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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

時富投資集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

ANNOUNCEMENT

OF

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The audited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the year ended 31 December 2021 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue	(3)	**1,368,066**	1,379,513
Cost of inventories		**(793,738)**	(770,227)
Other income		**13,215**	11,798
Other gains and losses		**13,389**	4,957
Salaries, allowances and related benefits		**(195,732)**	(166,010)
Other operating, administrative and selling expenses		**(234,843)**	(220,628)
Depreciation of property and equipment		**(18,020)**	(19,828)
Depreciation of right-of-use assets and related rent concession		**(149,465)**	(145,379)
Finance costs		**(16,995)**	(23,432)
(Loss) profit before loss arising from associates and taxation		**(14,123)**	50,764
Share of loss of associates		**(19,671)**	(12,016)
(Impairment loss) reversal of impairment loss recognised on interests in an associate		**(6,047)**	7,536
(Loss) profit before taxation		**(39,841)**	46,284
Income tax expense	(5)	**(3,426)**	(5,310)
(Loss) profit for the year		**(43,267)**	40,974

	Note	2021 HK$'000	2020 HK$'000
Other comprehensive income (expense) for the year, net of income tax			
Items that will not be reclassified to profit or loss:			
Share of fair value gain (loss) on financial assets at fair value through other comprehensive income ("FVTOCI") of an associate		**724**	(4,922)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operation		**3,637**	6,742
Share of exchange difference on translation of foreign operation of an associate		**421**	307
		4,782	2,127
Total comprehensive (expense) income for the year		**(38,485)**	43,101
(Loss) profit for the year attributable to:			
Owners of the Company		**(43,050)**	39,985
Non-controlling interests		**(217)**	989
		(43,267)	40,974
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(38,268)**	42,112
Non-controlling interests		**(217)**	989
		(38,485)	43,101
(Loss) earnings per share	(6)		
- Basic (HK cents)		**(53.33)**	65.47
- Diluted (HK cents)		**(53.33)**	65.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December **2021** **HK$'000**	2020 HK$'000
Non-current assets			
Property and equipment		**27,364**	40,090
Right-of-use assets		**187,060**	261,604
Goodwill		**39,443**	39,443
Intangible assets		**43,460**	43,460
Interests in associates		**183,535**	196,055
Rental and utilities deposits		**23,121**	34,853
Deferred tax assets		**5,450**	5,450
		509,433	620,955
Current assets			
Inventories – finished goods held for sale		**65,761**	74,341
Accounts and other receivables	(7)	**192,352**	179,126
Loans receivable		**1,500**	1,800
Tax recoverable		**4,234**	3
Financial assets at fair value through profit or loss (“FVTPL”)		**15,951**	11,495
Pledged bank deposits		**55,458**	74,197
Bank balances (general accounts) and cash		**167,274**	141,246
		502,530	482,208
Current liabilities			
Accounts payable	(8)	**230,923**	236,534
Financial liabilities arising from consolidated investment funds		**5,551**	29,918
Accrued liabilities and other payables		**74,099**	82,279
Contract liabilities		**33,309**	20,112
Amount due to an associate		**1,001**	1,341
Taxation payable		**14,338**	18,723
Lease liabilities		**126,494**	136,009
Borrowings		**195,442**	162,349
		681,157	687,265
Net current liabilities		**(178,627)**	(205,057)
Total assets less current liabilities		**330,806**	415,898

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Capital and reserves		
Share capital	**16,144**	16,144
Reserves	**224,496**	280,720
Equity attributable to owners of the Company	**240,640**	296,864
Non-controlling interests	**(37,946)**	(37,729)
Total equity	**202,694**	259,135
Non-current liabilities		
Deferred tax liabilities	**6,825**	6,825
Lease liabilities	**81,112**	149,938
Borrowings	**40,175**	-
	128,112	156,763
	330,806	415,898

Notes:

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

(2) Application of new and amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group early applied the Amendments to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021", and applied the agenda decision of the IFRS Interpretations Committee ("Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee - Cost necessary to sell inventories (HKAS 2 "Inventories")

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of stock of properties taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories - finished goods held for sale taking into consideration both incremental costs and other cost necessary to sell inventories (i.e. expenses directly attributable to the operation of the retail stores (such as salaries, rates and management fees, utilities expenses and depreciation of property and equipment and right-of-use assets) and other selling and distribution expenses). The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

Impacts on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases ("HKFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of the amendment had no impact to the opening accumulated losses at 1 January 2021. During the year, certain lessors agreed to waive lease payments on several leases beyond 30 June 2021. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulted in a decrease in lease liabilities of HK$11,700,000 which have been recognised as variable lease payments in profit or loss for the current year.

(3) Revenue

Disaggregation of revenue from contracts with customers

	2021	2020
	HK$'000	HK$'000
Types of goods or service		
Sales of furniture and household goods	**1,130,420**	1,149,316
Sales of electrical appliances	**146,629**	157,118
Sales of tailor-made furniture	**84,979**	69,446
Revenue from retailing segment	**1,362,028**	1,375,880
Management fee from asset management services	**6,038**	3,633
	1,368,066	1,379,513
Timing of revenue recognition		
A point in time	**1,283,087**	1,306,434
Over time	**84,979**	73,079
	1,368,066	1,379,513
Geographical market		
Hong Kong	**1,362,028**	1,375,880
The People's Republic of China ("PRC")	**6,038**	3,633
	1,368,066	1,379,513

(4) Segment information

Segment information

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

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

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

Segment revenue and results

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

For the year ended 31 December 2021

	Retailing HK$'000	**Asset Management HK$'000**	**Consolidated HK$'000**
Revenue	**1,362,028**	**6,038**	**1,368,066**
Segment profit	**13,267**	**2,317**	**15,584**
Unallocated other income			**2,149**
Unallocated gain and losses			**577**
Corporate expenses			**(31,684)**
Share of loss of associates			**(19,671)**
Impairment loss on interests in an associate			**(6,047)**
Unallocated finance costs			**(749)**
Loss before taxation			**(39,841)**

For the year ended 31 December 2020

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

All the segment revenue is derived from external customers.

Segment result represents the profit earned/loss incurred by each segment without allocation of certain other income, gain and losses, corporate expenses, share of loss of associates, reversal of impairment loss/impairment loss recognised on interests in an associate and certain finance costs. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2021

	Retailing HK$'000	**Asset Management HK$'000**	**Consolidated HK$'000**
ASSETS			
Segment assets	**664,938**	**63,592**	**728,530**
Unallocated property and equipment			**147**
Unallocated right-of-use assets			**8,307**
Interests in associates			**183,535**
Tax recoverable			**4,234**
Deferred tax assets			**5,450**
Loans receivable			**1,500**
Unallocated financial assets at FVTPL			**7,668**
Unallocated prepayments, deposits and other receivables			**54,232**
Unallocated pledged bank deposits			**416**
Unallocated bank balances and cash			**17,944**
Total assets			**1,011,963**
LIABILITIES			
Segment liabilities	**707,625**	**9,751**	**717,376**
Unallocated accrued liabilities and other payables			**21,005**
Amount due to an associate			**1,001**
Taxation payable			**14,338**
Deferred tax liabilities			**6,825**
Unallocated borrowings			**40,175**
Unallocated lease liabilities			**8,549**
Total liabilities			**809,269**

As at 31 December 2020

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

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

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

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

Other segment information

For the year ended 31 December 2021

	Retailing HK$'000	**Asset Management HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property and equipment	**6,538**	**111**	**6**	**6,655**
Additions of right-of-use assets	**83,773**	**1,450**	**1,263**	**86,486**
Interest income	**1,708**	**190**	**86**	**1,984**
Depreciation of property and equipment	**17,883**	**88**	**49**	**18,020**
Depreciation of right-of-use assets and related rent concession	**139,256**	**768**	**9,441**	**149,465**
Finance costs	**16,197**	**49**	**749**	**16,995**
Net (gain) loss on financial assets/liabilities at FVTPL	**-**	**(23,913)**	**12,878**	**(11,035)**
Write-down on inventories	**5,801**	**-**	**-**	**5,801**
Loss on disposal/write-off of property and equipment	**1,364**	**-**	**-**	**1,364**

For the year ended 31 December 2020

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

Revenue from major products and services

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

	2021	2020
	HK$'000	HK$'000
Sales of furniture and household goods	**1,215,399**	1,218,762
Sales of electrical appliances	**146,629**	157,118
Management fee from asset management services		
- Fixed	**1,677**	1,692
- Variable	**4,361**	1,941
	1,368,066	1,379,513

Geographical information

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

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

	Revenue		**Non-current assets**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,362,028**	1,375,880	**478,846**	577,796
PRC	**6,038**	3,633	**2,016**	2,856
	1,368,066	1,379,513	**480,862**	580,652

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

(5) Income tax expense

	2021	2020
	HK$'000	HK$'000
Current tax:		
- Hong Kong Profits Tax	**3,505**	7,000
- PRC Enterprise Income Tax	**97**	300
Overprovisions in prior years	**(176)**	(1,598)
Deferred tax charge (credit)	**-**	(392)
	3,426	5,310

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Accordingly, the Hong Kong Profits Tax of qualifying entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People' Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

(6) Loss (earnings) per share

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

	2021 **HK$'000**	2020 HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(43,050)**	39,985

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**80,720**	61,075
Effect of dilutive potential ordinary shares:		
Open offer options of the Company	**-**	186
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**80,720**	61,261

The incremental shares from assumed exercise of share options granted by the Company are excluded in calculating the diluted loss per share during the year ended 31 December 2021 because they are antidilutive in calculating the diluted loss per share. There were no outstanding share options for the year ended 31 December 2020.

The effect of assumed exercise of share options granted by an associate of the Company are excluded in calculating the diluted (loss) earnings per share for years of 2021 and 2020 because they are antidilutive in calculating the diluted (loss) earnings per share.

(7) Accounts and other receivables

	2021 HK$'000	2020 HK$'000
Accounts receivable arising from retailing business	**33,150**	15,399
Receivables from securities brokers	**89,399**	116,619
Prepayments	**7,736**	10,497
Rental deposits	**26,988**	17,285
Other deposits	**25,220**	14,088
Other receivables	**9,859**	5,238
	192,352	179,126

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

	2021 HK$'000	2020 HK$'000
0 – 30 days	**8,361**	12,061
31 – 60 days	**4,502**	3,053
61 – 90 days	**4,066**	112
Over 90 days	**16,221**	173
	33,150	15,399

(8) Accounts payable

	2021 **HK$'000**	2020 HK$'000
Trade creditors arising from retailing business	**230,923**	236,534

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

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

	2021 **HK$'000**	2020 HK$'000
0 – 30 days	**127,841**	127,240
31 – 60 days	**75,703**	73,550
61 – 90 days	**21,721**	28,683
Over 90 days	**5,658**	7,061
	230,923	236,534

(9) Capital risk management

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

A subsidiary of the Group is regulated by the Hong Kong Securities and Futures Commission ("SFC") and is required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group's regulated entity is subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management of the Group closely monitors, on a daily basis, the liquid capital level of this entity to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entity has complied with the capital requirements imposed by the SF(FR)R throughout both years.

(10) Event after the reporting period

Outbreak of fifth wave of Covid-19 in Hong Kong

Since early 2022, the outbreak of fifth wave of Covid-19 has spread across Hong Kong. A series of precautionary and control measures have been implemented by the Government of the Hong Kong Special Administrative Region. The supply chain of furniture products for retail management business has been affected by the temporarily delayed due to tighten measures on cross-border Covid-19 test, which caused a drop of customer flow rate in retail stores, the Group recorded a decrease in revenue. As the situation remains fluid as at the date these consolidated financial statements are authorised for issue, the directors of the Company considered that the financial effects of the Covid-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the management will continue to monitor the development of Covid-19 and react actively to its impact on the financial position and operating results of the Group. The actual financial effects, if any, will be reflected in the Group's future financial statements.

DIVIDEND

The Board recommends the payment of a final dividend of 15 HK cents per share in cash for the year ended 31 December 2021 (2020: 25 HK cents) to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 7 June 2022, subject to approval by the shareholders at the forthcoming annual general meeting ("AGM").

The final dividend is intended to be funded through reduction of certain amount standing to the credit of the share premium account of the Company as at 31 December 2021 and the crediting of such amount to the contributed surplus account of the Company in accordance with the provisions of the applicable laws of Bermuda ("Share Premium Reduction"). A special resolution will be proposed at the AGM to approve the Share Premium Reduction. The details of the Share Premium Reduction will be disclosed in the circular to be issued by the Company in due course.

Conditional upon the approval of the proposed Share Premium Reduction as well as the proposed distribution of final dividend by the shareholders at the AGM, it is expected that the final dividend will be paid to the shareholders entitled thereto on or about Tuesday, 21 June 2022.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the AGM

The AGM is scheduled to be held on Tuesday, 31 May 2022. For determining the entitlement to attend and vote at the AGM, the Company's register of members will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Wednesday, 25 May 2022.

Entitlement to receive the proposed final dividend

For determining the entitlement of the shareholders to receive the proposed final dividend, the Company's register of members will be closed on Tuesday, 7 June 2022, on which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Monday, 6 June 2022.

REVIEW AND OUTLOOK

Financial Review

FINANCIAL PERFORMANCE

Facing the challenging global environment, political, economic uncertainties and especially under the landscape of COVID-19 pandemic throughout the year under review, we still managed to weather through the difficulties and maintain revenue similar to previous year. For the year ended 31 December 2021, the Group recorded revenue of HK$1,368.1 million as compared to HK$1,379.5 million in the previous year. After taking into account the impairment loss recognised on interest in an associate of approximately HK$6.0 million, and a share of loss in associate of HK$19.7 million, the Group reported a net loss of HK$43.3 million for the year ended 31 December 2021.

RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

The year under review 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, 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%, we 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, our gross profit margin decreased. In tandem, we 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, our 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.

ALGO TRADING BUSINESS – CAFG

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. Our 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. Our 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.

CFSG – The Group's Associated Company

FINANCIAL SERVICES BUSINESS – CFSG

For the year ended 31 December 2021, CFSG 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. Our earlier efforts to transform our business into a diversified investment and wealth management specialist paid off, as the 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, our 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 China, and fear of tightening monetary policy by the Federal Reserve. The Hang Seng Index 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'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, CFSG's asset management business recorded 62.2% growth in revenue compared with 2020. On the other hand, our other retail clients chose to flee the highly volatile stock markets to avoid suffering huge trading and investment losses. As a result, our brokerage business recorded a drop of 19.2% in commission income for 2021, while our interest income maintained nearly the same as last year's performance. Pursuant to CFSG's continuous effort to contain our operating costs within its cost rationalisation programme - such as streamlining our workforce and reviewing organisational structure - our operating costs had been reduced as compared with last year. For treasury function, CFSG 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, CFSG 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 our response to the pandemic, we have followed business continuity processes from CFSG's board-endorsed COVID-19 Business Continuity Plan. CFSG's Business Continuity Plan places the perseverance of their 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 CFSG's financial results.

Impairment Allowances

Impairment allowance consisted of provision for credit losses on accounts receivables arising from margin financing and loans receivable, CFSG performs impairment assessment on these financial assets under the impairment framework and methodology of expected credit loss ("ECL") model established by CFSG 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 directors of CFSG consider that CFSG'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, CFSG 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 recongnised, where the underlying collaterals were less than the outstanding loan amounts. As at 31 December 2021, CFSG 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 recongnised for a total of HK$42.6 million loan receivables. CFSG adopts a prudent provisioning policy in respect of these margin loans. For credit-impaired accounts receivable from margin clients, the management of CFSG performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by CFSG and subsequent settlement.

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 the year.

Material Acquisitions and Disposals

On 31 December 2020, Celestial Investment Group Limited ("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. Details of the transaction were disclosed in the joint announcement dated 31 December 2020 and the subsequent announcements of the Company and CFSG during the period from 12 January 2021 to 23 June 2021, the circular of the Company dated 23 April 2021 and the composite offer document of CFSG dated 2 June 2021.

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

Capital Commitment

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

Material Investments

The market value of financial assets at FVTPL 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.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Revenue

(HK$'m)	**2021**	2020	% change
Retailing	**1,362.1**	1,375.9	(1.0%)
Asset management	**6.0**	3.6	66.7%
Group total	**1,368.1**	1,379.5	(0.8%)

Key Financial Metrics

	2021	2020	% change
The Group			
Net (loss) profit attributable to shareholders (HK$'m)	**(43.1)**	40.0	(207.8%)
(Loss) earnings per share (HK cents)	**(53.33)**	65.47	(181.5%)
Total assets (HK$'m)	**1,012.0**	1,103.2	(8.3%)
Cash on hand (HK$'m)	**222.7**	215.4	3.4%
Borrowings (HK$'m)	**235.6**	162.3	45.2%
Retailing			
Revenue per sq. ft. (HK$)	**4,402**	4,199	4.8%
Growth for same stores (vs last year)	**(1.3%)**	(2.6%)	N/A
Inventory turnover days	**32.7**	30.8	6.2%

Business Review and Outlook

RETAIL MANAGEMENT BUSINESS – PRICERITE GROUP

Industry Review

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 2021 year-end, cautiously optimistic signals indicated gradual recovery, albeit from a low base. Hong Kong's unemployment rate fell to 3.9% in the fourth quarter, dipping encouragingly from 4.1% in the three months ending November. Unemployment fell most notably in the construction, retail, accommodation & food services, and education sectors. Full year GDP growth meanwhile increased to 6.4% in 2021, sharply recovering from an unprecedented 6.1% contraction in 2020.

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 – with total retail sales increased by 8.1% in value and 6.5% in volume in 2021.

But these figures were still 27.2% below the 2018 pre-pandemic level before tourism came to a standstill and the recession; and the vacancy rate of street shops remained over 10%.

However, 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. With the Hong Kong Retail Management Association direly predicting a further business slump of 20-60%, the sector is under intense pressure to reform and increasingly focused on 'new retail' transformation, enhancing customer experiences for a stay-at-home era.

Business Review

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 our 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, our top-selling MESH series was 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 our 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 our 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, we 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.

Our commitment to developing “New Retail” is further augmented by advancing online and offline capabilities. Upgrading of our mobile app aligns functions with our web and offline services. This represents an important move to integrate our online and offline customer experiences, offering truly omni-channel benefits.

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.

We envisage 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

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.

Among these newly-developed products, SECO Disinfectant Sprays can be used on skin or surfaces of different types of objects – proven by laboratory test for long-lasting safeguard from coronavirus infection for up to 12 hours. With a mild and alcohol free formula, it is also safe and non-irritating to skin – and to support local business, it is made in Hong Kong.

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

In line with growing demand, Pricerite Food's first independent store for premium Asian food opened in Tsuen Wan, bringing a 'one-stop-shop' O2O experience for customers converting to cooking at home.

Leveraging logistics strengths, a partnership with ZEEK enhanced "one-stop delivery" to customers. Together, our ordering, pickup and express delivery services continue to be tailored to meet soaring demand.

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.

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.

ESG Highlights

During the year, our ESG efforts focused on helping underprivileged families to survive pandemic hardships, while protecting the health and safety of colleagues.

Pricerite donations to help grassroots families included air purifiers for a healthier living environment, transparent masks to help the hearing impaired to break communication barriers under government mask-wearing orders, hand sanitisers for students' back-to-school preparation, and also Hong Kong-invented photo-catalyst masks for local students.

Furniture was donated through both Pricerite and TMF to a family living in a subdivided flat, including a bunk-bed, table and bookshelf, together with other household and anti-epidemic items.

In support of Hong Kong athletes, Pricerite Group offered free household and furniture items to all 2020 Tokyo Olympics medal-winners, recognising their outstanding achievements for Hong Kong sport.

Following the government's cancellation of traditional Lunar New Year fairs, Pricerite was the first in Hong Kong to organise the inaugural O2O flower market, offering a platform for farmers to sell CNY flowers.

Enabling our colleagues to continue working under the critical situation, we invested heavily in IT infrastructure and hardware for them to work flexibly at home or in office, with ease of virtual video meetings.

Outlook

Looking ahead into 2022, a new “hybrid-workplace lifestyle” has evolved. Our 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.

Pricerite excels in offering customers unparalleled O2O experiences. This is now being enhanced with faster store delivery on par with distribution centres to continue competing ahead in the market.

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

Pricerite will therefore continue to be cautious with spending in 2022, while remaining proactive in increasing our sales, innovation and marketing efforts, developing long-term strategy for customer relationship management (CRM), and target marketing to remain ahead of a competitive market.

Strategic initiatives enhancing our “New Retail” business model, while adding value and versatility in our supply chain, will continue. With Pricerite Group’s multi-brand strategy and solid foundation in O2O business, we are well positionedto take advantage of post-pandemic economic rebound.

Changing consumer behaviour will make business models of Hong Kong retailers continue to transform drastically in the years ahead – driven largely by broad-based application of digital technologies and the evolving stay-at-home economy – the demarcation between physical and online sales will blur and intertwine; making retailers reconsider the store network strategy.

While ongoing success hinges on the smart balance between technologies and the human touch, Pricerite will relentlessly review investments in the mix between physical and online stores, aiming to provide best services and values to our customers.

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. Our 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 Q4.

The market capitalization 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.

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

CFSG – The Group's Associated Company
FINANCIAL SERVICES BUSINESS – CFSG

Industry Review

The worst economic condition due to the COVID-19 pandemic may have come to pass for Hong Kong and other locations around the world. With the global economic recovery on track, the Hong Kong economy started to recover in the second quarter of 2021. The recovery has been sustained with the economy having expanded by 6.4% in real terms in 2021. Meanwhile, the unemployment rate was down from the cyclical peak of 7.2% in Dec 2020-Feb 2021 to 3.9% in Oct-Dec 2021 and is expected to edge down further should economic activities continue to revive.

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. Some other market stalwarts, such as Chinese banks, insurers and property developers, also had share prices retreated in 2021. The tightened regulatory measures in China called for a revaluation of all technology-related and platform economy Chinese companies.

The average daily turnover in Hong Kong's securities market in 2021 was HK$166.7 billion, up 29% when compared with the HK$129.5 billion in 2020. The funds raised by IPOs in 2021 was HK$328.8 billion, down 17.8% over 2020, while the number of newly listed companies in 2021 was 98, a decrease of 36.4% when compared with the 154 in 2020. The local stock market exhibited considerable volatility in 2021, with the HSI trading in a range of close to 8,500 points. The HSI ended lower by 14.1% to 23,398 at year-end.

Another bout of risk-off sentiment came in December, due to heightened concern over the growth outlook in the face of resurgence in COVID cases with virus variant – Omicron & Delta.

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 shall stay volatile in the coming year.

Business Review

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, the brokerage business of CFSG recorded a 19.2% decline in commission, while our 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. CFSG will continue leveraging the demand for IPO margin financing by promoting the business prudently to further grow our 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. CFSG's Asset under Management (AUM) dropped by 5.4% compared with 2020, as we focused on top blue-chip stocks with visible and promising outlook for our clients.

To diversify and further broaden our 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, the wealth management business of CFSG 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. We have already taken the first-mover advantage to leverage synergy with our long-established offices in China's financial centres Shenzhen and Shanghai and our customer services centers in Guangzhou and Dongguan to capitalise on this golden opportunity in all respects.

In light of the 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 our 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 our 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 our 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, CFSG have completed a major overhaul of our 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 our 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 our front and back office trading systems, a more advanced and consistent trading experience can be reached across our mobile app, download version and web trading portal. Alpha i 2.0 greatly enhances our clients' user experience and further propels us 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 our corporate mission and goals.

In light of vaccines availability upon the launch of a territory-wide COVID-19 Vaccination Programme by the HKSAR Government, CFSG 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 CFSG's view as the vaccination rate goes higher, restrictions can be lifted gradually and eventually a high degree of normalcy can resume.

ESG Highlights

To enable our people and facilitate their work under the critical pandemic situation, we invested in our IT infrastructure and hardware for them to work flexibly at home or in office while having video meetings at ease.

In support of Hong Kong athletes and recognition of their outstanding achievements, CFSG offered a free HK$100,000 wealth management and investment plan to all 2020 Tokyo Olympics medal-winners to help them manage their investments, enabling them to pursue their life goals while meeting their investment and wealth management needs at every stage of their life.

Outlook

Hong Kong was hit by the fifth wave of local epidemic in early 2022, with more stringent anti-pandemic and social distancing measures in response. The COVID-19 situation in Hong Kong has become more worrying. The plan for an orderly reopening of the border could be delayed, should the epidemic situation not be put under control in a timely manner. The prospect remains for a gradually resumption of quarantine-free travel with Mainland China, followed by the reopening of the border with the rest of the world, when a high vaccination rate among the local population is attained.

During the unstable pandemic situation prevalent throughout 2021, CFSG opted to take a conservative approach to preserve its capital strength by adopting cost containment measures, restructuring its back-office and taking a cautious stance in its lending and credit advance services.

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. We have 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 our confidence in the development of the Greater Bay Area 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 New Territories in the second half of 2022 to offer top-notch financial services to our 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. We strive for serving our customers aptly and elevating their Fintech experience.

By raising both CFSG’s brand exposure and new Alpha-i 2.0 mobile trading app awareness, we will continue to kick-start a slew of digital and traditional promotion and marketing campaigns at reasonable costs to expand clientele; and to optimise user experience to attract more investors to open investment accounts through their mobile devices.

The tightening of listing requirements in the US for foreign companies is speeding up the seconding listing of US-listed Chinese companies in the Hong Kong stock market. These listings help attract more fund inflow, while also bringing diversity and vibrancy to Hong Kong’s capital markets, further reinforcing Hong Kong’s role as a fundraising centre. With sustained demand for IPO brokerage business, CFSG will continue to leverage IPO share subscriptions and margin financing to expand our Mainland clientele in order to boost relevant interest income.

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 Fed’s balance sheet, 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 our loan and margin finance business in view of the expected high market volatility and interest rate hikes. We strive 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. We also expect our AUM to further increase along with the launch of our 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, we anticipate 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.

As the brokerage market has been squeezed by cut-throat competition with zero commission fees and ultra-low interest rates, a market consolidation is anticipated ahead. We will look for business prospects there arise and seize the opportunity to further strengthen our presence serving our clients in the GBA.

Riding on CFSG's well-established brand - rooting in Hong Kong for 50 years, award-winning services and unique wealth management products, we are confident that CFSG will emerge as a leading Hong Kong-based technology driven financial services company, specialising in wealth management and investment products in the Greater Bay Area. We strive to deliver personalised and dedicated professional services to our clients with a holistic approach, helping them better plan wealth accumulation, preservation and heritage, while driving CFSG's sales and sustainable growth. We are also committed to fostering a caring corporate culture to unify teamwork - "One Team • One Mission" with shared vision, mission and values by every employee.

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.

Benefits

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

Training

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

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

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code of Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive director and independent non-executive director in respect of the due compliance of the rules and principles relevant to the Model Code. During the financial year ended 31 December 2021, the Company had duly complied with the Principles, the CG Code and the Model Code, except for the deviations with explanation described below:

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

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

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2021 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

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

Hong Kong, 25 March 2022

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

Executive Directors:

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

Independent non-executive Directors:

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

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.

** For identification purpose only*