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CL GROUP (HOLDINGS) LIMITED

昌利（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8098)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of CL Group (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group's total revenue and investment income for the year ended 31 March 2022 was approximately HK\$24.9 million (2021: approximately HK\$52.2 million), representing a decrease of approximately 52.3% from that of the year ended 31 March 2021.
- The Group's loss before tax for the year ended 31 March 2022 amounted to approximately HK\$10.0 million (2021: profit of approximately HK\$19.8 million).
- The Group's loss attributable to the owners of the Company amounted to approximately HK\$8.0 million for the year ended 31 March 2022 (2021: profit of approximately HK\$15.2 million).
- Basic and diluted loss per share for the year ended 31 March 2022 were approximately HK0.36 cents (2021: Basic earnings per share of approximately HK0.69 cent) and approximately HK0.36 cents (2021: Diluted earnings per share of approximately HK0.69 cent) respectively.
- No dividend for the year ended 31 March 2022 was proposed (2021: HK0.5 cent per share).

FINAL RESULTS

The board of Directors (the “Board”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2022 (the “Financial Year”) together with comparative figures for the year ended 31 March 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

| | <i>Notes</i> | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|--------------|----------------------------|---------------------|
| Revenue | 4 | 49,679,533 | 41,129,006 |
| Net (loss) gain on trading of financial assets at fair value through profit or loss (“FVTPL”) | | (1,873,555) | 4,419,851 |
| Net gain on derecognition of debt instruments at fair value through other comprehensive income (“FVTOCI”) | | 200,003 | 85,023 |
| Net change in fair value of financial assets at FVTPL | | (23,107,241) | 6,521,348 |
| Net other income, gains and losses | 5(a) | 138,854 | 928,290 |
| Impairment losses under expected credit loss model, net of reversal | 5(b) | (14,847,870) | (16,075,079) |
| Administrative expenses | | (19,438,099) | (16,717,255) |
| Finance costs | 7 | (788,237) | (483,496) |
| (Loss) profit before tax | 8 | (10,036,612) | 19,807,688 |
| Income tax credit (expenses) | 9 | 2,023,421 | (4,619,087) |
| (Loss) profit for the year attributable to owners | | (8,013,191) | 15,188,601 |

| | <i>Notes</i> | 2022 HK\$ | 2021 HK\$ |
|--|--------------|----------------------------|--------------------------|
| Other comprehensive (expense) income for the year, net of income tax | | | |
| <i>Items that are reclassified or may be reclassified subsequently to profit or loss:</i> | | | |
| Fair value change in debt instruments at FVTOCI | | (13,781,147) | 2,634,957 |
| Reclassification adjustment relating to (loss) gain on derecognition of debt instruments at FVTOCI | | (13,253) | 473,887 |
| Impairment loss on debt instruments at FVTOCI included in profit or loss | | 1,100,007 | — |
| | | <u>(12,694,393)</u> | <u>3,108,844</u> |
| Total comprehensive (expense) income attributable to owners of the Company for the year | | | |
| | | <u>(20,707,584)</u> | <u>18,297,445</u> |
| (Loss) earnings per share | | | |
| — Basic | <i>11</i> | <u>(0.36) cents</u> | <u>0.69 cents</u> |
| — Diluted | <i>11</i> | <u>(0.36) cents</u> | <u>0.69 cents</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

| | <i>Notes</i> | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|--------------|----------------------------|---------------------|
| Non-current assets | | | |
| Plant and equipment | | 320,886 | 196,537 |
| Right-of-use assets | | 5,925,934 | 1,738,691 |
| Other assets | | 1,730,000 | 1,705,000 |
| Loans receivables | 13 | 40,235,140 | 39,731,273 |
| Rental and utility deposits | | 649,689 | — |
| Financial assets at FVTOCI | | 1,711,364 | 13,851,552 |
| Deferred tax assets | | 2,741,853 | 194,719 |
| | | <u>53,314,866</u> | <u>57,417,772</u> |
| Current assets | | | |
| Trade receivables | 12 | 38,541,642 | 49,662,276 |
| Loans receivables | 13 | 81,457,829 | 74,838,161 |
| Other receivables, deposits and prepayments | | 606,918 | 755,113 |
| Financial assets at FVTPL | | 20,612,619 | 50,875,559 |
| Financial assets at FVTOCI | | 1,100,007 | 10,999,015 |
| Tax refundable | | 1,055,642 | — |
| Pledged bank deposit | | 10,000,000 | 10,000,000 |
| Bank balances and cash — trust accounts | | 41,424,227 | 21,831,802 |
| Bank balances and cash — general accounts | | 29,373,093 | 11,001,699 |
| | | <u>224,171,977</u> | <u>229,963,625</u> |
| Current liabilities | | | |
| Trade payables | 14 | 47,049,429 | 23,542,923 |
| Other payables and accruals | 15 | 3,330,497 | 4,219,769 |
| Bank borrowings | 16 | 20,000,000 | 22,000,000 |
| Lease liability — due within one year | | 2,106,370 | 1,819,949 |
| Income tax payables | | 80,872 | 1,550,303 |
| | | <u>72,567,168</u> | <u>53,132,944</u> |
| Net current assets | | <u>151,604,809</u> | <u>176,830,681</u> |
| Total assets less current liabilities | | <u>204,919,675</u> | <u>234,248,453</u> |

| | <i>Notes</i> | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--------------------------------------|--------------|----------------------------|---------------------|
| Non-current liabilities | | | |
| Lease liability — due after one year | | 3,841,480 | — |
| Deferred tax liabilities | | — | 1,462,674 |
| | | <u>3,841,480</u> | <u>1,462,674</u> |
| Net assets | | <u>201,078,195</u> | <u>232,785,779</u> |
| Capital and reserves | | | |
| Share capital | <i>17</i> | 22,000,000 | 22,000,000 |
| Reserves | | 179,078,195 | 210,785,779 |
| | | <u>201,078,195</u> | <u>232,785,779</u> |
| Total equity | | <u>201,078,195</u> | <u>232,785,779</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

| | Share capital HK\$ | Share premium HK\$ | Merger reserve HK\$ | Share options reserve HK\$ | Fair value through other comprehensive income reserve HK\$ | Capital reserve HK\$ | Retained profits HK\$ | Attributable to owners of the Company HK\$ |
|--|--------------------------|--------------------------|---------------------------|-------------------------------------|--|----------------------------|-----------------------------|---|
| At 1 April 2020 | 22,000,000 | 130,931,993 | 32,500,000 | 8,275,000 | (2,251,684) | (112,519) | 45,145,544 | 236,488,334 |
| Profit for the year | — | — | — | — | — | — | 15,188,601 | 15,188,601 |
| Other comprehensive income | — | — | — | — | 3,108,844 | — | — | 3,108,844 |
| Total comprehensive income for the year | — | — | — | — | 3,108,844 | — | 15,188,601 | 18,297,445 |
| Dividend (Note 10) | — | — | — | — | — | — | (22,000,000) | (22,000,000) |
| At 31 March 2021 and 1 April 2021 | 22,000,000 | 130,931,993 | 32,500,000 | 8,275,000 | 857,160 | (112,519) | 38,334,145 | 232,785,779 |
| Loss for the year | — | — | — | — | — | — | (8,013,191) | (8,013,191) |
| Other comprehensive expense | — | — | — | — | (12,694,393) | — | — | (12,694,393) |
| Total comprehensive expense for the year | — | — | — | — | (12,694,393) | — | (8,013,191) | (20,707,584) |
| Dividend (Note 10) | — | — | — | — | — | — | (11,000,000) | (11,000,000) |
| At 31 March 2022 | <u>22,000,000</u> | <u>130,931,993</u> | <u>32,500,000</u> | <u>8,275,000</u> | <u>(11,837,233)</u> | <u>(112,519)</u> | <u>19,320,954</u> | <u>201,078,195</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and its principal place of business is Room 16B, 16/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the provision of securities, futures and options brokering and trading, loan financing services, placing and underwriting services, securities advisory services and investment holding.

The ultimate holding company of the Group is Zillion Profit Limited, a private company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Ms. Au Suet Ming Clarea (“Ms. Au”).

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amended standards adopted by the Group

The Group has applied the following standards and amendments which are first effective for their annual reporting period commencing 1 April 2021.

| | |
|--|--|
| HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS 39 Amendments | Interest Rate Benchmark Reform — Phase 2 |
| HKFRS 16 Amendments | COVID-19-Related Rent Concessions |
| HKFRS 16 Amendments | COVID-19-Related Rent Concessions beyond 30 June 2021 |

The adoption of the amendments to standards did not have any material impact on the consolidated financial statements for the current year or any prior years.

Amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|--|--|
| HKAS 1 Amendments | Classification of Liabilities as Current or Non-current ² |
| HKAS 1 and HKFRS Practice Statement 2 Amendments | Disclosure of Accounting Policies ² |
| HKAS 8 Amendments | Definition of Accounting Estimates ² |
| HKAS 12 Amendments | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ² |
| HKFRS 3, HKAS 16 and HKAS 37 Amendments | Narrow-Scope Amendments ¹ |
| HKFRS 10 and HKAS 28 Amendments | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| HKFRS 17 | Insurance Contracts ² |
| HKFRS 17 Amendments | Amendments to HKFRS 17 ² |
| Revised Accounting Guideline 5 | Merger Accounting for Common Control Combinations ¹ |
| Hong Kong Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ² |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹ |

¹ Effective for accounting periods beginning on or after 1 January 2022

² Effective for accounting periods beginning on or after 1 January 2023

³ Effective date to be determined

The directors of the Company do not anticipate that the application of the amendments in the future will have significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are detailed below.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for those stated otherwise, as explained below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

| | 2022 | 2021 |
|---|--------------------------|--------------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Recognised at a point in time | | |
| Commission and brokerage fees from securities dealing on the Stock Exchange | 8,603,730 | 6,545,721 |
| Placing and underwriting commission | 4,538,864 | 1,964,110 |
| Commission and brokerage fees from dealing in futures contracts | 496,220 | 458,680 |
| Other service income | — | 259 |
| Clearing and settlement fee | 2,749,417 | 1,485,196 |
| Handling service and dividend collection fees | 198,137 | 70,918 |
| Recognised over time | | |
| Income derived from film right | — | 12,349 |
| Other sources income | | |
| Interest income from | | |
| — margin client | 8,086,719 | 6,246,091 |
| — loan client | 20,128,856 | 19,679,716 |
| — cash client | 350,247 | 154,187 |
| — authorised financial institutions | 68,217 | 180,206 |
| — financial assets at FVTPL | 2,584,436 | 1,559,999 |
| — financial assets at FVTOCI | 1,867,807 | 2,749,554 |
| — others | 6,883 | 22,020 |
| | <u>49,679,533</u> | <u>41,129,006</u> |

Notes: Income recognised at “a point in time” and “over time” are revenue arising from HKFRS 15, while interest income are under the scope of HKFRS 9.

5. (a) NET OTHER INCOME, GAINS AND LOSSES

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|----------------------------|---------------------|---------------------|
| Dividend income | 173,139 | 87,931 |
| Net exchange (loss) income | (59,640) | 84,470 |
| Government grants | — | 662,684 |
| Sundry incomes | 25,355 | 93,205 |
| | <u>138,854</u> | <u>928,290</u> |

(b) IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|---------------------|---------------------|
| Impairment loss on trade receivables under ECL model | (5,092,440) | — |
| Impairment loss on loans receivables under ECL model | (13,171,400) | (20,573,668) |
| Impairment loss on debt instruments at FVTOCI under ECL model | (1,100,007) | — |
| Recovery of trade receivables | — | 1,880,039 |
| Recovery of loans receivables | 4,515,977 | 2,618,550 |
| | <u>(14,847,870)</u> | <u>(16,075,079)</u> |

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment revenues and results

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

| | 2022 | | | | | |
|--|--|--|----------------------------------|--|--------------------------------------|-----------------------------|
| | Securities, futures and options brokering and trading <i>HK\$</i> | Placing and underwriting <i>HK\$</i> | Loan financing <i>HK\$</i> | Securities advisory service <i>HK\$</i> | Investment holding <i>HK\$</i> | Consolidated <i>HK\$</i> |
| Segment revenues | | | | | | |
| — Recognised at a point in time | 12,047,504 | 4,538,864 | — | — | — | 16,586,368 |
| — Recognised over time | — | — | — | — | — | — |
| — Other sources income | <u>8,343,907</u> | <u>—</u> | <u>20,280,174</u> | <u>—</u> | <u>4,469,084</u> | <u>33,093,165</u> |
| | <u><u>20,391,411</u></u> | <u><u>4,538,864</u></u> | <u><u>20,280,174</u></u> | <u><u>—</u></u> | <u><u>4,469,084</u></u> | <u><u>49,679,533</u></u> |
| Segment results | <u><u>4,063,401</u></u> | <u><u>4,103,615</u></u> | <u><u>9,521,241</u></u> | <u><u>(188,882)</u></u> | <u><u>(22,100,233)</u></u> | (4,600,858) |
| Net other income, gains and losses | | | | | | (34,285) |
| Unallocated administrative expenses | | | | | | (4,613,232) |
| Finance cost | | | | | | <u>(788,237)</u> |
| Loss before tax | | | | | | (10,036,612) |
| Income tax credit | | | | | | <u>2,023,421</u> |
| Loss for the year | | | | | | <u><u>(8,013,191)</u></u> |

2021

| | Securities, futures and options brokering and trading <i>HK\$</i> | Placing and underwriting <i>HK\$</i> | Loan financing <i>HK\$</i> | Securities advisory service <i>HK\$</i> | Investment holding <i>HK\$</i> | Consolidated <i>HK\$</i> |
|--|--|--|----------------------------------|--|--------------------------------------|-----------------------------|
| Segment revenues | | | | | | |
| — Recognised at a point in time | 8,560,515 | 1,964,110 | — | — | 259 | 10,524,884 |
| — Recognised over time | — | — | — | — | 12,349 | 12,349 |
| — Other sources income | <u>6,539,978</u> | <u>—</u> | <u>19,693,658</u> | <u>—</u> | <u>4,358,137</u> | <u>30,591,773</u> |
| | <u>15,100,493</u> | <u>1,964,110</u> | <u>19,693,658</u> | <u>—</u> | <u>4,370,745</u> | <u>41,129,006</u> |
| Segment results | <u>8,401,288</u> | <u>1,524,850</u> | <u>(302,402)</u> | <u>(190,622)</u> | <u>14,773,882</u> | 24,206,996 |
| Net other income, gains and losses | | | | | | 840,359 |
| Unallocated administrative expenses | | | | | | (4,756,171) |
| Finance cost | | | | | | <u>(483,496)</u> |
| Profit before tax | | | | | | 19,807,688 |
| Income tax expenses | | | | | | <u>(4,619,087)</u> |
| Profit for the year | | | | | | <u>15,188,601</u> |

Revenue reported above represents revenue generated from external customers. There were no inter-segment transactions during the year (2021: HK\$nil).

Segment assets and liabilities

| | 2022 | | | | | | |
|-------------------------|--|--|----------------------------------|--|--------------------------------------|-----------------------------|--|
| | Securities, futures and options brokering and trading <i>HK\$</i> | Placing and underwriting <i>HK\$</i> | Loan financing <i>HK\$</i> | Securities advisory service <i>HK\$</i> | Investment holding <i>HK\$</i> | Consolidated <i>HK\$</i> | |
| Assets | | | | | | | |
| Segment assets | 82,443,614 | — | 122,210,733 | — | 26,918,571 | 231,572,918 | |
| Unallocated assets | | | | | | 45,913,925 | |
| Total assets | | | | | | <u>277,486,843</u> | |
| Liabilities | | | | | | | |
| Segment liabilities | 48,337,788 | — | 240,287 | — | 1,560,600 | 50,138,675 | |
| Unallocated liabilities | | | | | | 26,269,973 | |
| Total liabilities | | | | | | <u>76,408,648</u> | |
| | 2021 | | | | | | |
| | Securities, futures and options brokering and trading <i>HK\$</i> | Placing and underwriting <i>HK\$</i> | Loan financing <i>HK\$</i> | Securities advisory service <i>HK\$</i> | Investment holding <i>HK\$</i> | Consolidated <i>HK\$</i> | |
| Assets | | | | | | | |
| Segment assets | 73,651,752 | — | 114,569,991 | — | 75,755,179 | 263,976,922 | |
| Unallocated assets | | | | | | 23,404,475 | |
| Total assets | | | | | | <u>287,381,397</u> | |
| Liabilities | | | | | | | |
| Segment liabilities | 25,761,727 | — | 426,522 | — | 4,177,741 | 30,365,990 | |
| Unallocated liabilities | | | | | | 24,229,628 | |
| Total liabilities | | | | | | <u>54,595,618</u> | |

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

- all assets are allocated to reportable segments other than part of other receivables, deposits and prepayments, tax refundable, pledged bank deposit and bank balances and cash-general accounts. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to reportable segments other than part of other payables, accruals, bank borrowings, income tax payables and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other information

| | 2022 | | | | | | |
|--|---|-------------------------------------|---------------------------|---|-------------------------------|---------------------|----------------------|
| | Securities, futures and options brokering and trading HK\$ | Placing and underwriting HK\$ | Loan financing HK\$ | Securities advisory service HK\$ | Investment holding HK\$ | Unallocated HK\$ | Consolidated HK\$ |
| Additions to plant and equipment | 23,345 | — | 2,700 | — | 263,100 | — | 289,145 |
| Depreciation of plant and equipment | 151,371 | — | 270 | — | 13,155 | — | 164,796 |
| Depreciation of right-of-use assets | — | — | — | — | — | 2,277,412 | 2,277,412 |
| Impairment loss on loan receivables under ECL model | — | — | 13,171,400 | — | — | — | 13,171,400 |
| Impairment loss on debt instruments at FVTOCI | — | — | — | — | 1,100,007 | — | 1,100,007 |
| Impairment loss on trade receivables under ECL model | 5,092,440 | — | — | — | — | — | 5,092,440 |
| Recovery of loans receivables | — | — | (4,515,977) | — | — | — | (4,515,977) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 2021 | | | | | | |
| | Securities, futures and options brokering and trading HK\$ | Placing and underwriting HK\$ | Loan financing HK\$ | Securities advisory service HK\$ | Investment holding HK\$ | Unallocated HK\$ | Consolidated HK\$ |
| Additions to plant and equipment | 21,937 | — | — | — | — | — | 21,937 |
| Depreciation of plant and equipment | 242,424 | — | — | — | — | — | 242,424 |
| Depreciation of right-of-use assets | — | — | — | — | — | 2,318,255 | 2,318,255 |
| Impairment loss on loan receivables under ECL model | — | — | 20,573,668 | — | — | — | 20,573,668 |
| Recovery of trade receivables | (1,880,039) | — | — | — | — | — | (1,880,039) |
| Recovery of loans receivables | — | — | (2,618,550) | — | — | — | (2,618,550) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Information on major customers

One major customer of the Group accounted for approximately 9.1% (2021: 10.3%) of the total revenue during the year ended 31 March 2022. No other single customer contributed 10% or more to the Group's revenue for both years.

7. FINANCE COSTS

| | 2022 | 2021 |
|---------------------------------------|-----------------------|----------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Interest on bank borrowings | 715,996 | 323,980 |
| Interest on shareholder loan | — | 40,411 |
| Interest expense on lease liabilities | 72,241 | 119,105 |
| | <u>788,237</u> | <u>483,496</u> |

8. (LOSS) PROFIT BEFORE TAX

| | 2022 | 2021 |
|--|-------------------------|------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| (Loss) profit before tax has been arrived at after charging (crediting): | | |
| Staff costs (including Directors' emoluments) | 6,142,692 | 6,200,666 |
| Auditor's remuneration | 650,000 | 630,000 |
| Depreciation of plant and equipment | 164,796 | 242,424 |
| Depreciation of right-of-use assets | 2,277,412 | 2,318,255 |
| | <u>2,277,412</u> | <u>2,318,255</u> |

9. INCOME TAX (CREDIT) EXPENSES

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|---------------------------|-------------------------|
| Hong Kong Profits Tax | | |
| — current year | 1,966,735 | 4,262,411 |
| — under (over)-provision in prior year | 19,652 | (20,000) |
| Deferred tax | | |
| — current year | <u>(4,009,808)</u> | <u>376,676</u> |
| | <u>(2,023,421)</u> | <u>4,619,087</u> |

Under the two-tiered profits tax rates regime, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% (2021: 8.25%) on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% (2021: 16.5%) on the estimated assessable profits above HK\$2,000,000. The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2021: 16.5%).

The tax (credit) expenses for the year can be reconciled to the (loss) profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|---------------------------|-------------------------|
| (Loss) profit before tax | (10,036,612) | 19,807,688 |
| Tax at the domestic income tax rate of 16.5% (2021: 16.5%) | (1,656,041) | 3,268,268 |
| Tax effect of expenses not deductible for tax purpose | 1,087,985 | 2,597,588 |
| Tax effect of income not taxable for tax purpose | (1,280,670) | (793,935) |
| Tax effect of temporary difference not recognised | 435 | — |
| Utilisation of tax losses previously not recognised | — | (227,834) |
| Under (over)-provision in prior year | 19,652 | (20,000) |
| Tax effect of tax loss not recognised | 218 | — |
| Tax effect of tax reduction | (30,000) | (40,000) |
| Tax effect of two-tiered tax rate | <u>(165,000)</u> | <u>(165,000)</u> |
| Tax (credit) expenses for the year | <u>(2,023,421)</u> | <u>4,619,087</u> |

At 31 March 2022, the Group had estimated tax losses of HK\$340,890 (2021: HK\$339,569) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

10. DIVIDEND

| | 2022 | 2021 |
|--|--------------------------|-------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| 2021 Final dividend paid — HK0.5 cent per share (2020 Final dividend paid — HK1.0 cent per share) | <u>11,000,000</u> | <u>22,000,000</u> |

No dividend for the year ended 31 March 2022 was paid or proposed during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: HK\$0.5 cent per share was proposed).

11. (LOSS) EARNINGS PER SHARE

| | 2022 | 2021 |
|--|-----------------------------|----------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| (Loss) profit for the year attributable to owners of the Company | <u>(8,013,191)</u> | <u>15,188,601</u> |
| | 2022 | 2021 |
| Number of ordinary shares for the purposes of basic earnings per share | 2,200,000,000 | 2,200,000,000 |
| Effect of dilutive potential ordinary shares: | | |
| Share options of the Company | <u>—</u> | <u>—</u> |
| Number of ordinary shares for the purposes of diluted earnings per share | <u>2,200,000,000</u> | <u>2,200,000,000</u> |

The calculation of basic (loss) earnings per share is based on the Group's (loss) profit attributable to the owners of the Company of HK\$(8,013,191) (2021: HK\$15,188,601) and the number of ordinary shares of 2,200,000,000 (2021: 2,200,000,000) in issue during the year.

The calculation of diluted (loss) earnings per share for the year ended 31 March 2022 is based on the (loss) profit for the year attributable to owners of the Company of HK\$(8,013,191) (2021: HK\$15,188,601) and the number of 2,200,000,000 (2021: 2,200,000,000) ordinary shares in issue during the year.

The computation of diluted (loss) earnings per share does not assume the exercise of the Group's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares for 2022.

12. TRADE RECEIVABLES

| | 2022 | 2021 |
|--|--------------------------|-------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Trade receivables from the business of dealing in securities: | | |
| — Cash clients | 2,139,392 | 3,946,506 |
| — Margin clients | 34,770,306 | 43,283,860 |
| — Clearing houses and brokers | — | 844,245 |
| Trade receivables from the business of dealing in futures contracts: | | |
| — Clearing houses | 1,631,944 | 1,587,665 |
| | <u>38,541,642</u> | <u>49,662,276</u> |

The settlement terms of trade receivables arising from the business of dealing in securities by cash clients are two days after the trade date and trade receivables arising from the business of dealing in futures contracts is one day after the trade date.

Accounts receivable from cash clients relate to a wide range of customers for whom there was no recent history of default. These receivables are supported by their portfolios of securities. Cash clients are required to place cash deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Based on past experience and current assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Margin clients are required to pledge securities as collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 31 March 2022, margin loans due from margin clients were current and repayable on demand except for HK\$12,850,594 (2021: HK\$nil) which are past due but not impaired and they have been settled subsequently.

The aging analysis of trade receivables based on the trade date/invoice date and net of impairment loss, as at the reporting date is as follow:

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|---|----------------------------|---------------------|
| Margin clients balances: | | |
| No due date | 21,919,712 | 43,283,860 |
| Past due but not impaired (<i>Note</i>) | 12,850,594 | — |
| | <u>34,770,306</u> | <u>43,283,860</u> |
| Cash clients balances: | | |
| Not yet due (within 2 days) | 2,139,392 | 555,059 |
| Past due (<i>Note</i>) | — | 3,391,447 |
| | <u>2,139,392</u> | <u>3,946,506</u> |
| Other balances: | | |
| Not yet due (within 30 days) | 1,631,944 | 2,431,910 |
| Past due | — | — |
| | <u>1,631,944</u> | <u>2,431,910</u> |
| | <u>38,541,642</u> | <u>49,662,276</u> |

Note: All the past due amounts have been settled after year end date.

Provision of impairment loss on trade receivables:

| | 2022 <i>HK\$</i> | 2021 <i>HK\$</i> |
|--|----------------------------|---------------------|
| Margin client balances (before impairment) | <u>51,792,005</u> | <u>55,213,119</u> |
| Impairment loss: | | |
| Balance at beginning of the year | 11,929,259 | 13,809,298 |
| Impairment loss under ECL model for the year | 5,092,440 | — |
| Recovery during the year | — | (1,880,039) |
| Balance at the end of year | <u>17,021,699</u> | <u>11,929,259</u> |
| Margin client balances (after impairment) | <u>34,770,306</u> | <u>43,283,860</u> |

The aging analysis of trade receivables that are past due but not impaired:

| | 2022 | 2021 |
|---------------------------|--------------------------|------------------|
| | HK\$ | HK\$ |
| Cash clients balance: | | |
| Past due but not impaired | | |
| 0–60 days | <u>—</u> | <u>3,391,447</u> |
| Margin clients balance: | | |
| Past due but not impaired | | |
| 61–90 days | <u>12,850,594</u> | <u>—</u> |

Impairment loss under ECL model

An analysis of changes in the corresponding ECL allowances is as follows:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|------------------|------------------|--------------------------|--------------------------|
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| As at 1 April 2020 | 133,904 | 676,135 | 12,999,259 | 13,809,298 |
| Recoveries | <u>(133,904)</u> | <u>(676,135)</u> | <u>(1,070,000)</u> | <u>(1,880,039)</u> |
| As at 31 March 2021 and 1 April 2021 | — | — | 11,929,259 | 11,929,259 |
| Provision for ECL for the year | <u>—</u> | <u>—</u> | <u>5,092,440</u> | <u>5,092,440</u> |
| As at 31 March 2022 | <u>—</u> | <u>—</u> | <u>17,021,699</u> | <u>17,021,699</u> |

To minimise the Group's exposure to credit risk, the management is responsible for the evaluation of the customers' credit ratings, financial background and repayment abilities. Management has set up credit limit for each individual customer, which is subjected to regular review. Any extension of credit beyond the approved limit has to be approved by relevant level of management on an individual basis according to the amount exceeded. The Group has a policy for reviewing impairment of trade receivables which do not have sufficient collateral and those with default or delinquency in interest or principal payment. The assessment is based on an evaluation of the collectability and aging analysis of the accounts and on management's judgement, including current credit-worthiness, collateral's value and past collection history of each customer.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date when credit was initially granted up to the reporting date. The credit risk is considered limited due to the customer base being large and unrelated. The Directors believe that an impairment loss of HK\$5,092,440 (2021: HK\$nil) was necessary for the year.

13. LOANS RECEIVABLES

| | 2022 | 2021 |
|--|---------------------------|--------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Loan advanced and interest receivables | <u>121,692,969</u> | <u>114,569,434</u> |
| | 2022 | 2021 |
| | <i>HK\$</i> | <i>HK\$</i> |
| Analysed as: | | |
| Current | 81,457,829 | 74,838,161 |
| Non-current | <u>40,235,140</u> | <u>39,731,273</u> |
| | <u>121,692,969</u> | <u>114,569,434</u> |

As at 31 March 2022, secured loans with an aggregate amount of HK\$100,813,299 (2021: HK\$90,768,789) were secured by marketable securities listed in Hong Kong, unlisted securities in Hong Kong and first legal or second legal charges in respect of properties or land located in Hong Kong. The fair value of the marketable securities listed in Hong Kong at 31 March 2022 held as collateral was HK\$15,381,680 (2021: HK\$37,758,000), and the Directors of the Group considered that the value of other collaterals are sufficient to guarantee the interests of the Group. The remaining balance amounted to HK\$20,879,670 (2021: HK\$23,800,645) was unsecured.

Loans receivables, both current and non-current portions were measured at amortised cost using the effective interest method, less any impairment losses. In accordance with HKFRS 9, these loans receivables will continue to be measured at amortised cost because the criteria of the Solely Payments of Principal and Interest test have been met.

The effective interest rates of the Group's loans receivables are 8%–30% per annum (2021: 8%–30% per annum).

As at 31 March 2022, included in the loans receivables was a balance of HK\$26,734,067 (2021: HK\$16,942,892) which was past due but not impaired. These loans receivables were either secured by sufficient collateral or settled subsequently.

Provision of impairment loss on loans receivables:

| | Stage 1 <i>HK\$</i> | Stage 2 <i>HK\$</i> | Stage 3 <i>HK\$</i> | Total <i>HK\$</i> |
|---|-------------------------------|-------------------------------|-------------------------------|-----------------------------|
| As at 1 April 2020 | 2,180,572 | 3,224,179 | 948,613 | 6,353,364 |
| Provision for ECL for the year | 111,070 | 12,715,491 | 7,747,107 | 20,573,668 |
| Recoveries | — | (1,768,550) | (850,000) | (2,618,550) |
| Amount written-off | — | — | (98,613) | (98,613) |
| Transfer to stage 2 | <u>(2,180,572)</u> | <u>2,180,572</u> | <u>—</u> | <u>—</u> |
| As at 31 March 2021 and 1 April 2021 | 111,070 | 16,351,692 | 7,747,107 | 24,209,869 |
| Provision for ECL for the year | — | 4,067,654 | 9,103,746 | 13,171,400 |
| Recoveries | — | (4,515,977) | — | (4,515,977) |
| Amount written-off | — | — | — | — |
| Transfer to stage 2 | (91,470) | 91,470 | — | — |
| Transfer to stage 3 | <u>(19,600)</u> | <u>—</u> | <u>19,600</u> | <u>—</u> |
| As at 31 March 2022 | <u>—</u> | <u>15,994,839</u> | <u>16,870,453</u> | <u>32,865,292</u> |

The following significant changes in the gross carrying amounts of loan receivables contributed to the increase in the loss allowance during the year:

- Arising from loans receivables of HK\$4,067,654 in stage 2 and of HK\$9,103,746 in stage 3, resulting in an increase in loss allowance of HK\$13,171,400. During the year, the Group has recorded recoveries of HK\$4,515,977 from stage 2 loans.

To minimise the Group's exposure to credit risk, the management is responsible for the evaluation of the customers' credit ratings, financial background and repayment abilities. Management has set up credit limit for each individual customer, which is subjected to regular review. Any extension of credit beyond the approved limit has to be approved by relevant level of management on an individual basis according to the amount exceeded. The Group has a policy for reviewing impairment of loans receivables which do not have sufficient collateral and those with default or delinquency in interest or principal payment. The assessment is based on an evaluation of the collectability and aging analysis of the accounts and on management's judgement, including current credit-worthiness, collateral's value, past collection history and relevant forward-looking information of each customer.

In determining the recoverability of the loans receivables, the Group considers any change in the credit quality of the loans receivables from the date when credit was initially granted up to the reporting date. The Directors believe that an impairment loss of HK\$13,171,400 (2021: HK\$20,573,668) was necessary for the year.

14. TRADE PAYABLES

| | 2022 | 2021 |
|---|--------------------------|-------------------|
| | HK\$ | HK\$ |
| Trade payables from the business of dealing in securities: | | |
| — Cash clients | 18,955,523 | 14,270,293 |
| — Margin clients | 10,463,617 | 5,961,648 |
| — Clearing houses and brokers | 13,245,766 | — |
| Trade payables from the business of dealing in futures contracts: | | |
| — Margin clients | 4,384,523 | 3,310,982 |
| | <u>47,049,429</u> | <u>23,542,923</u> |

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date, and trade payables arising from the business of dealing in futures contracts are one day after trade date. No aging analysis is disclosed as in the opinion of the Directors, the aging analysis does not give additional value in view of the short period for payment.

Included in the trade payables to cash clients and margin clients attributable to dealing in securities and futures contracts transaction is an amount of HK\$41,424,227 (2021: HK\$21,831,802) representing these clients' undrawn monies/excess deposits placed with the Group. The balances are repayable on demand.

15. OTHER PAYABLES AND ACCRUALS

| | 2022 | 2021 |
|---|-------------------------|-------------------------|
| | <i>HK\$</i> | <i>HK\$</i> |
| Accrued charges | 1,071,963 | 1,117,388 |
| Stamp duty, trading levies and trading fee payables | 630,683 | 1,474,530 |
| Other payables (<i>Note</i>) | 1,627,851 | 1,627,851 |
| | <u>3,330,497</u> | <u>4,219,769</u> |

All accrued expenses and other payables are expected to be settled within one year.

Note: The other payables included HK\$1,500,000 (2021: HK\$1,500,000) of refundable earnest money received from independent third parties.

16. BANK BORROWINGS

| | <i>Notes</i> | 2022 | 2021 |
|-----------------|--------------|--------------------------|--------------------------|
| | | <i>HK\$</i> | <i>HK\$</i> |
| Revolving loans | | | |
| — Secured | <i>(a)</i> | 20,000,000 | 20,000,000 |
| — Unsecured | <i>(b)</i> | — | 2,000,000 |
| | | <u>20,000,000</u> | <u>22,000,000</u> |

Notes:

- (a) Secured revolving loan of HK\$20,000,000 (2021: HK\$20,000,000) carrying interest at the rate of HIBOR plus 2.5% per annum was drawn under the banking facilities of HK\$20,000,000 (2021: HK\$20,000,000). Pledged bank deposits of HK\$5,000,000 (2021: HK\$5,000,000) represents deposits pledged to banks to secure bank facilities granted to the Group.
- (b) Unsecured revolving loan of HK\$nil (2021: HK\$2,000,000 carrying interest at the rate of HIBOR plus 2.75% per annum) was drawn under the aggregated banking facilities of HK\$14,500,000 (2021: HK\$14,500,000). The bank loan was guaranteed by the Company for a subsidiary.

The Company provided a corporate guarantee to support these banking facilities to its subsidiaries.

The banking facilities are subject to the fulfilment of covenants. If the Group was to breach the covenants, the drawn down facility would become payable on demand.

The effective interest rate on the bank loans is equal to the contracted interest rate.

Bank overdraft carries interest at the rate of 0.75% per annum below the bank's HKD Prime Rate and is secured by a bank deposit of HK\$5,000,000 (2021: HK\$5,000,000).

17. SHARE CAPITAL

| | Number of Ordinary shares HK\$0.01 each | <i>HK\$</i> |
|---|--|-------------------|
| Authorised: At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022 | <u>5,000,000,000</u> | <u>50,000,000</u> |
| Issued and fully paid: At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022 | <u>2,200,000,000</u> | <u>22,000,000</u> |

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform with the current year's presentation.

MARKET REVIEW

The financial market faced an uncertain and challenging during the year. The COVID-19 pandemic still affects the economy throughout the year. The outbreak of the fifth wave of the epidemic deeply affects Hong Kong's economy and the unemployment rate increased to 5.0% in January to March 2022. Moreover, the Federal Reserve increased its benchmark interest rate in 2022 and it is anticipated that it will further enrich a few times during the year. The IPO market in Hong Kong slowed down in 2021 and first quarter of 2022 due to the market volatility. The number of new IPO listing in Hong Kong decreased approximately 37.0% in 2021 and approximately 53.1% in the first quarter of 2022. As at 31 March 2022, the Hang Seng Index recorded as 21,996 representing approximately 22.5% decrease as compared with 28,378 as at 31 March 2021.

BUSINESS REVIEW

Revenue

The Group's total revenue and investment income for the year was approximately HK\$24.9 million, as compared with approximately HK\$52.2 million in 2021, representing a decrease by approximately 52.3% or approximately HK\$27.3 million. The breakdown of revenue and investment income by business activities of the Group is set out below:

| | Year ended 31 March 2022 | | Year ended 31 March 2021 | | Increase/ (decrease) |
|--|-----------------------------|--------------|-----------------------------|--------------|-------------------------|
| | HK\$ | % | HK\$ | % | % |
| Revenue | | | | | |
| Commission and brokerage fees from securities dealings on the Stock Exchange | 8,603,730 | 17.3 | 6,545,721 | 15.9 | 31.4 |
| Placing and underwriting commission | 4,538,864 | 9.2 | 1,964,110 | 4.8 | 131.1 |
| Commission and brokerage fees from dealing in futures contracts | 496,220 | 1.0 | 458,680 | 1.1 | 8.2 |
| Other service income | — | 0.0 | 259 | 0.0 | (100.0) |
| Clearing and settlement fee | 2,749,417 | 5.5 | 1,485,196 | 3.6 | 85.1 |
| Handling service and dividend collection fees | 198,137 | 0.4 | 70,918 | 0.2 | 179.4 |
| Interest income from | | | | | |
| — margin clients | 8,086,719 | 16.3 | 6,246,091 | 15.2 | 29.5 |
| — loan clients | 20,128,856 | 40.5 | 19,679,716 | 47.8 | 2.3 |
| — cash clients | 350,247 | 0.7 | 154,187 | 0.4 | 127.2 |
| — authorised financial institutions | 68,217 | 0.1 | 180,206 | 0.4 | (62.1) |
| — financial assets at FVTOCI | 1,867,807 | 3.8 | 2,749,554 | 6.7 | (32.1) |
| — financial assets at FVTPL | 2,584,436 | 5.2 | 1,559,999 | 3.8 | 65.7 |
| — others | 6,883 | 0.0 | 22,020 | 0.1 | (68.8) |
| Income derived from: | | | | | |
| — film right | — | 0.0 | 12,349 | 0.0 | (100.0) |
| | <u>49,679,533</u> | <u>100.0</u> | <u>41,129,006</u> | <u>100.0</u> | <u>20.8</u> |
| Net (loss) gain on trading of financial assets at FVTPL | (1,873,555) | 7.6 | 4,419,851 | 40.1 | (142.4) |
| Net gain on derecognition of debt instruments at FVTOCI | 200,003 | (0.8) | 85,023 | 0.8 | 135.2 |
| Net change in fair value of financial assets at FVTPL | (23,107,241) | 93.2 | 6,521,348 | 59.1 | (454.3) |
| | <u>(24,780,793)</u> | <u>100.0</u> | <u>11,026,222</u> | <u>100.0</u> | <u>(324.7)</u> |
| | <u><u>24,898,740</u></u> | | <u><u>52,155,228</u></u> | | <u>(52.3)</u> |

Securities and Futures Brokerage

Revenue from Securities and Futures Brokerage represent commission and brokerage fee and other fees including interest derived from cash and margin securities or futures accounts and interest from IPO financing.

The commission and brokerage fee from securities dealing increased by approximately 31.4% from approximately HK\$6.5 million for the year ended 31 March 2021 to approximately HK\$8.6 million for the year ended 31 March 2022.

The total value of transactions increased by approximately 75.5% from approximately HK\$57,059.0 million for the year ended 31 March 2021 to approximately HK\$100,149.1 million for the year ended 31 March 2022. The total value of transactions for securities dealings carried out by the Group for the year ended 31 March 2022 increased as compared with the corresponding period of 2021. As a result, income relating to clearing and settlement fees and handling services also increased by approximately 85.1% from approximately HK\$1.5 million for the year ended 31 March 2021 to approximately HK\$2.7 million for the year ended 31 March 2022.

The commission and brokerage fees from dealing in futures contracts increased by approximately 8.2% from approximately HK\$0.4 million for the year ended 31 March 2021 to approximately HK\$0.5 million for the year ended 31 March 2022.

The interest income derived from margin securities accounts for the year ended 31 March 2022 was approximately HK\$8.1 million represents an increase of approximately 29.5% from that of the year ended 31 March 2021 amounting approximately HK\$6.2 million.

Loan and Financing

The Group holds Money Lenders Licence to engage in money lending business for providing loan and financing to customers. During the reporting period, CLC Finance Limited, the Company's wholly-owned subsidiary, provides loan and financing service to customers. The interest income derived from providing loan and finance to customers for the year ended 31 March 2022 was approximately HK\$20.1 million (2021: approximately HK\$19.7 million).

Placing and Underwriting Business

Under normal circumstances, the Group acts as an underwriter or a sub-underwriter or a placing agent or a sub-placing agent on best effort basis for fund-raising activities. It would take the role on underwritten basis only if it received special requests from the issuers and/or their respective placing and underwriting agents.

During the year ended 31 March 2022, the placing and underwriting commission increased by approximately 131.1% from approximately HK\$2.0 million for the year ended 31 March 2021 to approximately HK\$4.5 million for the year ended 31 March 2022.

Investment Holding

The Group maintained a portfolio investments included the holding of listed equity securities, equity linked notes, debt instruments and film right. Due to the market volatility and the group decreased the size of investment portfolio, the value of portfolio of listed equity securities, equity linked notes and debt instruments as at 31 March 2022 portfolio was approximately HK\$22.3 million (2021: approximately HK\$75.7 million). Net loss on trading of financial assets at FVTPL of approximately HK\$1.9 million (2021: net gain of approximately HK\$4.4 million), net loss in fair value of financial assets at FVTPL of approximately HK\$23.1 million (2021: net fair value gain of approximately HK\$6.5 million) and net loss in fair value of financial assets at FVTOCI of approximately HK\$13.8 million (2021: net gain of approximately HK\$2.6 million).

Net other income, gains and losses

Net other income, gains and losses for the year ended 31 March 2022 were approximately HK\$0.1 million (2021: approximately HK\$0.9 million). The decrease in net gains were mainly attributed to no government subsidy was received during the year (2021: approximately HK\$0.7 million).

Impairment losses under expected credit loss model, net of reversal

Recovery of trade receivables and loans receivables under expected credit loss (“ECL”) model for the year ended 31 March 2022 was HK\$ nil and approximately HK\$4.5 million, respectively (2021: approximately HK\$1.9 million and HK\$2.6 million). The reversal of impairment loss of loan receivables due to the Group’s recovery of loan receivables for the year ended 31 March 2022.

The impairment loss on trade receivables and the impairment loss for loans receivables under ECL model were provided for approximately HK\$5.1 million and HK\$13.2 million respectively for the year ended 31 March 2022 (2021: HK\$ nil and approximately HK\$20.6 million respectively). Impairment loss on debt instrument at FVTOCI amounting approximately HK\$1.1 million (2021: HK\$ nil).

Administrative Expenses

Administrative expenses for the year ended 31 March 2022 were approximately HK\$19.4 million (2021: approximately HK\$16.7 million) representing an increase of approximately 16.3%. As the total value of transaction for securities dealing increased for the year ended 31 March 2022, the related expenses such as CCASS charges and the payment of commission increased for the year compared with the corresponding period of 2021. The depreciation of plant and equipment were decreased by approximately 32.0% from approximately HK\$0.2 million for the year ended 31 March 2021 to approximately HK\$0.2 million for the year ended 31 March 2022. Total staff costs were approximately HK\$6.1 million for the year ended 31 March 2022 as compared to approximately HK\$6.2 million for the year ended 31 March 2021. Furthermore, general expenses were under tighter cost control during the year.

Liquidity, Financial Resources and Capital Structure

The Group financed its operations by shareholders' equity and cash generated from operations.

The Group maintained approximately HK\$39.4 million of bank deposit, bank balances and cash in general accounts as at 31 March 2022. This represented an increase of approximately 87.5% as compared with the position as at 31 March 2021 of approximately HK\$21.0 million. Most of the Group's cash and bank balances in general accounts were denominated in HK dollars.

The net current assets of the Group decreased from approximately HK\$176.8 million as at 31 March 2021 to approximately HK\$151.6 million as at 31 March 2022 which represents a decrease of approximately 14.3%. The current ratio of the Group as at 31 March 2022 was approximately 3.1 times (2021: approximately 4.3 times).

As at 31 March 2022, the Group had available banking facilities of HK\$29.5 million which were not utilised (2021: 27.5 million).

The gearing ratio is calculated as total indebtedness divided by total capital. Total indebtedness is total bank borrowings (including current and non-current bank borrowings). Total capital is calculated as "equity", as shown in the consolidated statement of financial position. At the end of the reporting period, the Group's gearing ratio is 9.9% (2020: 9.5%).

Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Charge on Group Assets and Guarantee

As at 31 March 2022, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$10.0 million (2021: HK\$10.0 million) were pledged and corporate guarantee from the Company for securing overdraft and revolving loan facilities amounted to HK\$49.5 million (2021: HK\$49.5 million) issued by the banks to the Group. As at 31 March 2022, HK\$29.5 million of the banking facilities were not utilised (2021: HK\$27.5 million).

Contingent liabilities

As at 31 March 2022, the Group had no material contingent liabilities (2021: nil).

Capital commitments

As at 31 March 2022, the Group had no capital commitments, contracted but not provided for in the consolidated financial statements (2021: nil).

Staff and remuneration policies

The Group believes that staff is our most valuable asset, they are encouraged to pursue excellence at work and career development. We encourage staff to maintain healthy balance between work and life, and communicate with staff to enhance staff morale and their sense of belonging.

Total staff costs (including Directors' emoluments) were approximately HK\$6.1 million for the year ended 31 March 2022 as compared to approximately HK\$6.2 million for the year ended 31 March 2021.

Remuneration is determined based on the individual's qualification, experience, position, job responsibility and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong, share options that may be granted under the share option scheme.

Future plans for material investments or capital assets

As at 31 March 2022, the Group had no plans for material investments or acquisition of capital assets, but will actively pursue opportunities for investments to enhance the profitability of the Group in its ordinary course of business.

Material Acquisitions of subsidiaries and affiliated companies

The Group has not made any material acquisitions and disposal of subsidiaries and associated companies. As at 31 March 2022 and up to the date of this annual report, the Group did not hold any significant investment.

Significant Investment

As at 31 March 2022, there was no significant investment held by the Group.

Foreign exchange exposure

The Group's business is principally conducted in Hong Kong dollars, the Directors consider that potential foreign exchange exposure of the Group is limited.

RISK MANAGEMENT

Credit Risk

Credit risk exposure represents loans to customer, trade receivables from brokers, clients and clearing houses which principally arise from our business activities. The Group has a credit policy in place and the credit risk is monitored on an on-going basis.

For trade receivables from clients, normally clients are required to settle the amount within 2 days (T+2). Responsible officers will regularly review the overdue balance. The credit risk arising from the trade receivables from clients is considered as small.

For trade receivables from margin clients, normally the Group obtains securities and/or cash deposits as collateral for providing margin financing to clients. Receivables from margin clients are repayable on demand. Market conditions and the adequacy of collateral of each margin clients are monitored by responsible officers on a daily basis. Margin calls and forced liquidation are required when necessary.

For trade receivables from brokers and clearing houses, the Group considered that credit risk is low as those brokers and clearing houses are registered with regulatory bodies.

In order to minimise the credit risk of loans receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue loans receivables, if any. In addition, the Group reviews the recoverable amount of each individual loans receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's loans receivables credit risk is significantly reduced.

The Group does not provide any guarantees which would expose the Group to credit risk.

Liquidity Risk

The Group is subject to the statutory liquidity requirements as prescribed by the regulators. The Group has a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with the Securities and Futures (Financial Resources) Rules (Cap.571N of the Laws of Hong Kong).

The Group has maintained stand-by banking facilities to meet any contingency in its operations. The Board believes that the Group's working capital is adequate to meet its long and short term financial obligations.

Foreign Exchange Risk

Certain assets of the Group's business are denominated in foreign currencies which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

OUTLOOK

It is expected that the economy in Hong Kong will remain challenging in 2022. The fifth wave of the epidemic slows down the recovery of the economy in Hong Kong, the up trend of US interest rate and the pandemic of the COVID-19 in China recently may further bring uncertain factor and leads the overall market to be volatile. The Group will leverage the knowledge and experience of our management team to seize opportunities as they arise. The Group will continue to grow its brokerage business and placing and underwriting business by broadening clients base and by strengthening our trading platform. The Group will continue to put efforts on expanding the margin and loan financing business and securities advisory service and on satisfying the needs of our customers.

The Group aims to become a leading financial service group in Hong Kong. The Group will continue looking for any potential business opportunities to bring in new sources of income and to further increase the profitability of the Group.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 March 2022, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry to all the Directors and the Directors have confirmed compliance with this code of conduct throughout the financial year ended 31 March 2022. No incident of non-compliance was noted by the Company during this period.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

Throughout the year ended 31 March 2022, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules, except for the deviation from Code Provision E.1.2 and the deviation from Code Provision A.2.1 as explained below.

Under CG Code Provision E.1.2, the chairman of the Board did not attend the annual general meeting held on 6 August 2021. The Group currently has no chairman, Mr. Kwok Kin Chung, chief executive officer and executive Director, was elected to chair the annual general meeting.

Pursuant to the code provision A.2.1, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The Group currently has no chairman. The daily operation and management of the Group is monitored by CEO and executive Directors.

The Board is of the view that although there is no chairman, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Group. This arrangement can still enable the Group to make and implement decisions promptly, and thus achieve the Group's objectives efficiently and effectively in response to the changing environment.

The Group will, at the appropriate time, arrange for the election of the new chairman of the Board.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

No dividend for the year ended 31 March 2022 was proposed.

The AGM of the Company is scheduled to be held on Friday, 5 August 2022. For determining the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 2 August 2022 to Friday, 5 August 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 1 August 2022.

AUDIT COMMITTEE

The Company set up an audit committee (the “Committee”) on 21 February 2011, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors of the Company, namely Mr. Poon Wing Chuen, Mr. Wang Rongqian and Mr. Song Guangyuan. The audited consolidated results of the Group for the year ended 31 March 2022 have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2022 have been agreed by the Group’s auditor, Confucius International CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Confucius International CPA Limited 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Confucius International CPA Limited on the preliminary announcement.

By Order of the Board
CL Group (Holdings) Limited
Kwok Kin Chung
Executive Director

Hong Kong, 23 June 2022

As at the date of this announcement, the Company’s executive directors are Mr. Kwok Kin Chung (Chief Executive officer), Mr. Lau Kin Hon and Ms. Yu Linda, and the Company’s independent non-executive directors are Mr. Poon Wing Chuen, Mr. Wang Rongqian and Mr. Song Guangyuan.

This announcement will appear on the GEM website (www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.cheonglesec.com.hk.