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CASH FINANCIAL SERVICES GROUP LIMITED

時富金融服務集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

ANNOUNCEMENT

OF

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The audited consolidated results of CASH Financial Services Group Limited (“Company” or “CFSG”) and its subsidiaries (“Group”) for the year ended 31 December 2023 together with the comparative figures for the last corresponding year are as follows:

	Notes	2023 HK\$'000	2022 HK\$'000 (Restated)
Revenue			
Fee and commission income		28,599	54,373
Interest income		29,766	19,285
Total revenue	(3)	58,365	73,658
Other income		9,332	4,456
Other (losses) gains		(629)	27,085
Salaries and related benefits		(41,521)	(63,055)
Commission expenses		(12,289)	(29,794)
Depreciation		(13,261)	(13,098)
Finance costs		(12,366)	(7,925)
Impairment losses under expected credit loss model, net of reversal		(42,906)	(6,950)
Other operating expenses	(5)	(36,862)	(38,230)
Loss before taxation		(92,137)	(53,853)
Income tax expense	(6)	(2,494)	(4,135)
Loss for the year		(94,631)	(57,988)

	Note	2023 HK\$'000	2022 HK\$'000 (Restated)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on financial assets at fair value through other comprehensive income		1,493	(3,351)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(1,757)	(2,332)
Other comprehensive expense for the year		(264)	(5,683)
Total comprehensive expense for the year		(94,895)	(63,671)
(Loss) profit attributable to:			
Owners of the Company		(95,247)	(63,775)
Non-controlling interests		616	5,787
		(94,631)	(57,988)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(94,650)	(68,492)
Non-controlling interests		(245)	4,821
		(94,895)	(63,671)
Loss per share			
– Basic (HK cents)	(7)	(27.00)	(24.42)
– Diluted (HK cents)		(27.00)	(24.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2023 HK\$'000	2022 HK\$'000 (Restated)
Non-current assets			
Property and equipment		20,547	32,298
Intangible assets		4,041	9,092
Club debentures		660	660
Other assets		4,792	5,353
Rental and utility deposits		1,320	1,621
Financial assets at fair value through other comprehensive income ("FVTOCI")		25,821	24,328
Loans receivable		–	859
Financial assets at fair value through profit or loss ("FVTPL")		4,691	4,812
		61,872	79,023
Current assets			
Accounts receivable	(8)	128,766	188,418
Contract assets		2,838	2,755
Loans receivable	(9)	4,288	10,135
Prepayments, deposits and other receivables		134,392	141,044
Financial assets at FVTPL		36,284	33,422
Bank balances – trust and segregated accounts		346,215	482,196
Bank balances (general accounts) and cash		154,443	247,991
		807,226	1,105,961
Current liabilities			
Accounts payable	(10)	376,166	510,925
Accrued liabilities and other payables		33,880	41,876
Taxation payable		3,000	3,000
Bank borrowings		80,111	80,064
Loan from a related party		36,060	66,861
Amount due to a fellow subsidiary		53,772	104,801
Provision for restoration		103	–
Financial liabilities arising from consolidated investment funds		122	5,757
Lease liabilities		10,221	13,621
		593,435	826,905
Net current assets		213,791	279,056
Total assets less current liabilities		275,663	358,079

	2023 HK\$'000	2022 HK\$'000 (Restated)
Non-current liabilities		
Deferred tax liabilities	11,111	8,793
Lease liabilities	7,055	15,977
Provision for restoration	1,630	1,842
	<u>19,796</u>	<u>26,612</u>
Net assets	<u>255,867</u>	<u>331,467</u>
Capital and reserves		
Share capital	17,247	10,447
Reserves	233,949	316,104
	<u>251,196</u>	<u>326,551</u>
Equity attributable to owners of the Company	4,671	4,916
Non-controlling interests	<u>4,671</u>	<u>4,916</u>
Total equity	<u>255,867</u>	<u>331,467</u>

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”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

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

(2) Application of new and amendments to HKFRSs

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

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

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

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

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

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

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Merger accounting for business combination involving a subsidiary under common control

On 19 December 2022, Confident Profits Limited (“CPL”, an indirect wholly-owned subsidiary of CASH) as vendor and the Company as purchaser entered into an agreement, pursuant to which CPL conditionally agreed to sell, and the Company conditionally agreed to acquire, the 51% of the issued shares of CASH Algo Finance Group International Limited (the “Target Company”, a then indirect wholly-owned subsidiary of CASH) at the consideration of HK\$61 million, which would be satisfied as to (i) HK\$10 million in cash and (ii) HK\$51 million by the issue of 120,000,000 new shares in the Company to CIGL, an indirect wholly-owned subsidiary of CASH, at completion (“Acquisition”). According to the agreement, the cash consideration was adjusted based on the net asset value of the Target Company as at 31 January 2023. The Acquisition was completed on 30 May 2023.

The Acquisition was considered as a business combination under common control as the Company and its subsidiaries and the Target Company are both ultimately controlled by Dr Kwan Pak Hoo Bankee. The acquisition of the Target Company was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by HKICPA. The Group and the Target Company are regarded as continuing entities.

Under merger accounting, based on the guideline set out in AG 5, the financial information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. The adjustments to eliminate share/registered capital of the combining entities or businesses against the related investment costs have been made to other reserve in the consolidated statement of changes in equity.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior periods have been restated to include the results of the Target Group as if the Acquisition had been completed since the date the respective business first came under the common control of the Company. The consolidated statement of financial position as at 31 December 2022 have been restated to adjust the carrying amounts of the assets and liabilities of the Target Company which had been in existence as at 31 December 2022 as if those entities or businesses were combined from the date when they first came under the common control of the Company (see below for the financial impacts).

i) **Effects on consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022:**

	The Group (before business combination under common control) HK\$'000	Effects of business combination under common control of the Target Company HK\$'000	Consolidated (Restated) HK\$'000
Revenue			
Fee and commission income	49,926	4,447	54,373
Interest income	18,866	419	19,285
Total revenue	68,792	4,866	73,658
Other income	4,456	–	4,456
Other (losses) gains	(9,694)	36,779	27,085
Salaries and related benefits	(49,333)	(13,722)	(63,055)
Commission expenses	(22,394)	(7,400)	(29,794)
Depreciation	(11,806)	(1,292)	(13,098)
Finance costs	(7,811)	(114)	(7,925)
Impairment losses under expected credit loss model, net of reversal	(6,950)	–	(6,950)
Other operating expenses	(35,058)	(3,172)	(38,230)
(Loss) profit before taxation	(69,798)	15,945	(53,853)
Income tax expense	–	(4,135)	(4,135)
(Loss) profit for the year	(69,798)	11,810	(57,988)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income	(3,351)	–	(3,351)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations	(361)	(1,971)	(2,332)
Other comprehensive expense for the year	(3,712)	(1,971)	(5,683)
Total comprehensive (expense) income for the year	(73,510)	9,839	(63,671)
(Loss) profit attributable to:			
Owners of the Company	(69,798)	6,023	(63,775)
Non-controlling interest	–	5,787	5,787
	(69,798)	11,810	(57,988)

ii) **Effects on the consolidated statement of financial position as at 31 December 2022:**

	The Group (before business combination under common control) HK\$'000	Effects of business combination under common control of the Target Company HK\$'000	Consolidated (Restated) HK\$'000
Non-current assets			
Property and equipment	27,875	4,423	32,298
Intangible assets	9,092	–	9,092
Club debentures	660	–	660
Other assets	5,353	–	5,353
Rental and utility deposits	1,219	402	1,621
Financial assets at fair value through other comprehensive income	24,328	–	24,328
Loans receivable	859	–	859
Financial assets at fair value through profit or loss	4,812	–	4,812
	74,198	4,825	79,023
Current assets			
Accounts receivable	188,418	–	188,418
Contract assets	2,755	–	2,755
Loans receivable	10,135	–	10,135
Prepayments, deposits and other receivables	29,093	111,951	141,044
Financial assets at fair value through profit or loss	22,767	10,655	33,422
Bank balances – trust and segregated accounts	482,196	–	482,196
Bank balances (general accounts) and cash	243,571	4,420	247,991
	978,935	127,026	1,105,961
Current liabilities			
Accounts payable	510,925	–	510,925
Accrued liabilities and other payables	26,714	15,162	41,876
Taxation payable	3,000	–	3,000
Bank borrowings	80,064	–	80,064
Loan from a related party	66,861	–	66,861
Amount due to a fellow subsidiary	–	104,801	104,801
Financial liabilities arising from consolidated investment funds	–	5,757	5,757
Lease liabilities	10,493	3,128	13,621
	698,057	128,848	826,905
Net current assets (liabilities)	280,878	(1,822)	279,056
Total assets less current liabilities	355,076	3,003	358,079

	The Group (before business combination under common control) HK\$'000	Effects of business combination under common control of the Target Company HK\$'000	Consolidated (Restated) HK\$'000
Non-current liabilities			
Deferred tax liabilities	–	8,793	8,793
Lease liabilities	14,376	1,601	15,977
Provision for restoration	1,842	–	1,842
	16,218	10,394	26,612
Net assets (liabilities)	338,858	(7,391)	331,467
Capital and reserves			
Share capital	10,447	–	10,447
Reserves	319,873	(3,769)	316,104
Equity attributable to owners of the Company	330,320	(3,769)	326,551
Non-controlling interests	8,538	(3,622)	4,916
Total equity	338,858	(7,391)	331,467

iii) Effects on the consolidated statement of financial position as at 1 January 2022:

	The Group (before business combination under common control) HK\$'000	Effects of business combination under common control of the Target Company HK\$'000	Consolidated (Restated) HK\$'000
Non-current assets			
Property and equipment	22,930	2,783	25,713
Intangible assets	9,092	–	9,092
Club debentures	660	–	660
Other assets	6,857	–	6,857
Rental and utility deposits	1,913	148	2,061
Financial assets at fair value through other comprehensive income	27,679	–	27,679
Loans receivable	1,516	–	1,516
Financial assets at fair value through profit or loss	5,534	–	5,534
	76,181	2,931	79,112
Current assets			
Accounts receivable	182,150	–	182,150
Contract assets	4,813	–	4,813
Loans receivable	38,681	–	38,681
Prepayments, deposits and other receivables	28,792	97,887	126,679
Financial assets at fair value through profit or loss	99,408	8,283	107,691
Amounts due from fellow subsidiaries	1,001	236,236	237,237
Bank balances – trust and segregated accounts	660,971	–	660,971
Bank balances (general accounts) and cash	203,580	5,734	209,314
	1,219,396	348,140	1,567,536
Current liabilities			
Accounts payable	701,088	–	701,088
Accrued liabilities and other payables	24,932	4,404	29,336
Taxation payable	3,000	–	3,000
Bank borrowings	73,026	–	73,026
Amount due to fellow subsidiaries	–	515,650	515,650
Financial liabilities arising from consolidated investment funds	–	5,551	5,551
Provision for restoration	1,035	–	1,035
Lease liabilities	11,220	2,824	14,044
	814,301	528,429	1,342,730
Net current assets (liabilities)	405,095	(180,289)	224,806
Total assets less current liabilities	481,276	(177,358)	303,918

	The Group (before business combination under common control) HK\$'000	Effects of business combination under common control of the Target Company HK\$'000	Consolidated (Restated) HK\$'000
Non-current liabilities			
Loan from a related party	60,263	–	60,263
Deferred tax liabilities	–	4,658	4,658
Lease liabilities	7,838	214	8,052
Provision for restoration	807	–	807
	<u>68,908</u>	<u>4,872</u>	<u>73,780</u>
Net assets (liabilities)	<u>412,368</u>	<u>(182,230)</u>	<u>230,138</u>
Capital and reserves			
Share capital	104,470	–	104,470
Reserves	299,360	(92,937)	206,423
	<u>403,830</u>	<u>(92,937)</u>	<u>310,893</u>
Equity attributable to owners of the Company	403,830	(92,937)	310,893
Non-controlling interests	8,538	(89,293)	(80,755)
	<u>412,368</u>	<u>(182,230)</u>	<u>230,138</u>

- iv) **The effects of the restatement on the Group's basic and diluted loss per share for the year ended 31 December 2022 is as follows:**

	For the year ended 31 December 2022
Basic and diluted loss per share (HK cents)	
Originally stated	(26.72)
Adjustments arising from business combination under common control	<u>2.3</u>
Restated	<u>(24.42)</u>

- v) The effects of the restatement on the Group's cash flows for the year ended 31 December 2022 are summarised as follows:

	The Group (before business combination under common control) HK\$'000	Effects of business combination under common control of the Target Company HK\$'000	Consolidated (Restated) HK\$'000
Operating activities			
(Loss) profit before taxation	(69,798)	15,945	(53,853)
Adjustment for:			
Depreciation of property and equipment	11,806	1,292	13,098
Interest expense	7,811	114	7,925
Interest income	(18,985)	(419)	(19,404)
Dividend income	(6,773)	–	(6,773)
Gain on fair value changes of financial assets at fair value through profit or loss	(16,715)	(13,737)	(30,452)
Loss on disposal of property and equipment	11	–	11
Impairment losses under expected credit loss model, net of reversal	6,950	–	6,950
Write-off of financial assets and contract assets	63	–	63
Operating cash flows before movements in working capital	(85,630)	3,195	(82,435)
Decrease in other assets	1,504	–	1,504
Decrease in contract assets	1,995	–	1,995
Increase in accounts receivable	(13,808)	–	(13,808)
Decrease in loans receivable	29,793	–	29,793
Decrease (increase) in prepayments, deposits and other receivables	321	(48,930)	(48,609)
Decrease in financial assets at fair value through profit or loss	94,078	11,365	105,443
Decrease in bank balances – trust and segregated accounts	178,775	–	178,775
Decrease in accounts payable	(190,163)	–	(190,163)
Increase in accrued liabilities and other payables	1,789	10,759	12,548
Increase in financial liabilities arising from consolidated investment funds	–	206	206
Cash from (used in) operations	18,654	(23,405)	(4,751)
Interest received	18,866	419	19,285
Dividend received	6,773	–	6,773
Net cash generated from (used in) operating activities	44,293	(22,986)	21,307

	The Group (before business combination under common control) HK\$'000	Effects of business combination under common control of the Target Company HK\$'000	Consolidated (Restated) HK\$'000
Investing activities			
Purchase of property and equipment	(1,511)	(178)	(1,689)
Repayment from a related company	1,001	–	1,001
Net cash used in investing activities	(510)	(178)	(688)
Financing activities			
Repayments of lease liabilities	(9,240)	(1,946)	(11,186)
Advances from bank borrowings	45,000	–	45,000
Repayment of bank borrowings	(38,000)	–	(38,000)
Advances from related party	66,000	–	66,000
Repayments to related party	(60,000)	–	(60,000)
Interest paid on lease liabilities	(1,003)	(114)	(1,117)
Interest paid on bank borrowings	(2,772)	–	(2,772)
Interest paid on loan from a related party	(3,400)	–	(3,400)
Advance from a fellow subsidiary	–	23,772	23,772
Contribution from third party investors to consolidated investment funds	813	–	813
Redemption from third party investors of consolidated investment funds	(820)	–	(820)
Net cash (used in) from financing activities	(3,422)	21,712	18,290
Net increase (decrease) in cash and cash equivalents	40,361	(1,452)	38,909
Cash and cash equivalents at beginning of year	203,580	5,734	209,314
Effect of foreign exchange rate changes	(370)	138	(232)
Cash and cash equivalents at end of year	243,571	4,420	247,991

(3) Total revenue

Disaggregation of revenue from contracts with customers

	2023 HK\$'000	2022 HK\$'000 (Restated)
Type of services		
Broking services	14,065	25,762
Wealth management services	6,722	20,225
Investment management services	4,545	4,447
Handling and other services	3,267	3,939
Total	28,599	54,373

Interest income

	2023 HK\$'000	2022 HK\$'000 (Restated)
Interest income arising from financial assets at amortised cost	29,766	19,285

Fee and commission income of HK\$24,054,000 (2022: HK\$49,926,000) and interest income of HK\$28,104,000 (2022: HK\$18,866,000) are presented as financial services segment revenue; fee and commission income of HK\$4,545,000 (2022: HK\$4,447,000) and interest income of HK\$1,662,000 (2022: HK\$419,000) is presented as investment management segment revenue in the segment information in note 4.

(4) Segment information

The Group is principally engaged in the following activities:

- 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;
- proprietary trading of equity securities and derivatives;
- provision of margin financing and money lending services; and
- provision of investment management services.

Reportable and operating segment

Following the business combination under common control, the Chief Executive Officer of the Company, being the chief operating decision maker (“CODM”), reconsiders and reviews the income from financial services (including broking and wealth management services and proprietary trading activities), and investment management services for the purposes of resource allocation and performance assessment. This is the measure reported to the CODM for the purpose of resource allocation and assessment of performance.

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment loss represents the loss incurred by the segment before certain net foreign exchange gain (loss) and unallocated corporate expenses.

Right-of-use assets and lease liabilities are not allocated to segments for the measurement of segment assets and liabilities while depreciation and impairment losses of right-of-use assets and finance cost for lease liabilities are included in segment results.

For the year ended 31 December 2023

	Financial services HK\$'000	Investment management HK\$'000	Total HK\$'000
Revenue	52,136	6,229	58,365
RESULT Segment (loss)/gain	(90,638)	3,751	(86,887)
Net foreign exchange gain			706
Unallocated expense			(5,956)
Loss before taxation			(92,137)

For the year ended 31 December 2022 (Restated)

	Financial services HK\$'000	Investment management HK\$'000	Total HK\$'000
Revenue	68,792	4,866	73,658
RESULT Segment (loss)/gain	(63,125)	15,945	(47,180)
Net foreign exchange loss			(2,399)
Unallocated expense			(4,274)
Loss before taxation			(53,853)

All the segment revenue is derived from external customers.

Segment assets and liabilities

All assets are allocated to the operating segments other than right-of-use assets included in property and equipment, financial assets at FVTOCI, certain financial assets at FVTPL, and certain property and equipment, other receivables and cash. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All liabilities are allocated to the operating segments other than lease liabilities, amount due to a fellow subsidiary, loan from a related party, provision for restoration and taxation payable. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

As at 31 December 2023

	Financial services HK\$'000	Investment management HK\$'000	Total HK\$'000
ASSETS			
Segment assets	677,725	135,602	813,327
Property and equipment			16,518
Financial assets at FVTOCI			25,821
Financial assets at FVTPL			4,691
Other unallocated assets			8,741
Consolidated total assets			869,098
LIABILITIES			
Segment liabilities	479,233	25,117	504,350
Lease liabilities			14,316
Amount due to a fellow subsidiary			53,772
Taxation payable			3,000
Loan from a related party			36,060
Provision for restoration			1,733
Consolidated total liabilities			613,231

As at 31 December 2022 (Restated)

	Financial services HK\$'000	Investment management HK\$'000	Total HK\$'000
ASSETS			
Segment assets	972,675	127,643	1,100,318
Property and equipment			24,728
Financial assets at FVTOCI			24,328
Financial assets at FVTPL			4,812
Other unallocated assets			30,798
Consolidated total assets			1,184,984
LIABILITIES			
Segment liabilities	617,703	34,441	652,144
Lease liabilities			24,869
Amount due to a fellow subsidiary			104,801
Taxation payable			3,000
Loan from a related party			66,861
Provision for restoration			1,842
Consolidated total liabilities			853,517

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

	Revenue from external customers		Non-current assets	
	2023 HK\$'000	2022 HK\$'000 (Restated)	2023 HK\$'000	2022 HK\$'000 (Restated)
Hong Kong (Place of domicile)	53,819	69,211	25,712	42,110
PRC	4,546	4,447	4,328	5,293
Total	58,365	73,658	30,040	47,403

There were no customers for the years ended 31 December 2023 and 2022 contributing over 10% of the Group's total revenue.

(5) Other operating expenses

	2023 HK\$'000	2022 HK\$'000 (Restated)
Handling expenses:		
– dealing in securities	1,758	2,223
– dealing in futures and options	355	466
Advertising and promotion expenses	1,733	3,223
Telecommunications expenses	9,433	9,674
Auditor's remuneration	2,570	2,520
Legal and professional fees	5,996	3,834
Printing and stationery expenses	1,293	1,621
Repair and maintenance expenses	1,499	1,506
Travelling and transportation expenses	553	368
Water and electricity expenses	873	767
Office management fee and rates	1,185	3,208
Others	9,614	8,820
	36,862	38,230

(6) Income tax expense

	2023 HK\$'000	2022 HK\$'000 (Restated)
Current tax:		
– Hong Kong	–	–
– PRC	–	–
Deferred tax	2,494	4,135
	2,494	4,135

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

(7) Loss per share

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

	2023	2022
	HK\$'000	HK\$'000 (Restated)
<hr/>		
Loss		
Loss for the purposes of basic and diluted loss per share	(95,247)	(63,775)
	<hr/> <hr/>	<hr/> <hr/>
	2023	2022
<hr/>		
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	352,736,423	261,174,779
	<hr/> <hr/>	<hr/> <hr/>

For the years ended 31 December 2023 and 2022, the computation of diluted loss per share has not taken into account the effects of share options which are anti-dilutive.

(8) Accounts receivable

	Notes	2023 HK\$'000	2022 HK\$'000 (Restated)
Accounts receivable arising from the business of dealing in securities:			
Clearing houses, brokers and dealers	(a)	34,599	39,677
Cash clients		2,579	8,530
		37,178	48,207
Accounts receivable arising from the business of margin financing			
Less: allowance for impairment	(a)	127,276	128,182
		(54,739)	(11,456)
		72,537	116,726
Accounts receivable arising from the business of dealing in futures and options:			
Cash clients	(a)	184	184
Clearing houses, brokers and dealers		18,867	23,301
		19,051	23,485
		128,766	188,418

- (a) Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clients, brokers, dealers and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business in margin financing.

(9) Loans receivable

	2023 HK\$'000	2022 HK\$'000 (Restated)
Revolving loans receivable denominated in:		
Hong Kong dollars	5,351	7,767
Renminbi	–	4,667
United State dollars	367	367
Less: allowance for impairment	(1,430)	(1,807)
	<u>4,288</u>	<u>10,994</u>

As at 31 December 2023, loans receivable have contractual interest rates ranging from 10% to 10.5% per annum (2022: from 3% to 10% per annum). Included in the carrying amount of loans receivable as at 31 December 2023, HK\$312,000 (2022: HK\$Nil) and HK\$624,000 (2022: HK\$2,335,000) which are loans to one (2022: nil) directors and two (2022: one) senior management respectively, of the Group.

The carrying amount of the loans receivable has remaining contractual maturity dates as follows:

	2023 HK\$'000	2022 HK\$'000 (Restated)
On demand or within one year	4,288	10,135
In more than two years but not more than three years	–	859
	<u>4,288</u>	<u>10,994</u>

(10) Accounts payable

	2023	2022
	HK\$'000	HK\$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses and brokers	–	1,561
Cash clients	277,002	396,620
Margin clients	66,830	66,300
Accounts payable to clients arising from the business of dealing in futures and options	31,815	45,699
Accounts payable arising from the business of wealth management	–	226
Accounts payable to independent financial advisors arising from the business of wealth management services	519	519
	376,166	510,925

The settlement terms of accounts payable from the business of dealing in securities are two days after trade date, and accounts payable arising from the business of dealing in futures and options are one day after trade date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures and options position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

Accounts payable to independent financial advisors arising from business of wealth management services are generally settled within 30 days upon receipt of payments from product issuers/clients.

Except for the accounts payable to clients arising from the business of dealing in securities which bear interest at a fixed rate, all other accounts payable are non-interest bearing.

Accounts payable amounting to HK\$346,215,000 (2022: HK\$482,196,000) are payable to external clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

(11) 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 debt, which includes the bank borrowings, loan from a related party and lease liabilities, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves. The management 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 and share options as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: nil).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2023, the Group recorded revenue of approximately HK\$58.4 million, representing a decrease of 20.8% compared with HK\$73.7 million last year. The Group's main revenue comprised of broking income of approximately HK\$14.1 million (2022: HK\$25.8 million), provision of wealth management services of approximately HK\$6.7 million (2022: HK\$20.2 million), approximately HK\$4.5 million (2022: HK\$4.4 million) from investment management services, and approximately HK\$3.3 million (2022: HK\$3.9 million) from handling and other services.

During the year, the decrease of approximately 45.4% or HK\$11.7 million from broking income was due to bearish investing sentiment as reflected by a sizeable decrement of 15.9% in average daily turnover of Hong Kong's securities market (2023: HK\$105.0 billion; 2022: HK\$124.9 billion). To align with the strategic objective, the Group is actively evaluating the consolidation of its brokerage business into value-added offerings while transforming into a wealth management specialist in the GBA. As a result of our strategic shift from our previously focus on East Asia to the GBA, we have experienced a temporary but noticeable decrease of approximately 66.8% or HK\$13.5 million in wealth management income during the year (2023: HK\$6.7 million; 2022: HK\$20.2 million). Despite this, we manage to establish and expand our sales force within the GBA. We are confident that our wealth management business will not only remain robust but also significantly contribute to our overall revenue growth in the second half of 2024.

The geopolitical conflicts and high global interest rates have introduced uncertainty and increased volatility in the financial markets. Despite these challenging conditions, our proprietary trading portfolios have successfully capitalized on the market's volatility, particularly in the energy and precious metals sectors, as well as the momentum in interest rates. This strategic approach has enabled us to achieve double-digit returns and significantly outperform our market peers by a large margin. Our investment management business remained stable and reported revenue of HK\$4.5 million (2022: HK\$4.4 million).

Capitalising on the increasing interest rates, the Group recorded an increase of approximately 54.3% or HK\$10.5 million in interest income (2023: HK\$29.8 million; 2022: HK\$19.3 million) and 57.0% or HK\$4.5 million in finance cost (2023: HK\$12.4 million; 2022: HK\$7.9 million) respectively. In order to optimise its return, the Group actively reallocated its idle cash to term deposits during the year.

On the other hand, salaries and related benefits decreased by 34.2% (2023: HK\$41.5 million; 2022: HK\$63.1 million). These decreases were mainly attributable to the implementation of cost rationalisation and operational streamlining measures during the year.

Impairment charges were HK\$42.9 million (2022: HK\$7.0 million, increasing by 512.9% versus 2022), mainly attributable to the declining market prices or valuations of collaterals which led to increase of credit losses.

Overall, the Group recorded a net loss of approximately HK\$95.2 million during the year as compared to a net loss of approximately HK\$63.8 million in 2022.

Impairment Allowances

Impairment allowance mainly consisted of provision for credit losses on accounts receivables arising from margin financing and loans receivables, the Group performs impairment assessment on these financial assets under the impairment framework and methodology of expected credit loss (“ECL”) model established by the Group in accordance with HKFRS 9 “Financial instruments”. To minimise the credit risk on accounts receivables arising from margin financing and loans receivable, the Credit and Risk Management Committee is responsible for reviewing credit and risk management policies, approving credit limits and to determining any debt recovery actions on delinquent receivables. The assessment is based on close monitoring, evaluation of collectability and on management’s judgement, including but not limited to ageing analysis of receivables, the current creditworthiness, account executives concentration analysis, collateral distribution and concentration analysis and the past collection history of each client, and consideration of forward looking factors. In this regard, the directors of the Company consider that the Group’s credit risk is maintained at an acceptable level. The accounts receivables arising from margin financing are collateralised by pledged shares of margin clients. As at 31 December 2023, the Group had concentration of credit risk on the accounts receivables from margin clients as the aggregate balances with the three largest clients represent approximately 54.8% (2022: 57.7%) of total accounts receivables. During the year, margin financing with the total gross carrying amount of approximately HK\$81.9 million as at 31 December 2023 (2022: HK\$58.1 million) was assessed as credit-impaired state mainly due to further decline in the market price of listed securities pledged as collateral in the year and failure of the margin borrowers to fully make up the margin shortfall by providing additional collaterals or repayment. Additional impairment provision with a total amount of approximately HK\$43.3 million (2022: HK\$7.7 million) was made for the year. For credit-impaired accounts receivable from margin clients, management performs individual assessment for each client by considering various factors, including the realisable value of securities or collateral from clients which are held by the Group and subsequent settlement actions.

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

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

Liquidity and Financial Resources

The Group's total equity amounted to HK\$255.9 million as at 31 December 2023 compared to HK\$331.5 million as at 31 December 2022. The decrease in the total equity was mainly due to the net effect of the reported loss during the year. As at 31 December 2023, the Group had total outstanding borrowings of approximately HK\$116.2 million, of which approximately HK\$80.1 million were solely bank loans collateralised by clients' pledged securities to the Group and HK\$36.1 million unsecured loan from a related party. All of the 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 2023, our cash and bank balances including the trust and segregated accounts had decreased to HK\$500.7 million from HK\$730.2 million as at 31 December 2022. The decline was mainly due to brokerage clients maintaining less cash with the Group due to the volatile and bearish securities market during the year. The 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\$134.7 million and HK\$19.7 million at 31 December 2023 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 2023 increased to 1.36 times from 1.34 times as at 31 December 2022. The gearing ratio as at 31 December 2023, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 45.4% from 44.3% as at 31 December 2022. The increase in gearing ratio during the year was mainly due to the decline in total equity from the net effect of the reported loss. 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 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 Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches at the end of the year.

Material Acquisitions and Disposals

On 19 December 2022, Confident Profits Limited ("CPL", an indirect wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH", the holding company of the Company)), as vendor and the Company as purchaser entered into an agreement, pursuant to which CPL conditionally agreed to sell, and the Company conditionally agreed to acquire, the 51% of the issued shares of CASH Algo Finance Group International Limited (the then indirect wholly-owned subsidiary of CASH) at the consideration of HK\$61 million, which would be satisfied as to (i) HK\$10 million in cash and (ii) HK\$51 million by the issue of 120,000,000 new shares of the Company to Celestial Investment Group Limited ("CIGL"), an indirect wholly-owned subsidiary of CASH, at completion. Following completion taken place on 30 May 2023, the then shareholding of CASH in the Company increased from approximately 60.49% to 72.93% and the Group remained subsidiaries of CASH. Details of the transaction were disclosed in the joint announcement of the Company and CASH dated 19 December 2022, the announcements of the Company dated on 12 January 2023, 25 April 2023, 24 May 2023 and the circular of the Company dated 9 May 2023.

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

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

Fund Raising Activities

On 24 July 2023, the Company had contemplated the placing (the "Placing") of a total of up to 50,000,000 new shares to independent placees at HK\$0.42 per placing share. Completion took place on 4 August 2023 and 50,000,000 placing shares, having an aggregate nominal value of HK\$2,000,000, were allotted and issued under the general mandate of the Company to not less than six independent placees at HK\$0.42 per placing share on the same date pursuant to the terms and conditions of the placing agreement dated 24 July 2023. The net placing price per share approximately HK\$0.418 and the closing price per placing share on 24 July 2023, being the date of the placing agreement, was HK\$0.395. The net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$20.9 million. The Company intended to apply all of the net proceeds from the Placing for general working capital of the Group. During the year ended 31 December 2023, the entire net proceeds have been fully used as intended. Details of the Placing were disclosed in the joint announcements of the Company and CASH dated 24 July 2023 and 4 August 2023. Save for the above, the Company did not have any fund raising activity during the year.

Capital Commitments

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

Material Investments

As at 31 December 2023, the market values of a portfolio of investments held for trading amounted to approximately HK\$41.0 million (2022: HK\$38.2 million). A net loss on investments held for trading of HK\$2.0 million (2022: net gain HK\$30.5 million) was recorded for the year. We did not have any future plans for material investments, nor addition of capital assets.

Business Review and Outlook

FINANCIAL SERVICES BUSINESS – CFSG

Market Overview

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

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

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

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

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

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

Business Review

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

Pursuing Platform Excellence

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

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

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

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

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

Expanding Product Offering

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

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

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

Fostering Client Communication

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

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

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

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

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

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

Actively Promoting ESG

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

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

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

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

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

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

Outlook

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

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

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

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

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

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

ALGO TRADING BUSINESS – CAFG

Market Overview

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

Business Review

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

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

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

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

Outlook

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

EMPLOYEE INFORMATION

As at 31 December 2023, the Group had 97 employees. Our 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\$41.5 million.

Benefits

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

Training

The Group has implemented various training policies and organised a number of training programmes aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as products knowledge, operational techniques, risk and compliance, customer service, selling techniques, graduate development and also professional regulatory training programmes as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance (“SFO”), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group’s history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee’s concerns; and by removing any potential barriers for job effectiveness and continuous learning.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

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

- (1) Pursuant to code provision C.2.1, the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Dr Kwan, the executive director and Chairman of the Board also acted as chief executive officer ("CEO") of the Company during the underlying year. Dr Kwan is responsible for formulating the strategies and policies of the business development of the Group, providing leadership and overseeing the functioning of the Board. The dual role of Dr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The CEOs of respective business units of the Group assisted Dr Kwan in performing CEO's responsibilities and are responsible for formulating business plans and monitoring the business operation and development of the Group, and report regularly to the Chairman. The balance of power and authorities is also ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. In addition, the 3 INEDs provide independent and impartial opinion on issues to be considered by the Board. The Board is of the opinion that the current Board structure functions effectively.
- (2) Pursuant to code provision C.1.6, generally independent non-executive directors and other non-executive directors should also attend general meetings. Mr Lo Kwok Hung John, the then independent non-executive director of the Company, did not attend the annual general meeting and two special general meetings of the Company, and Mr Cheng Shu Shing Raymond, independent non-executive director of the Company, did not attend a special general meeting of the Company, as they had other engagements.

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

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, 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 the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

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

Hong Kong, 27 March 2024

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

Executive directors:

Dr Kwan Pak Hoo Bankee, *BBS, JP*
Mr Kwan Teng Hin Jeffrey
Mr Cheung Tsz Yui Morton
Ms Wong Sze Kai Angela
Mr Lai Wai Kwong Daryl

Independent non-executive directors:

Mr Cheng Shu Shing Raymond
Mr Lo Ming Chi Charles
Dr Chan Ho Wah Terence

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

* *For identification purpose only*