Pricerite Food” and “Pricerite Pet” in Hong Kong; (ii) provision of asset management services to the fund investors; and (iii) general investment holding. For additional information, please visit www.cash.com.hk.

Set out below is the summary of financial information of the Group (i) for the two years ended 31 December 2020 and 2021 as extracted from the annual report of the Company for the year ended 31 December 2021; and (ii) for the six months ended for 30 June 2021 and 2022 as extracted from the interim result announcement of the Company for the six months ended 30 June 2022:

	For the six months ended 30 June		**Year ended 31 December**	
	2022	2021	2021	2020
	HK$’000	HK$’000	HK$’000	HK$’000
	Unaudited	*Unaudited*	*Audited*	*Audited*
Revenue	631,561	670,923	1,368,066	1,379,513
(Loss)/Profit before taxation	4,252	(10,282)	(39,841)	46,284
(Loss)/Profit for the period/year	4,228	(10,307)	(43,267)	40,974

	As at 30 June	**As at 31 December**	
	2022	2021	2020
	HK$’000	HK$’000	HK$’000
	Unaudited	*Audited*	*Audited*
Total assets	991,437	1,011,963	1,103,163
Net assets	194,756	202,694	259,135

Please refer to Appendix I to this circular for further information of the Group.

INTENTIONS OF THE OFFEROR 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.

MAINTAINING THE LISTING STATUS OF CFSG

If, at the close of the Offers, less than the minimum prescribed percentage applicable to CFSG, being 25% of the CFSG Shares, are held by the public, or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the CFSG Shares; or (ii) there are insufficient CFSG Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the CFSG Shares until the prescribed level of public float is restored.

The Offeror intends to remain the listing of the CFSG Shares on the Stock Exchange following the close of the Offers. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any CFSG Shares outstanding after the close of the Offers. The directors of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the CFSG Shares. The Offeror considers that the appropriate actions to be taken after the close of the Offers shall include placing down of sufficient number of accepted CFSG Shares by the Offeror where appropriate. CFSG and the Offeror will issue a further announcement as and when necessary in this regard.

REASONS FOR THE POSSIBLE ACQUISITION FOR THE COMPANY

Established in 1972, CFSG is one of few full-licensed Hong Kong financial services institutions currently holding four types of SFC licenses including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management). In Hong Kong, CFSG is also a licensed money lender, licensed insurance broker, and registered principal MPF intermediary.

With a strategic vision to transform into a diversified investment and wealth management specialist, CFSG started building a solid foundation in the GBA several years ago. In 2001 and 2004, the CFSG Group established its branches in the two major international financial centres in Shanghai and Shenzhen, respectively, to provide wealth management services to clients in the Yangtze River Delta and the Pearl River Delta regions. In 2018, the CFSG Group extended its advisory services to the asset management firms in Mainland China by providing Hong Kong stock investment advisory services. Recently, CFSG has further strengthened institutional cooperation and strategically expanded its operations in the GBA and Yangtze River Delta regions to capture the thriving developments under the national plans.

In addition, the formal launch of two cross-border investment schemes in 2021 and two-way opening-up of financial markets within the GBA not only facilitate interaction of capital, attracting a stronger influx of southbound fund flow into Hong Kong, but also allow retail investors to directly open investment accounts to satisfy their cross-border wealth management needs. In light of ever-increasing cross-border demand for wealth management products and services in Hong Kong and Mainland China, CFSG continues delivering fully-fledged wealth management solutions, including but not limited to corporate wealth management, insurance products and asset management; and providing its GBA customers with top-notch services to precisely satisfy their personalised wealth management needs.

As Hong Kong will continue to thrive as an international financial center and global wealth management hub under the National 14th Five Year Plan, the Directors believe CFSG's solid presence in the GBA and its earlier transformation to diversified investment and wealth management specialist will enable the CFSG Group to be benefitted from the supportive national policies by taking first-mover advantage to leverage synergy with its long-established offices and customer services centres in Mainland China to capture future potential business opportunities.

Moreover, the COVID-19 pandemic has accelerated a wave of digital transformation at unprecedented pace with many companies switching to full digitalisation mode. In response to the digital wave, CFSG has been transformed into a full-fledged financial services company with a fully-digitalised trading platform for its brokerage, specialising in wealth management and investment products in Hong Kong and Mainland China.

Leveraging on CFSG's well-established brand with over 50 years of history and the solid presence in the GBA, award-winning services and unique wealth management products on the fully-digitalised trading platform, the Directors believe CFSG will continue developing as a leading Hong Kong-based, technology-driven financial services company, specialising in wealth management and investment products in the GBA.

Furthermore, despite the governments around the world have been implementing monetary and fiscal stimulus measures in response to the global economic slowdown and the COVID-19 vaccines have been rapidly rolling out globally, the uncertainties raised by the political tension between Russia and Ukraine and the increasing interest rates by Federal Reserve have inevitably magnified the slowdown in the global economy. In order to help clients to hedge against global financial risks and grasp potential opportunities on the back of economic recovery in future, CFSG is dedicated to delivering personalised and professional services to its clients, which is anticipated to drive sustainable corporate growth. Compliment to the earlier business transformation of the CFSG Group as set out above, which allows the clients to preserve their assets with a more international allocation, CFSG recorded a considerable increase in its wealth management revenue for two continuous financial years with year-on-year growth rate of approximately 116.1% for 2021 and approximately 143.6% for 2020, respectively. Therefore, the Directors are of the view that the global financial risks would encourage investors to seek out higher-returning assets which will in turn benefit the CFSG's investment and wealth management products and services.

In view of the above factors and the discount of the Share Offer Price compared to the net asset value per CFSG Share, the Board considers that the Possible Acquisition and the Offers represent an opportunity for the Company to increase its shareholding interest in CFSG at a reasonable price.

On the other hand, as the external environment is still volatile with uncertainties subject to the government's reaction towards the latest development of the COVID-19 pandemic and the local economic environment is still challenging, the Share Offer can provide all the CFSG Shareholders with an opportunity to realise their share investments in CFSG at a premium over the prevailing market price of each CFSG Share.

The Share Offer Price of HK$0.42 per CFSG Share is determined after taking into account, among other things, the historical and prevailing trading prices of the CFSG Shares, the audited net asset value of the CFSG Group.

Although the Share Offer Price represents a premium of around 25.37% over the closing price of HK$0.335 per CFSG Share on the Last Trading Date and of around 41.89% over the average closing price of CFSG Shares of HK$0.296 per CFSG Share over the three-month period prior to the date of the Joint Announcement, it also represents a substantial discount of approximately 71.03% over the net asset value of per CFSG Share of HK$1.45 per CFSG Share as at 30 June 2022 and over 73.40% to the net asset value of per CFSG Share of approximately HK$1.579 per CFSG Share as at 31 December 2021 and a 40.0% discount to the highest traded price of HK$0.70 per CFSG Share in the six-month period immediately preceding the date of the Joint Announcement. In addition, upon completion of the Possible Acquisition, the Company does not have any intention to dispose of, or downsize of its existing business. After taking into account the aforesaid factors, the Board (including the independent non-executive Directors) considers that the Share Offer Price is fair and reasonable and on normal commercial terms.

Despite the continuous net loss recorded by the CFSG Group for the past five years ended 31 December 2021, after taking into account the above, the Board (including the independent non-executive Directors) is of the opinion that the terms of the Offers are on normal commercial terms and that the Possible Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The maximum value of the Share Offer is HK$63,348,569, being the maximum cash required for the Possible Acquisition.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Possible Acquisition, exceeds 100%, the Possible Acquisition constitutes 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.

THE SGM

The notice convening the SGM to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 9 September 2022 (Friday) at 9:30 am, is set out on pages SGM-1 to SGM-2 of this circular. At the SGM, an ordinary resolution will be proposed for the Shareholders to approve the making of the Offers and the Possible Acquisition.

As Dr Kwan (together with Cash Guardian which is his wholly-owned company) and Mr Leung Siu Pong James, holding an aggregate of 40,235,241 Shares (representing approximately 49.84% of the total issued Shares as at the Latest Practicable Date), are regarded as having material interests in the Possible Acquisition, each of Dr Kwan, Cash Guardian and Mr Leung Siu Pong James shall therefore abstain from voting in respect of the relevant resolution to be proposed at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, none of the other Shareholders has a material interest in the transactions contemplated under the Possible Acquisition and is required to abstain from voting at the relevant resolution 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.

EFFECT OF THE POSSIBLE ACQUISITION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

CFSG is held as to 39.41% by CASH via CIGL and is an associated company of CASH as at the Latest Practicable Date.

After the Offers have become unconditional, CFSG will be held as to over 50% by CIGL and will become a subsidiary of CASH. The assets, liabilities and financial results of the CFSG Group will then be consolidated by the Group.

Assets and liabilities

As extracted from the unaudited interim result announcement of the Company for the period ended 30 June 2022, the unaudited consolidated total assets and total liabilities of the Group were approximately HK$991.4 million and HK$796.7 million respectively. The unaudited net asset value attributable to the equity holders of the Company as at 30 June 2022 was approximately HK$194.7 million.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon completion of the Share Offer, the total assets, total liabilities and net assets of the Enlarged Group are expected to increase by approximately HK$987.0 million, approximately HK$857.3 million and approximately HK$129.7 million, respectively.

Earnings

As extracted from the annual report of the Company for the year ended 31 December 2021, the loss attributable to the equity holders of the Company was approximately HK$43.1 million. As set out in Appendix III to this circular, assuming the completion of the Offers had taken place on 1 January 2021, the unaudited pro forma profit attributable to the equity holders of the Enlarged Group for the year ended 31 December 2021 would increase by approximately HK$148.4 million to approximately HK$105.3 million.

RECOMMENDATION

The Directors are of the view that the making of the Offers and the Possible Acquisition 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 additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Bankee P. Kwan
Chairman & Chief Executive Officer

A. FINANCIAL INFORMATION OF THE GROUP

1. Financial Information of the Group

Details of the 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 the each of the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 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), respectively.

- 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);

- 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);

- Annual report of the Company for the year ended 31 December 2021 (pages 75 to 164) (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042201180.pdf); and

- Interim result announcement of the Company for the six months ended 30 June 2022 (pages 1 to 13) (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0810/2022081000603.pdf).

2. Statement of Indebtedness

As at the close of business on 30 June 2022, 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 and other borrowings

The Enlarged Group had total outstanding borrowings of approximately HK$365.1 million, comprising of (i) secured and guaranteed bank borrowings of approximately HK$83.9 million; (ii) secured and guaranteed trust receipt loans of approximately HK$42.4 million; (iii) unsecured related party loans of HK$126.0 million; (iv) unsecured and guaranteed trust receipt loans of approximately HK$112.8 million. And the aforesaid guarantees were granted by the Company and/or its subsidiary and CFSG Group.

Pledge of assets

Trust receipt loans and bank borrowing in aggregate of approximately HK$56.3 million were secured by pledged bank deposits of the Enlarged Group. Bank borrowing in aggregate of HK$70.0 million was secured by marketable securities provided by clients of the CFSG Group.

As at 30 June 2022, bank deposits of the Enlarged Group of approximately HK$4.8 million were pledged to a bank for facilities which have not been drawn.

Lease Obligations

As at 30 June 2022, the Enlarged Group had outstanding lease payments in respect of motor vehicle, office premises, warehouses, retail shops of approximately HK$265.0 million, which were unguaranteed and secured by motor vehicle or rental deposits paid by the Enlarged Group.

Contingent liabilities

As at 30 June 2022, 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 30 June 2022.

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 30 June 2022.

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 as at 30 June 2022.

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 Possible Acquisition 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.

The Company has obtained the relevant confirmation as required under Rule 14.66 of the Listing Rules.

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 2021, being the date to which the latest published audited financial statements of the Group were made up.

5. Financial and trading prospect of the Enlarged Group

After the close of the Offers (if and upon the Offers becoming unconditional), the businesses of the Enlarged Group will continue to remain as (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 Home”, “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

Amid an unpredictable rollercoaster ride for Hong Kong’s economy, the prolonged pandemic, continued absence of cross-border visitors and geopolitical risks all conspired to create strong headwinds in the year 2021, gloomily culminating with the most severe wave of coronavirus infections – countered by most stringent anti-epidemic measures.

Until the year end of 2021, cautiously optimistic signals indicated gradual recovery, albeit from a low base. In addition, with Hong Kong’s improving vaccination rate and rollout of government consumption vouchers, there was cautious optimism that long-repressed consumer sentiment would rebound in the second half of the year 2021. Nevertheless, the relevant local economic figures were still below the 2018 pre-pandemic level before tourism came to a standstill and the recession. Moreover, the unstable macro-economic backdrop and renewed surge of the pandemic – now heralding even tighter social restrictions, testing and the ‘vaccine pass’ – is once again testing resilience of the retail sector.

To manage the uncertain and unpredictable market situation, Pricerite Group proactively managed costs and remained vigilant on expenses, focusing on cost leadership, while flexibly and swiftly expanding product range according to market demand. Marketing and promotional activity also intensified – with a particular focus on social media. Collaboration with various partners meanwhile enhanced its reach and efficiency to customers.

Pricerite Home (PHL)

Focus on expanding product range in response to pressing market demand amid the pandemic and ‘stay-at-home’ economy was in four key areas – “Home Hygiene & Antiseptic”, “Home Cooking & Dining”, “Home Organising” and “Work from Home”.

In line with Pricerite Home’s distinctive competency in meeting mass market expectations through a product differentiation strategy, R&D initiatives included developing various new brands with exclusive models and unique design. More value-for-money quality products were introduced, including several quality brands of its own as well as international brands, expanding the products and designs catering for Hong Kong’s limited residential spaces.

Among storage products, the top-selling MESH series were expanded to domestic households. In addition, the Pricerite Group collaborated with several industry players to increase its logistics and marketing exposure, including in the partnership with TMALL HK in the debut of a furniture sector in TMALL HK's online business. Moreover, Pricerite also partnered ZEEK, an innovative and "smart last-mile" logistics platform, to introduce a 4-hour point-to-point express home delivery service. Pricerite was also the first home furnishing specialist to join the Atome payment platform, offering customers "buy now pay later" flexible payment.

The commitment to developing "New Retail" is further augmented by advancing online and offline capabilities. Upgrading of the mobile app aligns functions with the web and offline services.

TMF

Growth strategy remained on course by raising brand awareness across various channels of TMF's customer-centric 'Five Service Commitments' – unique to the local furniture sector market with 24-hour order tracking service, 30-day delivery fulfillment, one-to-one after sales service, 10-year structural warranty and 200% quality assurance.

Enhancing this outstanding service, TMF opened a new shop in a key market – the new, fast-growing residential district of Lohas Park. Product range also continued strengthening with new furniture materials and products that set living spaces apart, such as kid's furniture and cabinets.

The TMF envisages that demand for space management will inevitably continue to mount in the stay-at-home economy. In response, more products will be introduced tailoring for this 'new normal', along with increasing integration of O2O operations to continuously enhance customer service and experiences.

SECO

With face masks another necessity of daily life, high-quality yet affordable masks certified to ASTM Level 3 standard have also been developed. To offer more product variety, both 2D and 3D face masks with different mask and ear-loop colours are launched for customers to match with their daily outfits. These are also made in Hong Kong to support the local community. With the pandemic continuing, SECO face masks will be continuously upgraded and styled for launching in coming seasons to satisfy different customer needs and expectations.

Pricerite Food

Responding to a growing trend for cooking at home as a result of restricted restaurant opening hours and social distancing, Pricerite Food expanded its product range. Among products in especially hot demand were frozen meat and Japanese eggs, and cooking ingredients.

In line with the growing demand, Pricerite Food’s first independent store for premium Asian food opened in Tsuen Wan, bringing a ‘one-stop-shop’ (“**O2O**”) experience for its customers converting to cooking at home. Leveraging logistics strengths, a partnership with ZEEK enhanced “one-stop delivery” to customers.

Pricerite Pet

To enhance convenience in uncertain times, new online and offline sales channels were launched for one-stop shopping for a complete range of pet products, from large-scale pet furniture and household products to daily necessities and pet food.

Several shop-in-shops were also launched to extend a truly O2O experience – along with more homeware, daily supplies and even pet-wear introduced to the product portfolio.

Looking forward, Pricerite Pet is developing pet-specific small furniture, while cooperating with sister household space management brand TMF to provide ‘pet-loving families’ with personalised space and furniture design.

Outlook

Looking ahead into 2022, a new “hybrid-workplace lifestyle” has evolved. The customers are spending more time at home, both with work arrangements and socially.

As this “stay-at-home 2.0” new normal develops, customers are seeking convenient and flexible shopping; paying more attention to household and personal hygiene; increasingly cooking and dining at home; organising living spaces to adjust to working from home; and “sportainment”.

At the same time, with growing dependence on e-commerce purchases since the pandemic, a “quick commerce” model incorporating technology upgrades is under development to ensure a comprehensive solution to deliveries.

Leveraging ‘quick commerce’ will cater for specific immediate needs of different groups of customers with time-sensitive delivery within hours – from seasonal and home products to hygiene and festive items. Pricerite Group’s technology innovation to accelerate ‘quick commerce’ includes a new ‘Talk+ crypto wallet’ for payment, introduced in offline stores in the first quarter of 2022.

Despite uncertain outlook amid the weak economy, Pricerite Group has demonstrated resilience in the adverse operating environment, effective in cost control while enhancing operational efficiency.

Algo trading business – CAFG and its subsidiaries (the "CAFG Group")

In 2021, the US stock market turned in a solid performance and the commodity futures market also enjoyed the rally as the economies in the developed countries gradually recovered amid the low interest environment and the belief that the COVID-19 pandemic was under control. The commodities traders benefited from the strong goods demand and high trading volume. CAFG managed futures portfolio recorded a smooth uptrend throughout 2021 and ended the year with a 40% gain. The asset under management ("**AUM**") of the fund of CAFG Group has seen healthy growth which was attributable to the good performance and the investors shied away from the volatile stocks markets during fourth quarter of 2021.

The market capitalisation of the cryptocurrency market tripled during 2021 as speculative funds poured into the market. The expanding market size created an opportunity for algorithm traders. The CAFG pilot tested a momentum cryptocurrency portfolio the result was promising. The plan is to gradually scale up the trading capital if the market remains euphoric.

The investment portfolio of CAFG Group has a low correlation with the traditional assets class. It serves as an effective diversifier for high-net-worth investors. The CAFG Group, therefore, will continue to work closely with the partners to promote its portfolio management products. The goal is to expand the business scope from proprietary trading to asset management as a sustainable long-term growth strategy.

Financial services business – CFSG

While most global stock markets rebounded and recorded highs in 2021, the Hong Kong stock market took a battering, with the Hang Seng Index ("**HSI**") having registered its biggest annual loss in a decade. Hong Kong is one of the world's worst-performing major equity markets in 2021, particularly due to a series of Mainland China's regulatory crackdown which resulted in unexpected policy headwinds for sectors such as technology, e-commerce, videogames, gambling and education since the first quarter of 2021. Some other market stalwarts, such as Chinese banks, insurers and property developers, also had share prices retreated in 2021. The tightened regulatory measures in Mainland China called for a revaluation of all technology-related and platform economy Chinese companies.

On the other hand, given the elevated level of US inflation and further improvement in the US labour market, the Federal Reserve have announced a faster tapering of the central bank's asset purchase program while having its first interest rate hike in March 2022. An expectedly higher interest rate environment in 2022 was seen as hurting business in general. The stock market is expected to stay volatile in the coming year.

Despite inflation hitting a 39-year high in 2021 and the persistent waves of COVID-19 infections, Wall Street's main indexes hit new record highs during 2021. However, the HSI experienced the worst year in a decade and Hong Kong IPOs also shrank for the first time since 2007, as Mainland China's clampdown on its biggest tech firms chilled sentiment. In 2021, the brokerage business of CFSG Group recorded a 19.2% decline in commission, while the IPO interest income of CFSG decreased approximately 28%.

Amid heightened regulatory challenges and a tense geopolitical stand-off between the US and China, there have been increasing concerns about the future of some Chinese Technology, Media, and Telecom (TMT) companies listed or planned to list in the US. Chinese TMT companies are accelerating their ‘homecoming’ plans and opting for secondary listing in Mainland China or Hong Kong. It is expected the momentum of IPO activities, especially for the Chinese TMT companies, will remain strong in 2022. CFSG will continue leveraging the demand for IPO margin financing by promoting the business prudently to further grow the interest income of CFSG.

To diversify and further broaden the revenue streams, CFSG is committed to transforming into a fully-fledged Wealth Management Advisory Group, providing ‘one-stop’ wealth management services to clients in Hong Kong and Mainland China, with particular focus on the GBA and the Yangtze River area.

CFSG is planning to recruit more than 200 front-line wealth management professionals within the GBA by the end of 2022 to better serve the wealth management clients. CFSG is set to continue to deliver fully-fledged wealth management solutions including brokerage, margin financing, IPO subscription, corporate wealth management, insurance products, asset management, funds, bonds, MPF products and etc., and to provide the GBA’s customers with top-notch services to precisely satisfy their personalised wealth management needs.

Outlook

Looking ahead, the mainland Chinese and Hong Kong economies are anticipated to recover gradually. China’s policy makers are expected to unveil further supportive monetary and fiscal measures to cushion the domestic economic slowdown. The financial sector is expected to stay resilient, and may expand further against a more favourable economic environment and an improved business sentiment. The CFSG Group has faith in the prospect of Hong Kong brokerage and wealth management business and trust they are turning more reassuring and having adequate room for further growth.

By further demonstrating the confidence in the development of the GBA under the National 14th Five-Year Plan, CFSG will further optimise its business footprint and continue to invest in its second brand new Wealth Management Centre in the New Territories in the second half of 2022 to offer top-notch financial services to the GBA’s customers to satisfy their personalised wealth management needs.

The COVID-19 pandemic has accelerated a wave of digital transformation at an unprecedented pace with many companies switching to full digitalisation mode. Moving forward, CFSG is committed to accelerating innovative technology enhancement in its cross-platform trading solution, such as upgrading the functionality and performance of its web trading platform and mobile trading app. The CFSG strives for serving the customers aptly and elevating their Fintech experience.

Looking into 2022, the low interest rate environment amidst the pandemic era is unlikely to prolong, as the US Federal Reserve attempts to adopt a more hawkish stance towards monetary policy to control inflation which likely will entail interest rate hikes, and the shrinking of the balance sheet of the US Federal Reserve, with adverse impact on investment return on interest-bearing assets. Given the road to normalising policy, CFSG will continue to adopt prudent lending policies for the loan and margin finance business in view of the expected high market volatility and interest rate hikes.

The Group strives for a well-diversified income stream by building a fee-based wealth management products, asset management business and stable interest income from margin financing and loan businesses. The Group also expects the AUM to further increase along with the launch of the first CASH Prime Value Public Fund and OFC Private Fund within the second half of 2022 and will continue to pursue sustainable business growth prudently. With a decent AUM portfolio enabling us to capture business opportunities and synergies in the lucrative GBA market, the CFSG anticipates that the launch of this public fund will make a positive contribution to CFSG in 2023, in terms of on-boarding new clients and introduction of new products.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the financial review and the management discussion and analysis of the Group for each of the three years ended 31 December 2019, 2020 and 2021 as extracted from the annual reports of the Company for the three years ended 31 December 2019, 2020 and 2021 respectively; and for the six months ended 30 June 2022 as extracted from the interim result announcement of the Company for the six months ended 30 June 2022. Capitalised terms used below shall have the same meanings as defined in the respective annual reports and the interim result announcement.

(1) For the year ended 31 December 2019

FINANCIAL REVIEW

Retail management business – Pricerite Group

Business review

The Hong Kong retailing business was experiencing a rapid downturn during 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 the year, demonstrated by the Hong Kong retail sales figure which recorded a 11-month downturn consecutively during the year, 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 the year, some of our 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, the Group recorded only a mild decrease in revenue against this significant economic downturn. To counteract the downturn, the Group 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, the Group reviewed and improved our product mix and further strengthened our 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 the Group's 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, the Group had continued implementing our strategic O2O business model in order to keep the Group's leading position in the retail market, the Group has introduced its first virtual store by simulating the actual environment of one of our 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, our traffic had been picking up satisfactorily. Despite the challenging business environment, the retailing business recorded a slightly decline in revenue level and reported revenue of HK$1,385.2 million, representing a decrease of 2.5% as compared with HK$1,420.3 million in 2018. Overall, our retailing business recorded a net loss of HK$2.4 million for the year ended 31 December 2019 as compared to a net loss of HK$23.9 million for the previous year.

Operating results

The Group's retailing management business recorded a revenue of approximately HK$1,385.2 million and a loss of HK$ approximately 2.4 million for the year ended 31 December 2019.

Algo Trading Business – CAFG

Business review

During the year, in order to provide professional asset management to our clients creating stable, long-term return on investment, the Group had launched several funds which employed quantitative strategies by applying advanced FinTech, across various asset classes including but not limited to futures and forward contracts, index ETF and options. Despite of the uncertain financial environment we faced of the year under review, our asset management business reported a revenue of HK$2.6 million and recorded a net profit of HK$11.8 million for the year ended 31 December 2019.

Operating results

The Group's asset management recorded a revenue of approximately HK$2.6 million and a profit of HK$11.8 million for the year ended 31 December 2019.

Mobile Internet Services Business– NET2GATHER (CHINA) HOLDINGS LIMITED

Business review

The Group has 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

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$199.2 million as at 31 December 2019 as compared to HK$307.4 million at the end of the previous year. The decrease in equity was mainly due to the net loss reported for the year.

As at 31 December 2019, the Group had total outstanding borrowings of approximately HK$254.9 million as compared to HK$233.2 million as at 31 December 2018. The increase in borrowings was mainly due to increase in working capital. The borrowings were mostly denominated in Hong Kong dollars comprising 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 pledged deposits of HK$69.0 million and corporate guarantees.

As at 31 December 2019, our cash and bank balances totalled HK$206.9 million as compared to HK$256.8 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the net loss reported for the year. The Group derives its revenue mainly in Hong Kong dollars and maintains its cash and bank balances mainly in Hong Kong dollars.

The liquidity ratio as at 31 December 2019 was at 0.61 times, as compared to 0.76 times as at 31 December 2018. The decrease in the liquidity ratio was mainly because lease liabilities were recognised due to adoption of the new accounting standard HKFRS 16 Leases as well as the net loss reported for the year under review.

The gearing ratio, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 149.5% as at 31 December 2019 as compared to 83.2% as at 31 December 2018. The increase in gearing ratio was mainly due to the decrease of the equity. On the other hand, we have no material contingent liabilities at the end of the year.

The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been duly complied.

Foreign Exchange Risks

The Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of the year.

Material Acquisitions and Disposals

During the year, 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 of 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, during the year, the right-of-use asset of the Group increased to HK$341.4 million at the end of the year, while the lease liabilities of the Group also increased to HK$358.8 million at end of the year 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 material acquisitions and disposals during the year.

Save as disclosed in note 44 to the consolidated financial statements in this annual report, there is no important event affecting the Group which has occurred since the end of the financial year.

Capital commitments

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

Material Investments

The market value of financial assets at fair value through profit or loss ("**FVTPL**") increased from HK$2.0 million as at 31 December 2018 to approximately HK$22.1 million as at 31 December 2019. A net gain on financial assets at FVTPL of HK$10.2 million was recorded for the year.

Employee information

As at 31 December 2019, the Group had 797 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$207.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

Responding to the challenging external environment and economic downturn, Pricerite adopted a prudent approach from early 2019 – focused on reining-in operating costs and capital expenditure while enhancing operating efficiency through simplification, standardisation, systemisation and automation of the business workflow.

As Hong Kong's leading "New Retail" home furnishing specialist, Pricerite continued its multi-brand strategy for innovative home solutions and space management leader for quality home furnishing and lifestyle products. Through in-depth understanding of customer needs with diminishing living space in Hong Kong, the Pricerite Group's products deliver practical and localised, value-for-money solutions that redefine and rationalise space to help its customers redefine their home spaces.

To timely meet customer requirements with the dual goals of better quality and margin improvement, Pricerite strengthened its regional and global supplier networks in 2019 – extending product sourcing centres in the Yangtze River Delta, Guangdong-Hong Kong-Macau BGA and South East Asia.

Pricerite Home (PHL)

Pricerite Home is the Group's principal retailing operating arm that has 25 stores well-distributed in Hong Kong.

To capture additional market opportunities and expand customer base, PHL adopted "hero category" differentiated positioning, building brand and customer loyalty. The product design team continues designing multi-functional and transformable furniture to enhance product uniqueness, and revamping product mix to enrich product diversification.

In the first half of 2019, PHL launched the "My Own Universe (MOU)" furniture series of customisable, fashionable and innovative living room and dining room solutions, in a widened selection of styles, colours and materials.

During the second half of 2019, the Pricerite Home developed a series of new "Space Cube Random Dice" living room and bedroom solutions for flexible platform storage. These exclusive products gained positive feedback, helping to improve profit margin and contributing to positive brand image in the market.

Also in the second half, the PHL launched its third New Retail Concept Store at Kowloon Bay Mega Box. This store implements the "O2O" retail model – further integrating new retail technology with online and offline resources for an unprecedented high-tech, seamless, convenient and intimate customer shopping experience.

Continuing to pioneer this "New Retail" business model in Hong Kong, PHL not only provides the widest range of mobile payment methods, but has also become the first local retail chain to accept Hong Kong dollar-equivalent payments in crypto currencies, including Bitcoin (BTC), Ethereum (ETH) and Litecoin (LTC) across all stores.

With the integration of new financial and retail technologies, PHL provides added payment convenience, bringing more secure and free "New Retail" experiences to customers.

TMF

In 2019, TMF was successfully transformed into a stand-alone brand as a professional, reliable and caring service provider in the tailor-made furniture market, dedicated to delivering best "value-for-money" and personal space management solutions to customers.

SECO

In response to the increasing awareness of personal and home hygiene, SECO continues its positioning and commitment to assemble convenient family well-being and health-essential products for home, environment and personal care, improving customer lifestyles.

(II) ALGO TRADING BUSINESS – CAFG

During the year, the Group 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. The Group also introduce equity strategies utilising value investing approach to generate long-term capital growth. During the year, the 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. The Group 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. The Group dedicated to provide excellent asset management services to create long-term and stable investment capital growth for its clients.

(III) MOBILE INTERNET SERVICES BUSINESS – NET2GATHER (CHINA) HOLDINGS LIMITED

The Directors reviewed the market situation and business prospects of Net2Gather (China). To preserve financial strength of the Group and channel resources to more promising businesses, the Board of Directors has resolved to set Net2Gather (China) as inactive operation.

(2) For the year ended 31 December 2020

FINANCIAL REVIEW

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

Liquidity and Financial Resources

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$87.2 million and secured loans of approximately HK$75.1 million. The above bank loans of approximately HK$162.3 million were secured by the Group's corporate guarantees and the pledged deposits of HK$69.0 million.

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%.

The Group has no material contingent liabilities at the end of 2020.

Foreign Exchange Risks

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

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 dated 21 January 2021, 19 February 2021, 19 March 2021 and 19 April 2021, respectively, and the circular of the Company dated 23 April 2021.

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

Capital commitments

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.

The Group did not have any future plans for material investments, or addition of capital assets.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

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

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

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

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

Pricerite Home (PHL)

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

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

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

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

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

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

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

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

To fortify its "New Retail" business model while strengthening its O2O operating capabilities, the Pricerite Group established its latest PGL Logistics Centre in Kwai Chung during the year. Leveraging its comprehensive store network, the Pricerite Group 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. These included introducing E0-grade plywood, the healthiest and safest interior plywood for making premium furniture, with the least formaldehyde emission, which is well received by health-conscious customers nowadays.

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

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

SECO

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

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

Pricerite Food

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

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

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

Pricerite Pet

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

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

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

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

(II) ALGO TRADING BUSINESS – CAFG

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

During the second half of the year, as vaccine development gradually achieved results and the Federal Reserve pledged unlimited quantitative easing, the investment markets slowly regaining confidence. The 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 during the year was chiefly on risk management and volatility reduction of the existing strategies. Development wise, the team pilot traded an equity strategy seeking Alpha with multi-factor long-short of three markets. This strategy is ideal for asset management development down the road.

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

(3) For the year ended 31 December 2021

FINANCIAL REVIEW

Retail management business – Pricerite Group

Business review

The financial year of 2021 was not an easy year for Hong Kong's retailing business which had been full of uncertainties, factory shutdowns and disruption in supply chain at the start of the year, the cross-border lockdowns between Mainland and Hong Kong, and the social distancing measures were tightened and lessened a few times due to changes in epidemic situation in Hong Kong during the year. Hong Kong's GDP resulted in a year-on-year growth of 6.4% in 2021, however it was after contracting by 6.1% in 2020. The unemployment rate decreased to 3.9% in the last three months of 2021 from the peak of 7.2% at the beginning of the year, however the consumer confidence was still weak, evidenced by the value of retail sales which was still 27.3% below the pre-pandemic level. In the first quarter of 2021, the repressed furniture market grew by a notable 20.7%, albeit from an exceptionally low comparative base from the prior year. The market then plateaued with low single digit growth, or even decrease. Consumer demand was repressed awaiting consumption voucher disbursement. However, rollout of the long-awaited consumption voucher scheme in August and October turned out to be less beneficial to the furniture market. Given the ultra-low comparative base from the prior year, the furniture market was barely lifted by the scheme. Only low single digit growth was recorded in the two months of consumption voucher disbursement, while decreases were recorded during the rest of 2021. Despite the furniture market doldrums, our O2O efforts continued to lead growth amid the pandemic. With online sales increasing by 55.0%, the Pricerite Group managed to maintain a similar level of revenue as last year. On the other hand, to proactively capture market share amidst decreased foot traffic caused by the social distancing measures, aggressive advertising and promotion activities were carried out to boost weak consumer confidence, amid intense e-commerce market competition as well as the appreciation of Chinese yuan against Hong Kong dollar. As a result, the gross profit margin decreased. In tandem, the Pricerite Group continued taking a cost leadership approach to contain our spending, in view of increased operational costs in the absence of the Government subsidies under the Employment Support Scheme (ESS), and decrease in rental concessions as a result of the general market recovery in 2021. Overall, the retailing business recorded a net profit before tax of HK$13.3 million for the year ended 31 December 2021, compared to a net profit before tax of HK$77.4 million for the previous year.

Operating results

The Group's retailing management business recorded revenue of approximately HK$1,362.0 million and a segment profit of approximately HK$13.3 million for the year ended 31 December 2021.

Algo trading business – CAFG

Business review

The US stock market was benefited by the Federal Reserve kept interest rates near zero throughout 2021 and continued pumping billions of dollars into markets each month and the commodity futures market also enjoyed the recover as the economies in the developed countries recovered gradually. CAFG managed portfolio recorded a smooth uptrend throughout 2021 with a 40% gain. Due to the good performance, the Fund AUM has received a healthy growth during the year under review. The asset management business reported revenue of HK$6.0 million and net profit of HK$2.3 million for the year ended 31 December 2021 as compared to a net loss of HK$0.6 million last year.

Operating results

The Group's algo trading business recorded revenue of approximately HK$6.0 million and a segment profit of approximately HK$2.3 million for the year ended 31 December 2021.

The Group – Financial position and other information

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$240.6 million as at 31 December 2021 as compared to HK$296.9 million at the end of the previous year. The decrease in equity was mainly due to the dividend paid and the net loss reported for the year.

As at 31 December 2021, the Group had total outstanding borrowings of approximately HK$235.6 million as compared to HK$162.3 million as at 31 December 2020. The increase in borrowings was mainly due to cash outflow from operating activities. The borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately HK$162.9 million and secured loans of approximately HK$72.7 million. The above bank loans of approximately HK$195.4 million were secured by the Group's pledged deposits of HK$55.5 million and corporate guarantees.

As at 31 December 2021, our cash and bank balances totalled HK$222.7 million as compared to HK$215.4 million at the end of the previous year. The increase in cash and bank balances was mainly due to the net effect of increase in the long-term borrowing and the dividend paid and the net loss reported for the year. The Group derives its revenue mainly in Hong Kong dollars and maintains its cash and bank balances mainly in Hong Kong dollars.

The liquidity ratio stayed the same as at 31 December 2020 and at 31 December 2021 at 0.7 times because the ratio of current assets and current liabilities had been kept at similar level.

The gearing ratio, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 116.2% as at 31 December 2021 as compared to 62.7% as at 31 December 2020. The increase in gearing ratio was mainly due to the increase in interest bearing borrowings for the year under review and decrease in total equity. On the other hand, we have no material contingent liabilities at the end of the year. The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been duly complied.

Foreign Exchange Risks

The Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of 2021.

Material Acquisitions and Disposals

On 31 December 2020, CIGL (a wholly-owned subsidiary of the Company) proposed to acquire additional shareholding interests in CFSG from vendors upon exercise of their options in CFSG at a price of HK$0.75 per CFSG share. The acquisitions triggered a conditional mandatory cash offers for shares in CFSG upon completion and the acquisitions were approved by the independent shareholders at a special general meeting of the Company held on 14 May 2021. The cash offers were subsequently closed on 23 June 2021. The shareholding interest of the Company in CFSG was increased from 86,140,854 CFSG shares (approximately 35.5% of issued share capital of CFSG) to 97,960,854 CFSG shares (approximately 37.5% of issued share capital of CFSG) upon the close of the cash offers.

Capital Commitment

The Group did not have any material outstanding capital commitment at the end of 2021.

Material Investments

The market value of financial assets at FVTPL increased from HK$11.5 million as at 31 December 2020 to approximately HK$16.0 million as at 31 December 2021. A net gain on financial assets at FVTPL of HK$11.2 million was recorded for the year.

The Group does not have any future plans for material investments, or addition of capital assets.

Employee information

At 31 December 2021, the Group had 752 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$195.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

To manage the uncertain and unpredictable market situation, Pricerite Group proactively managed costs and remained vigilant on expenses, focusing on cost leadership, while flexibly and swiftly expanding product range according to market demand. Marketing and promotional activity also intensified – with a particular focus on social media. Collaboration with various partners meanwhile enhanced the Pricerite Group's reach and efficiency to customers.

Pricerite Home (PHL)

Focus on expanding product range in response to pressing market demand amid the pandemic and 'stay-at-home' economy was in four key areas – "Home Hygiene & Antiseptic", "Home Cooking & Dining", "Home Organising" and "Work from Home".

In line with Pricerite Home's distinctive competency in meeting mass market expectations through a product differentiation strategy, R&D initiatives included developing various new brands with exclusive models and unique design. More value-for-money quality products were introduced, including several quality brands of our own as well as international brands, expanding our products and designs catering for Hong Kong's limited spaces.

New solutions to bedroom furnishing included Lofti Bed series, offering more storage space with upgraded functional design. Space Cube 3.0 is a one-stop solution for quality wardrobe, study room and dining room furnishing. Especially for styled public housing, Wall Cube fully utilises high level and limited small spaces. Among new imported specialties, premium quality Italian mattress LUSSO upgrades comfort to enhance quality living, complemented by our new, affordable house brand mattress Gaialand.

Among storage products, the top-selling MESH series were expanded to domestic households. New items kicked-off with the launch of newly-designed Mesh Wardrobe, adopting an 'urban camping' style for young, stylish customers with fabric covers new to the Mesh series, made of durable canvas in khaki and olive colours. More new styles are in design stage for launching soon.

Due to cautious customer spending, more vigorous marketing and promotional efforts focused particularly on social media. Festive and seasonal promotions were also offered – such as during the UEFA European Football Championships, launching the first O2O ‘flower market’ over Chinese New Year, and to debut pre-consumption vouchers.

Evolution of the Pricerite Group’s pioneering “New Retail” business model meanwhile continued to bring more value-added benefits to customers and expand our reach and efficiency through its more agile and versatile supply chain with state-of-the-art retail technologies, warehousing, logistic and marketing strategies. Collaboration with several industry players to increase the Pricerite Group’s logistics and marketing exposure included partnering TMALL HK in the debut of a furniture sector in its online business.

Mindful that logistics efficiency is critical in winning the O2O battle, Pricerite also partnered ZEEK, an innovative and “smart last-mile” logistics platform, to introduce a 4-hour point-to-point express home delivery service. Leveraging economies of scale in operation, the Pricerite Group consolidated logistics partners and equipped an advanced delivery track-and-trace system, simplifying workflows for lean, paperless operation. This not only greatly increases order fulfilment capability, but also substantially improves delivery service in the home improvement market.

Pricerite was also the first home furnishing specialist to join the Atome payment platform, offering customers “buy now pay later” flexible payment. Along with a flexible interest-free payment option, this strengthens our O2O service, enabling customers aspiring for dream homes to access and afford quality products and services with convenience.

The commitment to developing “New Retail” is further augmented by advancing online and offline capabilities. Upgrading of the Pricerite Group’s mobile app aligns functions with its web and offline services.

TMF

TMF is increasingly renowned as a professional and reliable brand for space management of small apartments requiring substantial storage capacity while also being reasonably spacious.

Growth strategy remained on course by raising brand awareness across various channels of TMF’s customer-centric ‘Five Service Commitments’ – unique to the local furniture sector market with 24-hour order tracking service, 30-day delivery fulfillment, one-to-one after sales service, 10-year structural warranty and 200% quality assurance.

Enhancing this outstanding service, TMF opened a new shop in a key market – the new, fast-growing residential district of Lohas Park. Product range also continued strengthening with new furniture materials and products that set living spaces apart, such as kid's furniture and cabinets.

SECO

Responding to heightened awareness of personal well-being and home hygiene in these challenging times of the pandemic and other health hazards, SECO Living's well-being specialty stores further expanded their range of highly sought-after, value-for-money brands.

New offerings are continuously being developed to meet ongoing, increasing demand for high-quality and safe hygiene products – including medical-grade masks, alcoholic hand-rubs, anti-bacterial insect repellent spray, and disinfecting and anti-bacterial spray.

Pricerite Food

Responding to a growing trend for cooking at home as a result of restricted restaurant opening hours and social distancing, Pricerite Food expanded its product range. Among products in especially hot demand were frozen meat and Japanese eggs, and cooking ingredients.

In addition to hand-picked food items and ingredients, a suite of cooking utensils, appliances and accessories was added to enhance customer experience.

Pricerite Pet

Pricerite Pet is committed to taking care of Hong Kong's growing number of 'pet-loving families'. To enhance convenience in uncertain times, new online and offline sales channels were launched for one-stop shopping for a complete range of pet products, from large-scale pet furniture and household products to daily necessities and pet food.

Several shop-in-shops were also launched to extend a truly O2O experience – along with more homeware, daily supplies and even pet-wear introduced to our product portfolio.

(II) ALGO TRADING BUSINESS – CAFG

In 2021, the US stock market turned in a solid performance and the commodity futures market also enjoyed the rally as the economies in the developed countries gradually recovered amid the low interest environment and the belief that the COVID-19 pandemic was under control. The commodities traders benefited from the strong goods demand and high trading volume. CAFG managed futures portfolio recorded a smooth uptrend throughout 2021 and ended the year with a 40% gain. The Fund AUM has seen healthy growth thanks to the good performance and the investors shied away from the volatile stocks markets during the 4th quarter of 2021.

The market capitalisation of the cryptocurrency market tripled during the year as speculative funds poured into the market. The expanding market size created an opportunity for algorithm traders. We pilot tested a momentum cryptocurrency portfolio the result was promising. The plan is to gradually scale up the trading capital if the market remains euphoric.

(4) For the six months ended 30 June 2022

FINANCIAL REVIEW

Financial Performance

For the six months ended 30 June 2022, the Group recorded revenue of HK$631.6 million, representing a decrease of HK$39.3 million as compared with HK$670.9 million for the same corresponding period last year.

During the period under review, the Group has acquired additional interests in its associate CFSG from 37.5% to 39.4% and resulted in a gain on acquisition of additional interests in an associate of HK$6.7 million. Overall, the Group reported a net profit for the period of HK$4.2 million as compared to the net loss of HK$10.3 million for the same period last year.

Retail Management Business – PRICERITE GROUP

During the period under review, especially in the first quarter, the fifth wave of the COVID-19 pandemic presented an unprecedented setback to the Hong Kong economy, halting an improving trend from the end of last year. Various industries were forced to shorten operation hours, or even close, due to shortage of workforce – caused by long queues for COVID testing, large numbers of people in quarantine, and supply chain disruption from regulations and restrictions of cross-boundary traffic. Hong Kong's GDP consequently contracted by 1.4% in the second quarter. Moreover, subsequent restrictive measures from the pandemic's fifth wave weighed heavily on a wide range of economic activity, as well as consumer sentiment – leading to significant decrease in foot traffic for both shopping malls and streets stores. Retail sales decreased in value by 2.6% compared to the same period, with the unemployment rate at a higher level than pre-pandemic times. This adversely affected disposable income of families, eroding their purchasing power and consequently further depressing a fragile economic recovery. Meanwhile, although the residential property market had been progressively recovering, transaction volumes for the first six months fell more than 30% year on year, with transaction prices declining moderately. Additionally, buyers in the residential property market started taking a more conservative approach on concerns of rising interest rates. The furniture and fixture market was therefore inevitably adversely affected by this pessimistic outlook and weak residential property market. Nevertheless, the Pricerite Group continue closely monitoring the ever changing market and pandemic situations to manage potential risks from the rapidly spreading fifth wave of the pandemic. To counteract the negative effect, the Pricerite Group has employed various measures to minimise operating costs. Since foot traffic significantly decreased, the Pricerite Group was able to negotiate rental concessions with its landlords, reducing the burden of a notable drop in sales and foot traffic at stores. With the phase 2 distribution of consumption vouchers in April, the Pricerite Group formulated a better strategy to capture purchasing power, from experience gained the previous year. In addition, the Pricerite Group focused more resources on its online channel to partly compensate for the offline sales drop. As a result, online sales soared by more than 50%, compared to the same period last year. Further confronting retail industry hardship, the Pricerite Group continued to implement stringent cost control measures. Ultimately, together with the government's employment support scheme, the Group managed to achieve similar results to the last corresponding period.

Overall, the Pricerite Group recorded revenue of HK$628.2 million and a net profit of HK$1.0 million for the six months ended 30 June 2022, as compared to revenue of HK$668.6 million and a net profit of HK$0.6 million for the same period last year.

Algo Trading Business – CAFG

For the six months ended 30 June 2022, benefited by commodity price increased rapidly and were maintained at a high level, driven by factors such as the Russia-Ukraine War, CAFG managed futures portfolio with a short- to medium-term holding period recorded a moderate gain. The AUM continued to grow as performance remained steady, CAFG's asset management business reported revenue of HK$3.3 million and recorded a net profit of HK$12.7 million for the six months ended 30 June 2022.

The Group – Financial position and other information

Liquidity and Financial Resources

The Group's equity attributable to owners of the Company amounted to HK$194.8 million as at 30 June 2022 as compared to HK$202.7 million at the end of last year. The decrease in the equity was mainly due to net effect of the dividend paid and the net profit reported for the period under review.

As at 30 June 2022, the Group had total outstanding borrowings of approximately HK$209.1 million as compared to HK$235.7 million as at 31 December 2021. The decrease in borrowings was mainly due to cash inflow from operating activities. The borrowings were mostly denominated in Hong Kong dollars comprising unsecured loans of approximately of HK$153.0 million and secured loans of approximately of HK$56.1 million. The above bank loans of approximately HK$56.1 million were secured by the Group's pledged deposits of HK$54.3 million and corporate guarantees.

As at 30 June 2022, the Group's cash and bank balances totalled HK$152.8 million as compared to HK$222.7 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the net effect of the dividend paid, the acquisition of additional interests in an associate, cash outflow from operation activities and profit reported for the period. The Group derives its revenue mainly in Hong Kong dollars and maintains its cash and bank balances mainly in Hong Kong dollars.

The liquidity ratio as at 30 June 2022 at 0.67 times, as compared to 0.74 times as at 31 December 2021. The decrease in the liquidity ratio was mainly due to the increase in accrued liabilities and other payables, and the decrease in bank balances for the period under review.

The gearing ratio, which represents the ratio of interest bearing borrowings excluding lease liabilities of the Group divided by the total equity, was 107.3% as at 30 June 2022 as compared to 116.2% as at 31 December 2021. The decrease in the gearing ratio was mainly due to the decrease in interest bearing borrowings for the period under review. On the other hand, the Group has no material contingent liabilities at the period-end.

The Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the period. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been duly complied.

Foreign Exchange Risks

At the end of the period, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

Material Acquisitions and Disposals

On 30 June 2022, the Company, CIGL and CFSG jointly announced a pre-conditional voluntary cash offers by Celestial Securities Limited (a wholly-owned subsidiary of CFSG) for and on behalf of CIGL to acquire all issued shares of CFSG (other than those shares already owned or agreed to be acquired by the Offeror and its parties acting in concert) at HK$0.42 per share and to cancel all the outstanding share options of CFSG (the "Possible Acquisition"). The Possible Acquisition is subject to the Company shareholders' approval at a special general meeting to be convened. Details of the transaction were disclosed in the joint announcement dated 30 June 2022 and the subsequent announcement of the Company and CFSG on 21 July 2022.

Save as aforesaid, the Group did not make any material acquisition and disposal during the period.

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

Capital Commitments

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

Material Investments

As at 30 June 2022, the market values of financial assets at FVTPL amounted to approximately HK$44.3 million. A net gain on financial assets at FVTPL of HK$18.8 million was recorded for the period.

The Group did not have any future plans for material investments, or addition of capital assets.

Employee information

At 30 June 2022, the Group had 787 employees. The employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the period under review was approximately HK$89.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

The Pricerite Group has always been mindful of cost leadership to nimbly navigate the uncertain and unpredictable market situation, while it proactively manages its costs and remain vigilant on expenses.

On the other hand, the Pricerite Group remains dedicated to providing customers with a wide range of home products to enable them improved lifestyle. Since the launch of the Pricerite Group's multi-brand strategy several years ago, the Group saw solid business synergy amongst various brands it provides.

Pricerite Home is the Pricerite Group's flagship brand driving business momentum of PGL and synergies of other brands. To meet recent needs of customers amid the pandemic and new retail trend, the Pricerite Group focused on developing four key aspects of Pricerite Home – namely "Home Hygiene & Antiseptic", "Home Cooking & Dining", "Home Organising" and "Work from Home". In this uncertain economic outlook, the Pricerite Group aims at driving sales demand by continuously expanding its product range to flexibly respond to market demand.

Especially understanding customers' changing needs in this volatile market, the Pricerite Group adopted differentiation strategies in developing its product range.

In the furniture business, the Pricerite Group concentrated on introducing value-for-money quality products and improving after-sale services. For instance, the Pricerite Group launched an up-to-180-days free trial service for its wide range of mattress brands, including the house brand Gaialand and exclusive Italian brand LUSSO. The Pricerite Group also offer a pioneering promise of a 20-year structural warranty for quality wooden furniture.

To counter escalating cost and disruption of pandemic-induced cross-boundary transportation, the Pricerite Group uses big data analytics to manage its sales forecast and stock planning, so as to smooth its supply chain and meet customers' just-in-time needs. To provide customers with value-for-money and high-quality products, the Pricerite Group also enhanced its house-brand products, such as SOHO NOVO, with a comprehensive range of household items.

The pandemic has completely changed living habits and hence consumer behaviour – from mobility routines and social activity to strict adherence to pandemic protective measures. The Pricerite Group therefore continuously enhances its "New Retail" initiative to integrate its online and offline shopping experiences.

New e-shop enhancements included an Augmented Reality (AR) app and Mixed Reality (MA) app, projecting function and clear visualisation of ready-made furniture. The new platform significantly enriches the online customer journey – from easy browsing and improved order processing, to speedy check-out with a comprehensive suite of payment options.

A social influencer marketing strategy was also introduced to better reach out and interact with customers, enlisting Key Opinion Leaders (KOLs) to promote products and brands through endorsements and recommendations on the internet.

The Pricerite Group further enhanced live-stream marketing promotion and product sales through influencer streams on its own social media channels. The "New Retail" model and platform, along with data-analytical tools, fortifies and enables more effective customisation of most appropriate content for its customers.

Meanwhile, the Pricerite Group continued to develop its brands such as TMF, SECO, Pricerite Food and Pricerite Pet. As they are still in the development stage, the Group will focus on building up the product assortment, service offering and their synergies with Pricerite Home – not only to strengthen sales momentum, but also to provide a truly comprehensive home living experience to its customers.

As this new "hybrid-workplace lifestyle" of working from both home and office evolves, the Group aims at offering total flexibility and support to its customers in adapting. The Group believe these new brands they are developing will become its major business drivers in due course.

In May 2022, the HKSAR government lowered the 2022 real GDP forecast to 1-2% from 2-3.5%, after taking into account the deteriorating export outlook. The city's financial secretary warned of a further downward adjustment, citing the worsening external economic situation arising from recent rising interest rates.

Against the backdrop of this external environment, the management of the Group has also been constantly reviewing its business strategy. As Hong Kong faces uncontrollable, mounting external pressure – namely Hong Kong's changing role in the international arena, decoupling of the globalised economy, the seemingly endless and ever evolving pandemic, and the Russia-Ukraine War – business operators like us have to remain vigilant, resilient and agile.

The Group anticipate that the Hong Kong economy and hence consumer sentiment will remain restrained for the rest of the year, amid the diminishing wealth effect and dropping asset prices as a result of the interest rate hikes and weak economic growth.

To manage the uncertainties and volatility, the Group will continue to reform its O2O businesses – integrating the advantages of the offline business offering in-person customer experience, alongside online business for convenience and flexibility – to serve its customers better while at the same time reduce its operating costs.

Meanwhile, Hong Kong's tourism industry is a major pillar of the economy, employing about 257,000 or 6.6% of the workforce, but tight travel restrictions and tough quarantine rules continue pushing visitors away and seriously impeding economic growth. The business sector therefore expects the HKSAR government to devise business-friendly measures to attract visitors to Hong Kong while reviving the economy.

Despite the fact that Pricerite serves mostly local consumers and is less prone to border re-openings, the potential business impact of more visitors coming to Hong Kong will ripple through various sectors of the economy – greatly impacting overall retail sales of the city. The Group looks forward to long-awaited international events being held in Hong Kong, such as the HKMA global financial leaders' summit and the comeback of the Rugby Sevens in November this year. The Group hopes that the Hong Kong economy will soon be reinvigorated when the city is once again connected to Mainland China and the rest of the world.

(II) ALGO TRADING BUSINESS – CAFG

The commodity market rose moderately in the first quarter of 2022. After Chinese New Year, commodity prices increased rapidly and maintained at a high level, driven by factors such as the Russia-Ukraine War. Most products yielded a positive return, among which energy, refined products and metals were the most volatile and profitable.

Mid to long-term directional commodities traders benefited from the trending market and volatility to outperform the index by a wide margin. The Group managed futures portfolio – with a short- to medium-term holding period – recorded a moderate gain during the first half.

The Fund AUM continued to grow as performance remained steady, and investors saw the benefit of the commodity fund complementing their overall asset allocation.

The investment portfolio of the Group has a low correlation with the traditional assets class. It serves as an effective diversifier for high-net-worth investors. The Group therefore continues to work closely with its partners to promote its portfolio management products.

As a sustainable long-term growth strategy, the Group aim to expand the business scope from proprietary trading to asset management, as the Group develop more trading strategies.

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 2019, 2020 and 2021; and for the six months ended 30 June 2022 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 2019 (pages 52 to 135) (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700581.pdf);
- 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);
- Annual report of CFSG for the year ended 31 December 2021 (pages 65 to 152) (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042200885.pdf); and
- Interim result announcement of CFSG for the six months ended 30 June 2022 (pages 1 to 17) (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0810/2022081000611.pdf)

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE CFSG GROUP

Set out below is the management discussion and analysis of the CFSG for each of the years ended 31 December 2019, 2020 and 2021 as extracted from the annual reports of CFSG for the years ended 31 December 2019, 2020 and 2021 respectively and for the six months ended 30 June 2022 as extracted from the interim result announcement of CFSG for the six months ended 30 June 2022. Capitalised terms used below shall have the same meanings as defined in the respective annual reports and the interim result announcement.

(1) For the year ended 31 December 2019

FINANCIAL REVIEW

Business review

For the year ended 31 December 2019, the CFSG Group recorded revenue of HK$107.5 million, representing a decrease of 12.9% as compared with HK$123.4 million in 2018.

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 the CFSG Group's securities business. The 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, the CFSG Group's brokerage income recorded a decrease of 11.3% for the year. Furthermore, the CFSG Group'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, the Group'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, the CFSG Group recorded a small gain on its portfolio of proprietary trading in the year. To further strengthen our financial services and products to cater for the diverse needs of our clients in order to improve their financial well-being, the CFSG Group had made a change in the strategy direction in the third quarter of 2019 that to scale up our wealth management business by hiring more professional advisers in both Hong Kong and PRC, and at the same time set up offices in GBA to promote the wealth management business.

Overall, the CFSG Group recorded a net loss of HK$116.9 million for the year ended 31 December 2019 as compared to a net loss of HK$144.5 million last year.

The CFSG Group – Financial position and other information

Liquidity and Financial Resources

The CFSG Group's total equity amounted to HK$503.8 million as at 31 December 2019 as compared to HK$623.9 million as at 31 December 2018. The decrease in the total equity was mainly due to the reported loss for the year under review.

As at 31 December 2019, the CFSG Group had total outstanding bank borrowings of approximately HK$149.4 million, which were solely bank loans. Bank borrowings of HK$98.0 million were collateralised by its margin clients' securities pledged to the Group and a bank loan of HK$51.4 million was secured by a pledged Hong Kong dollar deposit of HK$25.2 million. All of the CFSG Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR or Hong Kong Prime Rate.

As at 31 December 2019, the cash and bank balances including the trust and segregated accounts had slightly decreased to HK$957.9 million from HK$1,239.7 million as at 31 December 2018.

The CFSG Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK$225.2 million and HK$88.2 million as at 31 December 2019 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2019 slightly decreased to 1.41 times from 1.50 times as at 31 December 2018. 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, increased to 29.7% from 17.1% as at 31 December 2018. The increase in gearing ratio was mainly due to the increase in bank borrowings and decrease in total equity during the year under review. On the other hand, the CFSG Group have no material contingent liabilities at the end of the year.

The CFSG Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been complied.

Foreign Exchange Risks

The CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of 2019.

Material Acquisitions and Disposals

Upon implementation of HKFRS 16 effective from 1 January 2019, the 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. During the year, 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 Group. The above lease transaction constituted a discloseable transaction of the Company, and details of the transaction were disclosed in the announcement of the Company 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.) 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. In January 2020, the CFSG Group made a payment in the amount of

RMB5,000,000 (equivalent to approximately HK$5,550,000) in the fund and the remaining balance was expected to be paid on or before the end of March 2020 in accordance with the terms of the letter of commitment. 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 other material acquisitions or disposals during the year.

Save as disclosed in the annual report of CFSG Group for the year ended 31 December 2019, there is no important event affecting the Group which has occurred since the end of the financial year.

Capital Commitments

Save as disclosed in the annual report of CFSG Group for the year ended 31 December 2019, the Group did not have any other material outstanding capital commitments at the end of the year.

Material investments

As at 31 December 2019, the market values of a portfolio of investments held for trading amounted to approximately HK$101.4 million. A net gain on investments held for trading of HK$3.6 million was recorded for the year.

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

Employee Information

As at 31 December 2019, the CFSG Group had 158 employees. The employees of CFSG Group were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK$82.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As a consequence of trade tensions between China and the US with subsequent slowdown in global economic growth, international capital markets took a big hit. In particular, market sentiment in commodities broking deteriorated distinctly. Together with tightened fund flow in China and other capital markets, its brokerage commission income declined by 11.3% in 2019.

Despite an active IPO market led by the launch of several mega-IPOs, high bank financing costs dampened its overall margin financing business, leading to a moderate drop of 9.4% in interest income.

The volatile global economy, together with escalating costs of compliance, suffocated growth of its brokerage business. The Group therefore continued to transform its model from brokerage-driven to a well-round wealth management-driven business — with a diversified product offering of professional financial advisory services to high-net-worth clients.

2019 was meanwhile a remarkable year for steady advancement of the Chinese government's GBA vision. Since the initiative was launched for closer integration of a world-class "Bay" economy, CFSG identified notably growing momentum towards this vision becoming a closer reality — and in anticipation opened representative offices in Guangzhou and Dongguan in the second half of 2019, extending cross-border presence from its existing office in Shenzhen. CFSG Group has assembled local marketing teams across various locations to explore business opportunities around the GBA.

In 2020 and beyond, CFSG Group will continue introducing latest products and services to capture ever-changing wealth management appetites of its clients. CFSG Group will also continue seeking new strategic partnerships and strengthen its existing networks with various institutions, leveraging synergy with its long-established Shanghai office to offer comprehensive wealth management solutions to its business partners and clients.

During 2019, CFSG Group assisted certain clients in raising funds from the capital market through placings and IPO sub-underwriting. It also advised listing companies on a range of corporate finance transactions, including M&As, acquisition and disposal of assets and businesses, and various connected transactions; and advised a private company in acquiring controlling stake in a listed company. CFSG Group also continued its sponsor support for a mainboard IPO applicant. Its clients mainly included Hong Kong companies and Mainland China enterprises.

In view of the current market doldrums, CFSG Group intends to focus on its financial advisory expertise while fine-tuning its teammix to fortify its investment banking capabilities. CFSG Group is also closely monitoring the ever-changing market environment, reacting proactively on behalf of its clients to better capture various capital market and corporate finance opportunities.

The sum of Asset under Management (AUM) for external customers was flat by year-end, compared with 2018. CFSG Group's focus is on leading blue chips and new economy stocks with high visible outlook for its clients; and target recruiting more investment managers to attract more potential new clients.

The HSI is currently trading at around 10.9x FY2020 prospective PER, 1.17x P/B and 3.4% prospective dividend yield. Compared with historical track record, its valuation is not demanding for long term investors, so we expect its revenue and AUM to pick up again this year.

In 2019, CFSG Group also continued to improve its mobile trading platforms — Alpha i and Weever, with more value-added features to satisfy its clients' demand for superior service.

Aiming to bring its clients a more efficient way to manage their assets, CFSG Group is currently developing a new "All-in-One" wealth management platform, encompassing trading services covering a broad range of markets and asset classes, and professional wealth management services. The new wealth management platform will be released in phases in 2020. Besides, CFSG Group will continue to integrate innovative technologies into its products and services to ensure its clients benefit from latest technological advancements.

On top of 2019 setbacks, the first quarter of 2020 was poised for inevitable negative economic growth in view of stagnation brought by the new COVID-19 coronavirus. On a brighter note, the chill of US and China trade tensions appears to have thawed somewhat, removing some uncertainty with signing of the first phrase of a trade deal in January 2020 and start of second phrase negotiations. With the turnaround of depreciation pressure on the RMB and loosening monetary policy in China, we see positive longer-term signals for the Hong Kong and China stock markets.

But to prepare for inevitably tough economic conditions resulting from the outbreak of COVID-19 in the coming year, we will implement stringent cost control to remain a sustainable business. Meanwhile, we are actively seeking deal-based business opportunities to maintain steady income stream — applying prudent risk management while identifying new financial products and leveraging its client network to increase business activities in the GBA and Yangtze River Delta Area.

(2) For the year ended 31 December 2020

FINANCIAL REVIEW

Business review

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

The COVID-19 pandemic has unleashed a health and economic crisis unprecedented in scope and magnitude. Lockdowns and the closing of national borders enforced by governments have paralysed economic activities across the board, laying off millions of workers worldwide. Hong Kong's securities market endured a barren first half of 2020 due to the pandemic which triggered the most severe economic recession in nearly a century. The Hang Seng Index plunged sharply from 28,189 at the end of 2019 to 21,696 in March 2020. Against this backdrop, central banks across the world are committed to enlisting generous quantitative easing programmes. With the pandemic posing considerable risk to economic outlook over the medium term, the Federal interest rate has remained near zero until the economy is back on track. Being determined to prevent the economy downturn, some governments are already beginning to cautiously lift restrictions with a view to jumpstart their economies. The pace and sequence of recovery will largely depend on the efficacy of public health and fiscal measures, containing the spread of the virus, protecting jobs and income and restoring consumer confidence. In the second half of 2020, governments across the world have been rolling out monetary and fiscal stimulus measures to fight the pandemic and minimise the impact of a catastrophic economic downturn. Vaccination campaigns and concerted health policies also fuelled the hopes of economic recovery. The IMF expects global economic growth to pick up in 2021 and in particular, China's economic growth is foreseen to rebound to a high single digit, leading the pandemic recovery. In consequence, the Hang Seng Index had undergone a strong bounce-back in the second half of the year to reach 27,231 by the end of 2020. The volatility of the market had affected our clients who are mainly retail investors and they preferred to avoid the risk of investment and trading losses during the ups and downs of the market. As a consequence, the brokerage commission income of CFSG Group 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 the CFSG Group a considerable increase of 141.9% in revenue for 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, the CFSG Group 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, the CFSG Group has successfully contained its operating costs with its cost rationalisation programme, such as streamlining our workforce and reviewing organisation and salary structures. The move of the CFSG Group's headquarters from Central CBD to Kowloon East CBD has also substantially reduced its rental costs.

Overall, the CFSG Group recorded a net loss of HK$39.1 million for the year ended 31 December 2020 as compared to a net loss of HK$116.9 million last year. As part of its response to the pandemic, the CFSG Group have followed business continuity processes from its Board-endorsed COVID-19 Business Continuity Plan. The Business Continuity Plan places the perseverance of our staff's health and wellbeing at the highest priority by implementing work from home arrangements for non-essential and vulnerable employees. Due to the effective mitigation efforts from our COVID-19 Business Continuity Plan, COVID-19 had limited impact on its financial results.

The CFSG Group – Financial position and other information

Liquidity and Financial Resources

The CFSG Group's total equity amounted to HK$453.9 million as at 31 December 2020 as compared to HK$503.8 million as at 31 December 2019. The decrease in the total equity was mainly due to the reported loss and the fair value loss of financial assets at FVTOCI for the year under review.

As at 31 December 2020, the CFSG Group had total outstanding bank borrowings of approximately HK$110.8 million, which were solely bank loans. Bank borrowings of HK$73.0 million were collateralised by its margin clients' securities pledged to the Group and a bank loan of HK$37.8 million was secured by a pledged Hong Kong dollar deposit of HK$25.2 million. All of the CFSG Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR.

As at 31 December 2020, the cash and bank balances including the trust and segregated accounts had slightly increased to HK$966.2 million from HK$957.9 million as at 31 December 2019. The CFSG Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK$153.8 million and HK$80.3 million as at 31 December 2020 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2020 slightly decreased to 1.38 times from 1.41 times as at 31 December 2019. 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, decreased to 24.4% from 29.7% as at 31 December 2019. The decrease in gearing ratio was mainly due to the decrease in bank borrowings during the year under review. On the other hand, the CFSG Group has no material contingent liabilities at the end of the year.

The CFSG Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been complied.

Foreign Exchange Risks

The CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of the year.

Material Acquisitions and Disposals

In January 2020, 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.) with capital commitment of RMB5 million (equivalent to approximately HK$5.55 million) in cash by the CFSG Group was completed. Details of the transaction were disclosed in the announcements of CFSG dated 20 December 2019 and 12 May 2020.

On 31 December 2020, CIGL proposed, subject to condition precedent, to acquire additional shareholding interests in CFSG from vendors upon exercise of their options in CFSG at a price of HK$0.75 per CFSG Share, which will trigger a possible conditional mandatory cash offers for shares in CFSG upon completion. The acquisitions are subject to approval by shareholders/independent shareholders at a special general meeting of CASH to be convened. A composite offer document containing the terms of the cash offers will be despatched to the shareholders of CFSG within seven days after completion or 19 October 2021, whichever is earlier. Details of the transaction were disclosed in the joint announcement dated 31 December 2020 and the subsequent announcements of CFSG and CASH.

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

Save as disclosed in the annual report of CFSG for the year ended 31 December 2020, there is no important event affecting the CFSG Group which has occurred since the end of the financial year.

Fund Raising Activity

CFSG did not have any fund raising activity during the year under review.

Capital Commitments

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

Material Investments

As at 31 December 2020, the market values of a portfolio of investments held for trading amounted to approximately HK$82.5 million. A net gain on investments held for trading of HK$2.4 million was recorded for the year.

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

Employee Information

As at 31 December 2020, the CFSG Group had 160 employees. The employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK$64.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the year, CFSG Group's brokerage business recorded a 16.4% decline in commission, while its interest income increased 32.1%. With ever-increasing compliance costs, more stringent regulatory requirements and emergence of cut-throat competition, CFSG Group 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. CFSG Group's 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 Group 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 GBA and Yangtze River Area. CFSG Group took first-mover advantage to fully utilise its resources in its Shenzhen, Guangzhou and Dongguan offices.

With the formal launch of Wealth Management Connect in the GBA, historically opening cross-border wealth management for the sector, CFSG Group 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, the CFSG Group is dedicated to capturing this ever-increasing wealth management demand.

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

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

CFSG Group additionally launched an instantaneous, simplified fund deposit service, Electronic Direct Debit Authorisation, which has greatly improved both turnover time and customer satisfaction.

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

(3) For the year ended 31 December 2021

Business review

For the year ended 31 December 2021, the CFSG Group recorded revenue of HK$96.9 million, representing a decrease of 6.6% as compared with HK$103.7 million in 2020.

As global economic recovery was on track in 2021, most global stock markets rebounded and recorded highs. The US stock market turned in a solid performance, amid historically high inflation and supply chain disruptions. S&P 500 gained 26.9% and the Dow Jones Industrial Average gained 18.7%. The stock market benefited from the US Federal Reserve keeping interest rates near zero throughout 2021, while continuing to pump billions of dollars into markets each month – measures that encouraged investors to seek out higher-returning assets, like stocks, and contributed to higher inflation. The CFSG Group's earlier efforts to transform its business into a diversified investment and wealth management specialist paid off, as market volatility encouraged our clients to start preserving their assets with more international diversification. With strong, high calibre wealth management professionals to promote this diversification, the CFSG Group's wealth management business recorded 116.0% growth. Hong Kong's economy also started to pick up in the second quarter of 2021. However, the Hong Kong stock market continued to languish in negative sentiment of the pandemic, tightening control over internet-related business in Mainland China, and fear of tightening monetary policy by the Federal Reserve. The HSI closed at 23,398 at 2021 year-end, down 14.08% from 2020, while the H-share index closed 23.3% down at 8,236. Both benchmark indices underperformed global and Asian stock markets, and Hong Kong was one of the world's worst-performing major equity markets of the year. While average daily turnover in Hong Kong's securities market increased compared to 2020, the number of newly listed companies dropped by 36.4%, and funds raised by IPOs also decreased by 17.8%. As the local stock market exhibited considerable volatility in 2021, more clients opted for the CFSG Group's asset management business, preferring high quality tailor-made investment strategies to cope with market changes. As a result, despite the downturn of Hong Kong's stock market and uncertain economic outlook, the CFSG Group's asset management business recorded 62.2% growth in revenue compared with 2020. On the other hand, the CFSG Group's other retail clients chose to flee the highly volatile stock markets to avoid suffering huge trading and investment losses. As a result, the brokerage business of the CFSG Group recorded a drop of 19.2% in commission income for 2021, while its interest income maintained nearly the same as last year's performance. Pursuant to the CFSG Group's continuous effort to contain its operating costs within its cost rationalisation programme - such as streamlining its workforce and reviewing organisational structure - its operating costs had been reduced as compared with last year. For treasury function, the CFSG Group recorded a net loss of HK$14.7 million on its portfolio of investment securities held for trading due to the downturn of Hong Kong stock market in 2021.

Taking into account the aforesaid net loss on portfolio of investment securities held for trading, the CFSG Group recorded a net loss of HK$53.5 million for the year ended 31 December 2021 as compared to a net loss of HK$39.1 million last year. As part of the CFSG Group's response to the pandemic, it has followed business continuity processes from its Board-endorsed COVID-19 Business Continuity Plan. The 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 our COVID-19 Business Continuity Plan, COVID-19 had limited impact on its financial results.

Impairment Allowances

Impairment allowance consisted of provision for credit losses on accounts receivables arising from margin financing and loans receivable, the CFSG Group performs impairment assessment on these financial assets under the impairment framework and methodology of expected credit loss ("**ECL**") model established by the Group in accordance to HKFRS 9 "Financial instruments". In order to minimise the credit risk on accounts receivables arising from margin financing and loans receivable, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on delinquent receivables. The assessment is based on a close monitoring and evaluation of collectability and on management's judgement, including but not limited to ageing analysis of receivables, the current creditworthiness, account executives concentration analysis, collateral distribution and concentration analysis and the past collection history of each client, and consideration of forward looking factors. In this regard, the CFSG consider that the Group's credit risk is significantly reduced. The accounts receivables arising from margin financing are collateralised by pledged shares of margin clients. As at 31 December 2021, the CFSG Group had concentration of credit risk on the accounts receivable from margin clients as the aggregate balances with the five largest clients represent approximately 45.7% of total accounts receivable from margin clients. During the year, additional impairment allowance of approximately HK$0.5 million for a total of HK$98.3 million margin loans on the accounts receivables arising from margin financing was recognised, where the underlying collaterals were less than the outstanding loan amounts. As at 31 December 2021, the CFSG Group had concentration risk on loans receivable as 37.6% of the outstanding balance is from the top borrower. During the year, additional impairment allowance of approximately HK$1.4 million on the loan receivable was recognised for a total of HK$42.6 million loan receivables. The CFSG Group adopts a prudent provisioning policy in respect of these margin loans. For credit-impaired accounts receivable from margin clients, the management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement.

The CFSG Group– Financial position and other information

Liquidity and Financial Resources

The CFSG Group's total equity amounted to HK$412.4 million as at 31 December 2021 as compared to HK$453.9 million as at 31 December 2020. The decrease in the total equity was mainly due to the reported loss, being contra with the fair value gain of financial assets at FVTOCI for the year under review and the exercise of share options in CFSG during the year.

As at 31 December 2021, the CFSG Group had total outstanding borrowings of approximately HK$133.3 million, composed of bank loans HK$73.0 million and an unsecured loan from related party HK$60.3 million. Bank borrowings of HK$73.0 million were collateralised by its margin clients' securities pledged to the CFSG Group. All of the CFSG Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR.

As at 31 December 2021, the cash and bank balances including the trust and segregated accounts had slightly decreased to HK$864.6 million from HK$966.2 million as at 31 December 2020. The CFSG Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK$162.4 million and HK$41.2 million as at 31 December 2021 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 31 December 2021 slightly increased to 1.50 times from 1.38 times as at 31 December 2020. The gearing ratio as at 31 December 2021, which represents the ratio of interest bearing borrowings of the CFSG Group divided by the total equity, increased to 32.3% from 24.4% as at 31 December 2020. The increase in gearing ratio was mainly due to the increase in borrowings during the year under review. On the other hand, the CFSG Group has no material contingent liabilities at the end of the year.

The CFSG Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all time throughout the year. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been complied.

Foreign Exchange Risks

The CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of the year.

Material Acquisitions and Disposals

On 31 December 2020, CIGL proposed to acquire additional shareholding interests in the Company from vendors upon exercise of their options in CFSG at a price of HK$0.75 per CFSG Share. The acquisitions triggered a conditional mandatory cash offers for the CFSG Shares upon completion and the acquisitions were approved by the independent shareholders of CASH at a special general meeting held on 14 May 2021. The cash offers were subsequently closed on 23 June 2021. The shareholding interest of the Company in CFSG was increased from 86,140,854 CFSG Shares (approximately 35.5% of issued share capital) to 97,960,854 CFSG Shares (approximately 37.5% of issued share capital) upon the close of the cash offers. Details of the transaction were disclosed in the joint announcement dated 31 December 2020 and the subsequent announcements of CFSG and CASH during the period from 12 January 2021 to 23 June 2021, and the composite offer document dated 2 June 2021.

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

Save as disclosed in the annual report of the CFSG Group for the year ended 31 December 2021, there is no important event affecting the CFSG Group which has occurred since the end of the financial year.

Fund Raising Activities

CFSG did not have any fund raising activity during the year under review.

Capital Commitments

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

Material Investments

As at 31 December 2021, the market values of a portfolio of investments held for trading amounted to approximately HK$99.4 million. A net loss on investments held for trading of HK$14.7 million was recorded for the year.

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

Employee Information

As at 31 December 2021, the CFSG Group had 130 employees. The employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the year under review was HK$58.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite inflation hitting a 39-year high and the persistent waves of COVID-19 infections, Wall Street's main indexes hit new record highs during 2021. However, the HSI has been on track for the worst year in a decade and Hong Kong IPOs also shrank for the first time since 2007, as China's clampdown on its biggest tech firms chilled sentiment. During the year, its brokerage business recorded a 19.2% decline in commission, while its IPO interest income decreased 28.0%.

Amid heightened regulatory challenges and a tense geopolitical stand-off between the US and China, there have been increasing concerns about the future of some Chinese Technology, Media, and Telecom (TMT) companies listed or planned to list in the US. Chinese TMT companies are accelerating their 'homecoming' plans and opting for secondary listing in Mainland China or Hong Kong. 2021 saw secondary listings of Baidu and Bilibili in Hong Kong and China Telecom in Shanghai. It is expected the momentum of IPO activities, especially for the Chinese TMT companies, will remain strong in 2022. The CFSG Group will continue leveraging the demand for IPO margin financing by promoting the business prudently to further grow its interest income.

Over the course of 2021, the relatively low interest rate environment had favourably amplified interest in wealth management products and services, due to their potentially higher investment yields and stronger preservation of purchasing power. The Asset under Management (AUM) dropped by 5.4% compared with 2020, as the CFSG Group focused on top blue-chip stocks with visible and promising outlook for its clients.

To diversify and further broaden its revenue streams, CFSG is committed to transforming into a fully-fledged Wealth Management Advisory Group, providing 'one-stop' wealth management services to clients in Hong Kong and Mainland China, with particular focus on the Greater Bay Area (GBA) and Yangtze River Area. During the year, its wealth management business recorded a 116.0% increase compared to 2020.

With the formal launch of the two cross-border investment schemes - Wealth Management Connect and the Southbound China-Hong Kong Bond Connect by the PRC government in September 2021, the two-way opening-up of financial markets within the GBA not only facilitate the interaction of capitals which potentially attract a stronger influx of southbound fund flow into Hong Kong, but also allow retail investors to directly open investment accounts to satisfy their cross-border wealth management needs. CFSG Group has already taken the first-mover advantage to leverage synergy with its long-established offices in China's financial centres Shenzhen and Shanghai and its customer services centers in Guangzhou and Dongguan to capitalise on this golden opportunity in all respects.

In light of the ever-increasing cross-border demand for wealth management products and services, CFSG announced the Grand Opening of its first Wealth Management Centre ("the Centre"), which provides premium and one-stop customer service in the city centre of Hong Kong Island in November 2021. CFSG is planning to recruit more than 200 front-line wealth management professionals within the GBA by the end of 2022 to better serve its wealth management clients. CFSG is set to continue to deliver fully-fledged wealth management solutions including brokerage, margin financing, IPO subscription, corporate wealth management, insurance products, asset management, funds, bonds, MPF products and etc., and to provide its GBA's customers with top-notch services to precisely satisfy their personalised wealth management needs. By further enhancing customer experience and to bring value to its clients, the Centre will also host a wide range of free workshops and seminars on topics covering family office services, financial trends, market outlook, overseas immigration and education planning advice.

Simultaneously, the CFSG Group has completed a major overhaul of its core online trading application, Alpha i, which was launched back in 2018. The all-new and fully-enhanced trading application namely "Alpha i 2.0 (阿爾發易)" was launched in Dec 2021, allowing its clients to trade across multiple markets with seamlessly synchronised real-time market data ranging from US stocks trading to grey market trading. By standardising and upgrading its front and back office trading systems, a more advanced and consistent trading experience can be reached across its mobile app, download version and web trading portal. Alpha i 2.0 greatly enhances the user experience of the clients of the CFSG Group and further propels them into the era of financial digitalisation.

On the other hand, despite the escalating compliance-related and system-related costs in fulfilling the more stringent regulatory and supervisory requirements, CFSG will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to overcome the challenges ahead and pursue long-term business and profitability growth in line with its corporate mission and goals.

In light of vaccines availability upon the launch of a territory-wide COVID-19 Vaccination Programme by the HKSAR Government, the CFSG Group has strongly encouraged its critical personnel to get inoculated by offering incentives such as compensated and medical leaves, to mitigate business disruptive risks amid COVID-19. It is in the CFSG Group's view as the vaccination rate goes higher, restrictions can be lifted gradually and eventually a high degree of normalcy can resume.

(4) For the six months ended 30 June 2022

FINANCIAL REVIEW

For the six months ended 30 June 2022, the CFSG Group recorded revenue of approximately HK$35.7 million, representing a decrease of 36.0% compared with HK$55.8 million for the same corresponding period last year. The CFSG Group's main revenue comprised of broking income of approximately HK$14.0 million (2021: HK$25.8 million), provision of wealth management services of approximately HK$9.9 million (2021: HK$7.4 million), and approximately HK$3.7 million (2021: HK$7.6 million) from non-broking and non-wealth management services.

During the period, the decrease of approximately 45.7% or HK$11.8 million from broking income was in line with the general decline in investor sentiment reflected by a sizeable decrement of 26.5% in average daily turnover of the Hong Kong's securities market during the first half of 2022 when compared to the same period prior year (2022: HK$138.3 billion; 2021: HK$188.1 billion). Due to the highly volatile securities market and overall weak investing sentiment, demand for wealth management products and services had increased as a result. The relatively favourable investment yields and asset preservation potential has further hastened the transformation into a fully-fledged Wealth Management Advisory Group, providing 'one-stop' wealth management services to clients in Hong Kong and Mainland China. As such, revenue from the wealth management business increased 33.8% or HK$2.5 million to reach approximately HK$9.9 million during the period.

The decline of approximately 51.3% or HK$3.9 million in revenue from non-broking and non-wealth management services was mainly due to the decrease in asset management revenue by 75.8% or approximately HK$2.9 million during the period. Interest income also witnessed a decline of 46.1% or HK$6.9 million due to decrease in margin financing interest and IPO margin financing which was in line with the general decline in average daily turnover and funds raised through Hong Kong's IPO market during the period (2022: HK$19.7 billion; 2021: HK$211.7 billion).

Other operating expenses excluding impairment losses under expected credit loss model, decreased by 20.7% or HK$4.0 million. The decline was mainly attributed to the CFSG Group's ongoing cost rationalisation programme which included reviewing non-essential costs such as travelling and entertainment, streamlining workforce and reviewing organization structures. During the period, impairment allowance of approximately HK$6.6 million was recognized under the impairment framework and methodology of expected credit loss ("ECL") model established by the CFSG Group in accordance to HKFRS 9 "Financial instruments". Impairment allowance consisted of provision for credit losses on accounts receivables arising from margin financing and loans receivable during the period.

Overall, the CFSG Group recorded a net loss of approximately HK$35.0 million for the six months ended 30 June 2022 as compared to a net loss of approximately HK$19.0 million for the same period last year. As part of response to the pandemic, we have followed business continuity processes from our Board-endorsed COVID-19 Business Continuity Plan. Our Business Continuity Plan places the perseverance of our staff's health and wellbeing at the highest priority by implementing work from home arrangements for non-essential and vulnerable employees. Due to the effective mitigation efforts from our COVID-19 Business Continuity Plan, COVID-19 had limited impact on our business operations and financial results.

The CFSG Group – Financial position and other information

Liquidity and Financial Resources

The CFSG Group's total equity amounted to HK$378.1 million as at 30 June 2022 compared to HK$412.4 million as at 31 December 2021. The decrease in the total equity was mainly due to the net effect of the reported loss for the period under review. As at 30 June 2022, the CFSG Group had total outstanding bank borrowings of approximately HK$70.0 million, which were solely bank loans collateralised by its clients' securities pledged to the CFSG Group. All of the CFSG Group's borrowings were denominated in Hong Kong dollars. They were variable-rate borrowings and carried interest with reference to HIBOR or Hong Kong Prime Rate.

As at 30 June 2022, the cash and bank balances including the trust and segregated accounts had slightly increased to HK$909.4 million from HK$864.6 million as at 31 December 2021. The CFSG Group derives its revenue and maintains bank balances in its house accounts mainly in Hong Kong dollars. Bank balances in its house accounts amounting to HK$267.5 million and HK$34.8 million as at 30 June 2022 were denominated in Hong Kong dollars and other foreign currencies (mainly Renminbi and US dollar) respectively, whereas the bank balances in the trust and segregated accounts were denominated in the same currencies as those of the outstanding balances in the corresponding accounts payable.

The liquidity ratio as at 30 June 2022 decreased to 1.37 times from 1.50 times as at 31 December 2021. The gearing ratio as at 30 June 2022, which represents the ratio of interest bearing borrowings of the CFSG Group divided by the total equity, increased to 41.3% from 32.3% as at 31 December 2021. The increase in gearing ratio during the period was mainly due to the increase in borrowings for working capital purposes. On the other hand, we have no material contingent liabilities at the end of the period. The CFSG Group's treasury policies are to secure healthy liquidity for running its operations smoothly and to maintain a sound financial position at all times throughout the period. Besides meeting its working capital requirements, cash balances and bank borrowings are maintained at healthy levels to meet its customers' investments needs while making sure all relevant financial regulations have been complied with.

Foreign Exchange Risks

The CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of the period.

Material Acquisitions and Disposals

On 30 June 2022, CFSG, CIGL and CASH jointly announced a pre-conditional voluntary cash offers by Celestial Securities Limited (a wholly-owned subsidiary of CFSG) for and on behalf of CIGL to acquire all issued shares of CFSG (other than those shares already owned or agreed to be acquired by the Offeror and its parties acting in concert) at HK$0.42 per share and to cancel all the outstanding share options of CFSG (the "Possible Transaction"). The Possible Transaction is subject to the shareholders' approval of CASH at a special general meeting to be convened. Details of the transaction were disclosed in the joint announcement dated 30 June 2022 and the subsequent announcements of CFSG and CASH during the period from 18 July 2022 to 1 August 2022.

Save as aforesaid, the CFSG Group did not make any other material acquisitions or disposals during the period.

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

Fund Raising Activities

CFSG did not have any fund raising activity during the period under review.

Capital Commitments

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

Material Investments

As at 30 June 2022, the market values of a portfolio of investments held for trading amounted to approximately HK$41.0 million. A net loss on investments held for trading of HK$6.1 million was recorded and was offset by HK$3.2 million dividend income during the period.

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

Employee Information

As at 30 June 2022, the CFSG Group had 135 employees. The employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the period under review was HK$25.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Facing numerous uncertainties, the Hong Kong financial market remained challenging during the period. Hong Kong has been an important trading partner and middleman between the East and West for more than a century. However, the geopolitical tension, in particular the Russia-Ukraine conflict, has instigated decoupling of the world economy. This has drastically changed Hong Kong's role as an international trading and investment partner of the world. At the same time, the US containment policy against China is simmering tensions between the two giant powers, squeezing Hong Kong's space in the international arena.

Coupled with recent rising interest rate hikes, global investors are investing in higher-yielding assets in other parts of the world to hedge against the city's political and economic risks, accelerating capital outflow from the Hong Kong dollar market.

Overall investor sentiment has been very negative as the bear market arrives. Investors are inclined to stay on the sideline and wait till the dust settles before returning to the market. The gloomy sentiment manifested in the IPO market. Only 27 companies newly-listed on the HKEx during the period, a 41.3% decrease compared to last year, and lowest since 2009, with funds raised dropping by more than 90%. Recent market volatility also greatly reduced investor appetite for trading and investing. Some young investors have also been trying other investment tools, such as crypto, SPACs and meme stocks. As a result, the CFSG Group's revenue recorded a 36.0% decrease during the period.

Global interest rate hikes and the lack of mega IPOs during the period also weighed on the CFSG Group's margin financing business. To manage the CFSG Group's finances prudently so as to safely weather the global economic storms ahead, we adopted a tight credit policy. This, together with the subdued IPO market, to a certain extent affected the CFSG Group's interest income. It is anticipated that volatility will last for a while as inflation persists at high levels while the economy weakens.

Local financial institutions like the CFSG Group are also battered with soaring compliance costs, shortage of professional staff and intense market competition.

Stringent regulatory requirements have always been a big concern to financial institutions worldwide. Hong Kong in particular, as an international financial centre of China facing the world, is impeded with huge, uncertain global political and economic outlook.

At the same time, the pandemic and its repercussions have also caused devastating economic disruption to the domestic economy. Stringent travel restrictions and tough quarantine rules are also posing staffing headwinds on the Hong Kong financial market. The SFC announced a loss of 12% of its staff last year, while banks and insurers are also complaining about losing professional staff at a rate much faster than the rate of recruiting replacements. As human capital is core to the financial industry, Hong Kong is competing for financial talent worldwide.

To cope with the staff shortage problem, the CFSG Group devised a suite of strategies to maintain its talent pool, including expanding the scope of its management trainee programme by training its own talent. At the same time the CFSG Group recruited mainland talent, not only to maintain its internal staff ratios, but also better serve its mainland clients with international service offerings.

On another bright note, thanks to the CFSG Group earlier efforts to diversify and broaden revenue streams to build its "one-stop" wealth management platform, revenue from its wealth management business increased 33.8% during the period.

Looking forward, under the National 14th Five-Year Plan, Hong Kong will maintain its status an international financial centre, global offshore Renminbi business hub, and international asset management centre. President Xi underlined and commitment to Hong Kong's unique global status and advantages in finance, shipping and trading at the HKSAR's 25th reunification ceremony, under-pinning confidence that Hong Kong should maintain its close ties to the world.

CFSG will therefore continue to develop its wealth management business, paying particular focus on the GBA and Yangtze River Area, as 7 out of the top 10 cities with most ultra-high net worth families reside in these two areas of China, according to the Hurun China Wealth Report.

On the other hand, the CFSG Group expects its AUM to further increase along with the launch of its first public fund by end of the year, further broadening its income streams.

The CFSG Group pioneering efforts to transform its electronic trading platform with a speedy, almost-instant fund transfer system also brought us a sharp edge over its competitors, who are still suffering from huge rental costs. This also brought the CFSG Group healthy financials to weather the global economic headwinds ahead.

On the other hand, given increasing uncertainty due to potential geopolitical conflicts, the persistent pandemic and changes in financial regulations, it is anticipated that dual listings and homecoming listings are on the agenda for many U.S. listed Chinese companies, as new listing regimes for technology companies and cross-border capital market opportunities including various stock connects pave the way. It is therefore expected that market sentiment may resume with these mega IPOs in the pipeline.

The soaring import-inflation and resulting interest rate hikes are casting a gloomy market outlook in the quarters ahead. Investor sentiment will continue to look negative while trading volume will be impacted significantly. As the Hong Kong financial market is saturated with lots of competitors, market consolidation is likely to continue in the rest of the year. Market rumours over the future of a famous, long-established brokerage also dealt a further blow to market confidence.

In this digital world, people are accustomed to using mobile devices and apps to manage their daily lives, including investment and wealth management. To continue to sharpen its edge, the CFSG Group will relentlessly pursue its digitalisation journey, dedicated not only to becoming a truly client-centric financial institution, but also to managing its costs amid the keenly competitive market. The CFSG Group newly launched Alpha i 2.0 has been well received in the market and known for its ease of use, convenience and speed, encouraging us to continue to improve its client experience.

Looking forward, despite the challenges ahead, CFSG will continue its proven strategy to transform into a wealth management specialist. Although it will take some time to come to fruition, the CFSG Group are still confident that the current strategy will pay off in due course, while remaining vigilant and resilient in this bear market.

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 as at 30 June 2022 and 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 2021 (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 Possible Acquisition as if the Possible Acquisition had been completed as of 30 June 2022 in the case of the unaudited pro forma consolidated statement of financial position as at 30 June 2022, or 1 January 2021 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 2021, after making the pro forma adjustments relating to the Possible Acquisition that are factually supportable and directly attributable, as explained in the notes below and based on the scenario that the Group holds 100% of the issued capital of CFSG after the completion of Possible Acquisition as a result of the full acceptance of the Offers (without taking into account 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 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 30 June 2022 had the Possible Acquisition been completed as of 30 June 2022, and (ii) the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2021 had the Possible Acquisition been completed as at 1 January 2021 or at any future dates.

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

Non-current assets	The Group as at 30 June 2022 HK$'000 Note (1)	CFSG Group as at 30 June 2022 HK$'000 Note (2)	Reclassification HK$'000 Note (3)	Pro forma adjustments HK$'000 Note (4)	Pro forma adjustment HK$'000 Note (5)	The Enlarged Group as at 30 June 2022 HK$'000
Property and equipment	30,250	20,684	(14,220)	–	–	36,714
Right-of-use-assets	215,893	–	14,220	–	–	230,113
Goodwill	39,443	–	–	–	–	39,443
Intangile assets	43,460	9,092	–	–	–	52,552
Club debentures	–	660	–	–	–	660
Other assets	–	5,368	–	–	–	5,368
Interests in associates	178,715	–	–	(178,715)	–	–
Rental and utilities deposits	23,138	1,051	–	–	–	24,189
Financial assets at fair value through other comprehensive income ("FVTOCI")	–	27,528	–	–	–	27,528
Financial assets at fair value through profit and loss ("FVTPL")	–	5,784	–	–	–	5,784
Loans receivable	–	1,516	–	–	–	1,516
Deferred tax asets	5,450	–	–	–	–	5,450
	536,349	71,683	–	(178,715)	-	429,317
Current assets						
Inventories - finished goods held for sale	60,513	–	–	–	–	60,513
Contract assets	–	4,813	–	–	–	4,813
Accounts and other receivables	191,825	–	203,216	–	–	395,041
Accounts receivables	–	171,775	(171,775)	–	–	–
Loans receivable	1,350	11,108	–	–	–	12,458
Prepayments, deposits and other receivbales	–	31,441	(31,441)	–	–	–
Tax recoverable	4,240	–	–	–	–	4,240
Financial assets at FVTPL	44,332	35,167	–	–	–	79,499
Pledged bank deposits	54,353	–	–	–	–	54,353
Bank balancees - trust and segregated accounts	–	607,131	–	–	–	607,131
Bank balancees (general accounts) and cash	98,475	302,254	–	(66,463)	(3,200)	331,066
	455,088	1,163,689	–	(66,463)	(3,200)	1,549,114
Current liabilities						
Account payables	189,223	650,413	–	–	–	839,636
Accrued liablities and other payables	132,664	31,426	–	–	–	164,090
Contract liabilities	13,621	–	–	–	–	13,621
Taxation payable	14,291	3,000	–	–	–	17,291
Lease liabilities	116,509	8,748	–	–	–	125,257
Provision of restoration	–	1,035	–	–	–	1,035
Loan from a related party	–	86,000	(86,000)	–	–	–
Borrowings	209,075	70,014	86,000	–	–	365,089
	675,383	850,636	–	–	–	1,526,019
Net current (liabilities) assets	(220,295)	313,053	–	(66,463)	(3,200)	23,095
Total assets less current liabilities	316,054	384,736	–	(245,178)	(3,200)	452,412
Capital and reserves						
Share captial	16,144	104,470	–	(104,470)	–	16,144
Reserves	216,483	265,040	–	(133,936)	(3,200)	344,387
Equity attributable to owners of the Company	232,627	369,510	–	(238,406)	(3,200)	360,531
Non-controlling interests	(37,871)	8,538	–	(6,772)	–	(36,105)
Total equity	194,756	378,048	–	(245,178)	(3,200)	324,426
Non-current liabilities						
Deferred tax liabilities	6,825	–	–	–	–	6,825
Lease liabilites	114,473	5,881	–	–	–	120,354
Provision of restoration	–	807	–	–	–	807
	121,298	6,688	–	–	–	127,986
	316,054	384,736	–	(245,178)	(3,200)	452,412

Notes:

(1) These figures are extracted from the condensed consolidated statement of financial position of the Group as at 30 June 2022 as set out in the interim result announcement of the Company for the six months ended 30 June 2022.

(2) These figures are extracted from the condensed consolidated statement of financial position of CFSG as at 30 June 2022 as set out in the interim result announcement of CFSG for the six months ended 30 June 2022.

(3) The adjustment represents the reclassification of assets and liabilities of CFSG in order to conform with the classification of the Group as at 30 June 2022.

(4) Upon the completion of the Possible Acquisition, 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 condensed consolidated statement of financial position, the Directors assumed the fair values of the identifiable assets and liabilities of the CFSG Group as at 30 June 2022 approximate to the carrying amount of the assets and liabilities of CFSG Group as disclosed in the interim result announcement of CFSG for the six months ended 30 June 2022.

The adjustment represents the derecognition of the Group's interests in associates of HK$178,715,000 (assuming the acquisition of Offer Shares had been completed), elimination of the share capital of CFSG of HK$104,470,000, payment of cash considerations for acquisitions of CFSG Shares of HK$3,115,000 and HK$63,348,000, and aggregate adjustments to reserves of HK$133,936,000, 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 30 June 2022		265,040
Loss on deemed disposal of associates		128,809
Discount on acquisition		(259,913)
		133,936
Loss on deemed disposal of associates		
Carrying amount of associates as at 30 June 2022	(vii)	178,715
Fair value of the Group's previously held equity interests in CFSG and Weever	(iii)	(49,906)
Loss on deemed disposal of associates		128,809
Discount on acquisition		
Consideration for acquisition of 7,416,000 CFSG Shares	(i)	3,115
Consideration for acquisition of the remaining issued capital of CFSG	(ii)	63,348
Previously held interests in CFSG and Weever as associates, at fair value	(iii)	49,906
Plus: Non-controlling interests of Weever	(iv)	1,766
Less: net assets of CFSG	(v)	(378,048)
Discount on acquisition	(vi)	(259,913)

(i) The cash consideration of HK$3,115,000 is determined by 7,416,000 CFSG Shares held by the parties acting in concert, at the Share Offer Price of HK$0.42 per CFSG Share.

(ii) The cash consideration of HK$63,348,000 is determined by 150,829,925 CFSG Shares, which represented CFSG Shares subject to Share Offer, at the Share Offer Price of HK$0.42 per CFSG Share. After the acquisition of the abovesaid shares of CFSG, the Group would hold 100% of the issued capital of CFSG.

(iii) The fair value of interests in associates consists of: (i) the fair value of CFSG of HK$43,230,000 which was assumed to be based on the 102,928,854 CFSG Shares owned by the Company and the Share Offer Price of HK$0.42 per CFSG Share; and (ii) the fair value of 18.9% interest in Weever FinTech Limited ("Weever") held directly by the Company of HK$6,676,000, which was assumed to be based on the carrying amount of the interests in Weever held by the Group as an associate as at 30 June 2022. Weever is 76.1% interest owned by CFSG and is a non-wholly owned subsidiary of CFSG as at 30 June 2022.

(iv) Upon the completion of the Possible Acquisition, the Group would own 95% interest in Weever. Non-controlling interest of Weever upon completion of the Possible Acquisition was determined based on the carrying amount of net assets of Weever as at 30 June 2022 with the remaining 5% interest attributable to the non-controlling shareholders of Weever.

(v) The CFSG Group's net assets of HK$378,048,000 as at 30 June 2022 are extracted from the published interim result announcement of CFSG for the six months ended 30 June 2022.

(vi) Discount on acquisition arising from the acquisition of 100% interest 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 Possible Acquisition had taken place on 30 June 2022. The fair values and carrying amounts of the identifiable net assets of the CFSG Group as at the date of completion of the Possible Acquisition 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 Possible Acquisition may be different from the amounts presented above.

(vii) The Group's carrying amount of interests in associates of HK$178,715,000 as at 30 June 2022 is extracted from the published interim result announcement of the Company for the six months ended 30 June 2022.

(5) This represents the estimated transaction costs of HK$3,200,000 directly attributable to the Possible Acquisition.

No other adjustment has been made to the unaudited pro forma condensed 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 30 June 2022.

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

	The Group for the year ended 31 December 2021	CFSG Group for the year ended 31 December 2021	Reclassification		Pro forma adjustments		The Enlarged Group for the year ended 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (5)	*Note (6)*	*Note (7)*	*Note (8)*	*Note (9)*	*Note (10)*	
Revenue	1,368,066	96,863	–	–	–	–	1,464,929
Cost of Inventories	(793,738)	–	–	–	–	–	(793,738)
Other income	13,215	1,840	–	–	–	–	15,055
Other gains and losses	13,389	(13,162)	–	(3,197)	182,545	–	179,575
Salaries, allowances and related benefits	(195,732)	(58,532)	–	–	–	–	(254,264)
Commission expenses	–	(24,773)	–	–	–	–	(24,773)
Other operating, administrative and selling expenses	(234,843)	(37,757)	–	–	–	(3,200)	(275,800)
Depreciation of property and equipment	(18,020)	(8,650)	6,864	–	–	–	(19,806)
Depreciation of right-of-use assets, net of rent concession	(149,465)	–	(6,864)	–	–	–	(156,329)
Impairement losses under expected credit loss model, net of reversal	–	(1,892)	–	–	–	–	(1,892)
Change in fair value of investment property	–	(7,447)	–	–	–	–	(7,447)
Finance costs	(16,995)	–	–	–	–	–	(16,995)
(Loss) profit before loss arising from associates and taxation	(14,123)	(53,510)	–	(3,197)	182,545	(3,200)	108,515
Share of loss of associates	(19,671)	–	–	19,671	–	–	–
Imparirment loss recognised on interests in an associate	(6,047)	–	–	6,047	–	–	–
	(39,841)	(53,510)	–	22,521	182,545	(3,200)	108,515
Income tax (expenese) credit	(3,426)	40	–	–	–	–	(3,386)
(Loss) profit for the year	(43,267)	(53,470)	–	22,521	182,545	(3,200)	105,129
Other comprehensive income for the year, net of income tax							
Item that will not be reclassified to profit and loss:							
Share of fair value gain of financial assets at FVTOCI of an associate	724	2,029	–	(724)	–	–	2,029
Items that may be reclassified subsequently to profit and loss :							
Exchange differences on transalation of foreign operations	3,637	1,023	–	–	–	–	4,660
Share of exchange difference on transalation of foreign operation of an associate	421	–	–	(421)	–	–	–
	4,782	3,052	–	(1,145)	–	–	6,689
Total comprehensive (expense) income for the year	(38,485)	(50,418)	–	21,376	182,545	(3,200)	111,818
(Loss) profit for the year attributible to							
Owners of the Comapany	(43,050)	(53,470)	–	22,521	182,545	(3,200)	105,346
Non-controlling interests	(217)	–	–	–	–	–	(217)
	(43,267)	(53,470)	–	22,521	182,545	(3,200)	105,129
Total comprehensive (expense) income attributable to							
Owners of the Comapany	(38,268)	(50,418)	–	21,376	182,545	(3,200)	112,035
Non-controlling interests	(217)	–	–	–	–	–	(217)
	(38,485)	(50,418)	–	21,376	182,545	(3,200)	111,818

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

	The Group for the year ended 31 December 2021	CFSG Group for the year ended 31 December 2021	Reclassification	Pro forma adjustments				The Enlarged Group for the year ended 31 December 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (5)	*Note (6)*	*Note (7)*	*Note (8)*	*Note (9)*	*Note (10)*	*Note (11)*	
Operating activities								
(Loss) profit before taxation	(39,841)	(53,510)	–	22,521	182,545	(3,200)	–	108,515
Adjustments for:								
Depreciation of property and equipment	18,020	8,650	6,864	–	–	–	–	33,534
Depreciation of right-of-use assets and related rent concession	161,165	–	(6,864)	–	–	–	–	154,301
Write-down of inventories	5,801	–		–	–	–	–	5,801
Interest expense	16,995	7,447	–	–	–	–	–	24,442
Interest income	(1,984)	(25,811)	–	–	–	–	–	(27,795)
Dividend income	(142)	(1,217)	–	–	–	–	–	(1,359)
Loss on disposal/written-off of property and equipment	1,364	324	–	–	–	–	–	1,688
Loss on fair value changes of financial assets at FVTPL	–	15,073	–	–	–	–	–	15,073
Share-based payments	2,224	–	–	–	–	–	–	2,224
Impairment loss under expected credit loss model, net of reversal	–	1,892	–	–	–	–	–	1,892
Gain on increase in interests in an associate	(3,197)	–	–	3,197	–	–	–	–
Share of loss of associates	19,671	–	–	(19,671)	–	–	–	–
Discount on acquisition and loss on deemed disposal of assciates	–	–	–	–	(182,545)	–	–	(182,545)
Impairment loss recognised on interests in an associate	6,047	–	–	(6,047)	–	–	–	–
Write-off of financial assets and contract assets	–	615	–	–	–	–	–	615
Gain on disposal of investment property	–	(1,563)	–	–	–	–	–	(1,563)
Operating cash flow before movements in working capital	186,123	(48,100)	–	–	–	(3,200)	–	134,823
Decrease in other assets	–	1,378	–	–	–	–	–	1,378
Increase in contract assets	–	(2,419)	–	–	–	–	–	(2,419)
Decrease in inventories	2,779	–	–	–	–	–	–	2,779
(Increase) decrease in accounts receivable	(17,751)	126,443	–	–	–	–	–	108,692
Decrease (increase) in prepayments, deposits and other receivables	19,785	(965)	–	–	–	–	–	18,820
Increase in loans receivable	–	(27,547)	–	–	–	–	–	(27,547)
Increase in financial assets at FVTPL	(4,124)	(32,157)	–	–	–	–	–	(36,281)
Decrease in bank deposits subject to conditions	–	25,231	–	–	–	–	–	25,231
Decrease in bank balances - trust and segregated accounts	–	71,152	–	–	–	–	–	71,152
Decrease in accounts payable	(5,611)	(155,188)	–	–	–	–	–	(160,799)
Decrease in financial liabilities arising from consolidated investment funds	(25,009)	–	–	–	–	–	–	(25,009)
(Decrease) increase in accrued liabilities and other payables	(7,686)	1,379	–	–	–	–	–	(6,307)
Increase in contract liabilities	13,197	–	–	–	–	–	–	13,197
Net cash generated from (used in) operations	161,703	(40,793)	–	–	–	(3,200)	–	117,710
Interest received	–	25,698	–	–	–	–	–	25,698
Dividend received	–	1,217	–	–	–	–	–	1,217
Income taxes paid	(12,042)	–	–	–	–	–	–	(12,042)
Net cash from (used in) operating activities	149,661	(13,878)	–	–	–	(3,200)	–	132,583
Investing activities								
Interest received	291	–	–	–	–	–	–	291
Dividend received	142	–	–	–	–	–	–	142
Placement of pledged bank deposits	(281)	–	–	–	–	–	–	(281)
Withdrawl of pledged bank deposits	19,020	–	–	–	–	–	–	19,020
Repayment of loans receivable	300	–	–	–	–	–	–	300
Purchase of property and equipment	(5,996)	(4,438)	–	–	–	–	–	(10,434)
Payments for rental deposits	(2,089)	(1,030)	–	–	–	–	–	(3,119)
Refund of rental deposits	1,632	–	–	–	–	–	–	1,632
Acquisition of additional interests in an associate	(8,856)	–	–	8,856	–	–	–	–
Repayment from a related company	–	340	–	(340)	–	–	–	–
Net cash inflow on acquisition of subsidiaries	–	–	–	–	–	–	135,345	135,345
Net cash from (used in) investing activities	4,163	(5,128)	–	8,516	–	–	135,345	142,896
Financing activities								
Dividends paid	(20,180)	–	–	–	–	–	–	(20,180)
Proceeds from exercise of share options	–	8,906	–	–	–	–	–	8,906
Drawdown of borrowings	610,620	21,122,210	–	–	–	–	–	21,732,830
Repayment of borrowings	(537,527)	(21,160,014)	–	–	–	–	–	(21,697,541)
Repayment of lease liabilities	(163,729)	(11,209)	–	–	–	–	–	(174,938)
Interest paid on lease liabilities	(10,622)	(751)	–	–	–	–	–	(11,373)
Interest paid on borrowings	(6,198)	(6,407)	–	–	–	–	–	(12,605)
Repayment to an associate	(340)	–	–	340	–	–	–	–
Advances from related parties	–	60,000	–	–	–	–	–	60,000
Net cash (used in) from financing activities	(127,976)	12,735	–	340	–	–	–	(114,901)
Net increase (decrease) in cash and cash equivalents	25,848	(6,271)	–	8,856	–	(3,200)	135,345	160,578
Cash and cash equivalents at beginning of the year	141,246	208,859	–	–	–	–	(208,859)	141,246
Effect of foreign exchange rate changes	180	992	–	–	–	–	–	1,172
Cash and cash equivalents at end of the year	167,274	203,580	–	8,856	–	(3,200)	(73,514)	302,996

Notes:

(5) 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 2021 as set out in the annual report of the Company for the year ended 31 December 2021.

(6) 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 2021 as set out in the annual report of CFSG for the year ended 31 December 2021.

(7) 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 2021.

(8) The adjustment represents the elimination of the gain on increase in interests in an associate of HK$3,197,000, share of loss of associates of HK$19,671,000, impairment loss recognised on interests in an associate of HK$6,047,000, share of fair value loss on financial assets at FVTOCI of an associate of HK$724,000, share of exchange difference on translation of foreign operation of an associate of the Group of HK$421,000 and elimination of cash flows between the Group and CFSG and acquisition of additional interests in an associate during the year ended 31 December 2021 as CFSG and Weever are the subsidiaries of the Group as if the Possible Acquisition was completed on 1 January 2021.

(9) 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 2021 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 2020.

The adjustment represents aggregate effect of the discount on acquisition of HK$311,625,000 and loss on deemed disposal of associates of HK$129,080,000 as follows:

		HK$'000
Discount on acquisition		
Consideration for acquisition of 24,204,000 CFSG Shares	(i)	10,166
Consideration for acquisition of the remaining issued capital of CFSG	(ii)	63,348
Previously held interests in CFSG and Weever as associates, at fair value	(iii)	66,975
Plus: non-controlling interests of Weever	(iv)	1,766
Less: net assets of CFSG	(v)	(453,880)
Discount on acquisition		(311,625)
Loss on deemed disposal of associates		
Carrying amount of associates as at 1 January 2021	(vi)	196,055
Fair value of the Group's previously held equity interests in CFSG and Weever	(iii)	(66,975)
Loss on deemed disposal of associates		129,080

(i) The cash consideration of HK$10,166,000 is determined by acquisition of 7,416,000 CFSG Shares held by the parties acting in concert and 16,788,000 CFSG Shares acquired by the Company from the market during the period from 1 January 2021 to 30 June 2022, both at the Share Offer Price of HK$0.42 per CFSG Share. During the period from 1 January 2021 to 30 June 2022, the Group acquired 16,788,000 CFSG Shares from the market. For the purpose of this unaudited pro forma financial information, it is assumed such shares were acquired together with the CFSG Shares subject to the Share Offer in order to achieve 100% holding of the issued capital of CFSG by the Group.

(ii) The cash consideration of HK$63,348,000 is determined by 150,829,925 CFSG Shares, which represented CFSG Shares subject to Share Offer, at the Share Offer Price of HK$0.42 per CFSG share. After the acquisition of the abovesaid shares of CFSG, the Group would hold 100% of the issued capital of CFSG.

(iii) The fair value of interests in associates consists of: (i) the fair value of CFSG of HK$60,299,000 which was assumed to be based on the 86,140,854 CFSG Shares owned by the Company as at 1 January 2021 and the market price of HK$0.70 per CFSG Share as quoted on The Stock Exchange of Hong Kong Limited as at 1 January 2021; and (ii) the fair value of Weever of HK$6,676,000 as at 31 December 2020, which was assumed to be to the carrying amount of the interests in Weever by the Company as at 31 December 2020.

(iv) Upon the completion of the Possible Acquisition, the Company would own 95% interest in Weever. Non-controlling interest of Weever upon completion of the Possible Acquisition was determined based on the carrying amount of net assets of Weever as at 1 January 2021 with the remaining 5% interest attributable to the non-controlling shareholders of Weever.

(v) The CFSG Group's net assets of HK$453,880,000 as at 1 January 2021 are extracted from the published annual report of CFSG for the year ended 31 December 2020.

(vi) The Group's carrying amount of interests in associates of HK$196,055,000 at 1 January 2021 is extracted from the published annual report of the Company for the year ended 31 December 2020.

(10) This represents the estimated transaction costs of HK$3,200,000 directly attributable to the Possible Acquisition.

(11) The adjustment represents the net cash inflow of the Possible Acquisition as follows:

		HK$'000
Cash and cash equivalents of CFSG as at 1 January 2021	(i)	208,859
Less: consideration for acquisition of 24,204,000 CFSG Shares	(ii)	(10,166)
Less: consideration for acquisition of the remaining issued capital of CFSG	(iii)	(63,348)
Net cash inflow of the Possible Acquisition		135,345

(i) The figure is extracted from the audited consolidated statement of financial position of CFSG Group as at 1 January 2021 as set out in the annual report of CFSG for the year ended 31 December 2020.

(ii) The cash consideration of HK$10,166,000 is determined by acquisition of 7,416,000 CFSG Shares held by the parties acting in concert and 16,788,000 CFSG Shares acquired by the Company from the market during the period from 1 January 2021 to 30 June 2022, both at the Share Offer Price of HK$0.42 per CFSG Share. During the period from 1 January 2021 to 30 June 2022, the Group acquired 16,788,000 CFSG Shares from the market. For the purpose of this unaudited pro forma financial information, it is assumed such shares were acquired together with the CFSG Shares subject to the Share Offer in order to achieve 100% holding of the issued capital of CFSG by the Group.

(iii) The cash consideration of HK$63,348,000 is determined by 150,829,925 CFSG Shares, which represented CFSG Shares subject to Share Offer, at the Share Offer Price of HK$0.42 per CFSG share. After the acquisition of the abovesaid shares of CFSG, the Group would hold 100% of the issued capital of CFSG.

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 2021. 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

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 30 June 2022, 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 2021 and related notes ("Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-8 of the circular issued by the Company dated 22 August 2022 ("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-8 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 30 June 2022 and the Group's financial performance and cash flows for the year ended 31 December 2021 as if the Acquisitions had taken place at 30 June 2022 and 1 January 2021 respectively. As part of this process, information about the Group's financial position as at 30 June 2022 and the Group's financial performance and cash flows for the year ended 31 December 2021 has been extracted by the Directors from the Group's interim result announcement for the six months ended 30 June 2022, on which no review report has been published, and the Group's consolidated financial statements for the year ended 31 December 2021, on which an auditor's report has been published, respectively.

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 (the "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 (the "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 30 June 2022 or 1 January 2021 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
22 August 2022

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 Group. 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 (%)**
Dr Kwan	Beneficial owner and interest in a controlled corporation	598,501	39,599,098 *(Note)*	49.79
Mr Leung Siu Pong James	Beneficial owner	37,642	–	0.05
		636,143	39,599,098	49.84

Note: The Shares were held by Cash Guardian. Dr Kwan 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.

Long positions in the underlying shares of the Company

Name	Date of grant	Exercise period	Exercise price per Share (HK$)	Number of the outstanding options of the Company	Percentage to issued Shares (%)
Dr Kwan	16/7/2021	1/8/2021 -31/7/2023	1.45	800,000	0.99
Mr Li Shing Wai Lewis	16/7/2021	1/8/2021 -31/7/2023	1.45	800,000	0.99
Mr Leung Siu Pong James	16/7/2021	1/8/2021 -31/7/2023	1.45	800,000	0.99
Mr Kwan Teng Hin Jeffrey	16/7/2021	1/8/2021 -31/7/2023	1.45	800,000	0.99
				3,200,000	3.96

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

(i) Long positions in the ordinary share of CFSG

Name	Capacity	Number of CFSG Shares Personal	Number of CFSG Shares Corporate interest	Shareholding (%)
Dr Kwan	Beneficial owner and interest in a controlled corporation	2,472,000	102,928,854 *(Note)*	40.35
Mr Kwan Teng Hin Jeffrey	Beneficial owner	2,472,000	–	0.94
Mr Li Shing Wai Lewis	Beneficial owner	2,472,000	–	0.94
		7,416,000	102,928,854	42.23

Note:

These CFSG 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 as at the Latest Practicable Date, details of which were disclosed in the paragraph headed "Long positions in the Shares" above. Pursuant to the SFO, Dr Kwan was deemed to be interested in all the CFSG Shares held by CIGL in CFSG.

(ii) Long positions in the underlaying shares of CFSG

Name	Date of grant	Exercise period	Exercise price per CFSG Share (HK$)	Number of outstanding CFSG Options	Percentage to issued CFSG Shares (%)
Dr Kwan	29/7/2021	1/8/2021 -31/7/2023	0.572	2,400,000	0.92
Mr Li Shing Wai Lewis	29/7/2021	1/8/2021 -31/7/2023	0.572	2,400,000	0.92
Mr Kwan Teng Hin Jeffrey	29/7/2021	1/8/2021 -31/7/2023	0.572	2,400,000	0.92
				7,200,000	2.76

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 of Shareholders	Capacity	Number of Shares	Approximate percentage of interest (%)
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:

(i) 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. Dr Kwan was a director of Cash Guardian and Hobart Assets Limited. Pursuant to the SFO, Dr Kwan and Hobart Assets Limited were deemed to be interested in the Shares held by Cash Guardian.

(ii) Dr Kwan (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 (approximately 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.

(iii) 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 had entered into any service contract with any member of the Enlarged Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. INTEREST OF DIRECTORS IN THE GROUP'S ASSETS

Since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), save for the Possible Acquisition 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. INTERESTS OF DIRECTORS IN CONTRACTS

Save for the Possible Acquisition 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 AND CLAIMS

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. EXPERT 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 ("**Deloitte**")	Registered Public Interest Entity Auditors

As at the Latest Practicable Date, Deloitte 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 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 2021, 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 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.

10. 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 any member of the Group within two years preceding the Latest Practicable Date:

(1) The renewal offer letter dated 14 September 2021, entered into between Pricerite Home Limited (a subsidiary of the Company, as the tenant) and Shine Fame Holdings Limited (being landlord) or China Resources Logistics (Yuen Fat Wharf & Godown) Limited (being the agent to landlord) in respect of the tenancy of the premises for use as warehouse of retail management business of the Group for a term of two (2) years, seven (7) months and fifteen (15) days commencing from 16 September 2021 and expiring on 30 April 2024 (both days inclusive) at the aggregate consideration payable of approximately HK$13.4 million.

(2) The offer letter dated 29 June 2021, entered into between Pricerite Home Limited (a subsidiary of the Company, as the tenant) and Goodwell-Fortune Property Services Limited (as the agent of the landlord) in respect of the tenancy of the premises for operation of store of retail management business of the Group for a term of 4 years commencing tentatively on 1 April 2022 or such other date to be confirmed by the landlord at the aggregate consideration payable of HK$21,410,000 for the term of 4 years.

(3) The provisional agreement dated 21 April 2021 entered into between Think Right Investments Limited (a wholly-owned subsidiary of CFSG) as vendor (signing by Dr Kwan, in capacity as trustee) and Ms Jin Su (an independent third party and not being a CFSG Shareholder) as purchaser in relation to the sale and purchase of the property situated at Room 1607 (also known as 19A), Residence 8, No.8 Jinan Road, Luwan District (now known as Huangpu District), Shanghai, the People's Republic of China at the consideration of RMB17,600,000 (equivalent to approximately HK$20,768,000).

(4) The irrevocable undertakings and agreements all dated 31 December 2020 made between the CIGL with each of 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 "**Then Vendors**") pursuant to which the Then Vendors have conditionally agreed to sell, and CIGL has conditionally agreed to purchase the aggregate of the then 11,136,000 shares of CFSG to be issued upon exercise of the options of CFSG with exercise price of HK$0.48 granted by CFSG in April 2020.

11. MISCELLANEOUS

(i) The secretary of the Company is Ms Cheung Suet Ping Ada, a member of both The Chartered Governance Institute, United Kingdom and The Hong Kong Chartered Governance Institute. She is also a member of The Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants.

(ii) 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.

(iii) 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(iv) The English language text of this circular shall prevail over the Chinese language in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are on display and are published on the websites of the Stock Exchange (www.hkexnews.com) and the Company (www.cash.com.hk) for a period of 14 days from the date of this circular:

(i) the report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular; and

(ii) the written consent referred to in the paragraph headed “9. Expert and Consent” in this appendix.

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 (the "**SGM**") of Celestial Asia Securities Holdings Limited (the "**Company**") will be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 9 September 2022 (Friday) at 9:30 am for the purpose of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

1. the (i) pre-conditional voluntary cash offer to be made by Celestial Securities Limited ("**Celestial Securities**") for and on behalf of Celestial Investment Group Limited (the "**Offeror**"), a wholly-owned subsidiary of the Company, to the shareholders of CASH Financial Services Group Limited ("**CFSG**") to acquire all the issued share capital of CFSG (the "**CFSG Shares**") (other than those shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) (the "**Share Offer**"); and (ii) voluntary cash offer to be made by Celestial Securities for and on behalf of the Offeror, to the holders of share options granted by CFSG (the "**CFSG Optionholders**") under the share option scheme of CFSG adopted by CFSG on 8 June 2018 (the "**CFSG Options**"), to cancel all the outstanding CFSG Options (other than those already owned by the Offeror and its parties acting in concert) (the "**Option Offer**", and together with the Share Offer, the "**Offers**"), the details of which are set out in the announcement dated 30 June 2022 jointly issued by the Company, the Offeror and CFSG, and the transactions contemplated thereunder, be and are hereby approved and confirmed; and

* *For identification purpose only*

2. 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 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
Ada S P Cheung
Company Secretary

Hong Kong, 22 August 2022

Registered office:	*Head office and principal place of business in Hong Kong:*
Clarendon House	28/F Manhattan Place
2 Church Street	23 Wang Tai Road
Hamilton HM 11	Kowloon Bay
Bermuda	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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 pm on 5 September 2022.

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