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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 2020

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 2020 was approximately HK\$42.7 million (2019: approximately HK\$50.3 million), representing a decrease of approximately 15.1% from that of the year ended 31 March 2019.
- The Group's profit before tax for the year ended 31 March 2020 amounted to approximately HK\$24.4 million (2019: approximately HK\$15.6 million).
- The Group's profit attributable to the owners of the Company amounted to approximately HK\$23.5 million for the year ended 31 March 2020 (2019: approximately HK\$12.5 million).
- Basic and diluted earnings per share for the year ended 31 March 2020 were approximately HK1.07 cents (2019: Basis earnings per share of approximately HK0.57 cent) and approximately HK1.07 cents (2019: Diluted earnings per share of approximately HK0.57 cent) respectively.
- The Board proposed a final dividend of HK1.0 cent per share for the financial year ended 31 March 2020 (2019: HK1.0 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 2020 (the “Financial Year”) together with comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK\$	2019 HK\$
Revenue	4	44,412,532	48,141,146
Net gain on trading of financial assets at fair value through profit or loss		445,817	2,134,645
Net change in fair value of financial assets at fair value through profit or loss		(2,153,145)	17,541
Net other income, gains and losses	5(a)	4,836,297	393,129
Impairment losses under expected credit loss model, net of reversal	5(b)	(5,344,712)	(11,104,008)
Administrative expenses		(17,251,531)	(23,813,441)
Finance costs	7	(498,891)	(147,981)
Profit before tax	8	24,446,367	15,621,031
Income tax expenses	9	(932,946)	(3,103,053)
Profit for the year attributable to owners	8	<u>23,513,421</u>	<u>12,517,978</u>
Other comprehensive expense for the year, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change in financial assets at fair value through other comprehensive income		(2,251,684)	—
Total comprehensive income for the year attributable to owners		<u>21,261,737</u>	<u>12,517,978</u>
Earnings per share			
— Basic	11	<u>1.07 cents</u>	<u>0.57 cent</u>
— Diluted	11	<u>1.07 cents</u>	<u>0.57 cent</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK\$	2019 HK\$
Non-current assets			
Plant and equipment		417,024	653,499
Right-of-use assets		4,056,946	—
Other assets		1,730,000	1,730,000
Loans receivables	13	50,143,052	12,178,616
Rental and utility deposits		698,875	698,875
Financial assets at fair value through other comprehensive income		17,688,534	—
		<u>74,734,431</u>	<u>15,260,990</u>
Current assets			
Trade receivables	12	40,888,088	84,605,821
Loans receivables	13	49,026,206	82,257,989
Other receivables, deposits and prepayments		195,430	310,931
Financial assets at fair value through profit or loss		31,544,690	33,481,389
Financial assets at fair value through other comprehensive income		4,901,090	—
Tax refundable		2,389,961	1,969,011
Pledged bank deposit		10,000,000	10,000,000
Bank balances and cash — trust accounts		26,064,434	137,691,268
Bank balances and cash — general accounts		33,136,216	11,011,117
		<u>198,146,115</u>	<u>361,327,526</u>
Asset held-for-sale		—	18,646,588
		<u>198,146,115</u>	<u>379,974,114</u>

		2020	2019
	Notes	HK\$	HK\$
Current liabilities			
Trade payables	14	28,309,706	150,057,423
Other payables and accruals	15	2,990,208	3,066,147
Bank borrowing	16	—	2,000,000
Lease liability — due within one year		2,340,894	—
Income tax payables		40,176	1,280,164
		<u>33,680,984</u>	<u>156,403,734</u>
Net current assets		<u>164,465,131</u>	<u>223,570,380</u>
Total assets less current liabilities		<u>239,199,562</u>	<u>238,831,370</u>
Non-current liability			
Lease liability — due after one year		1,819,949	—
Deferred tax liabilities		891,279	1,569,974
		<u>2,711,228</u>	<u>1,569,974</u>
Net assets		<u><u>236,488,334</u></u>	<u><u>237,261,396</u></u>
Capital and reserves			
Share capital	17	22,000,000	22,000,000
Reserves		<u>214,488,334</u>	<u>215,261,396</u>
Equity attributable to owners of the Company		<u><u>236,488,334</u></u>	<u><u>237,261,396</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	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 2018	22,000,000	130,931,993	32,500,000	8,275,000	—	(112,519)	53,148,944	246,743,418
Profit and total comprehensive income for the year	—	—	—	—	—	—	12,517,978	12,517,978
Dividend	—	—	—	—	—	—	(22,000,000)	(22,000,000)
At 31 March 2019 and 1 April 2019 as previously report	22,000,000	130,931,993	32,500,000	8,275,000	—	(112,519)	43,666,922	237,261,396
Cumulative effect of applying new standard and interpretations	—	—	—	—	—	—	(34,799)	(34,799)
At 1 April 2019 as restated	22,000,000	130,931,993	32,500,000	8,275,000	—	(112,519)	43,632,123	237,226,597
Profit for the year	—	—	—	—	—	—	23,513,421	23,513,421
Fair value change in financial assets at fair value through other comprehensive income	—	—	—	—	(2,251,684)	—	—	(2,251,684)
Total comprehensive income for the year	—	—	—	—	(2,251,684)	—	23,513,421	21,261,737
Dividend	—	—	—	—	—	—	(22,000,000)	(22,000,000)
At 31 March 2020	<u>22,000,000</u>	<u>130,931,993</u>	<u>32,500,000</u>	<u>8,275,000</u>	<u>(2,251,684)</u>	<u>(112,519)</u>	<u>45,145,544</u>	<u>236,488,334</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

The Group has applied the following amendments to Hong Kong Accounting Standards (“HKASs”) and HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

(a) Impact and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of car park and offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over lease term.

Right-of-use-assets

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- An estimate of cost to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying assets to condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include: fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of purchase option, in which case the related lease liability is remeasured by discounting the revised lease payment using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the retained earnings and comparative information has not been restated.

When applying the modified retrospective under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$6,351,979 and right-of-use assets of HK\$6,317,180 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.12%.

	At 1 April 2019 HK\$
Operating lease contracts disclosed as at 31 March 2019	6,867,500
Amount discounted using incremental borrowing rate at the date of initial application	<u>6,351,979</u>
Lease liabilities at the date of initial application	<u>6,351,979</u>
Analysed as	
Current	2,219,568
Non-current	<u>4,132,411</u>
	<u><u>6,351,979</u></u>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets HK\$
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u><u>6,317,180</u></u>
By class:	
Leased premises	<u><u>6,317,180</u></u>

The following table summarises the impacts of transition to HKFRS 16 on retained earnings at 1 April 2019.

	Impacts of adopting HKFRS 16 at 1 April 2019 HK\$
Retained earnings	
Depreciation of right-of-use assets from commencement dates upon application of HKFRS 16	574,289
Interest on lease liabilities from commencement dates upon application of HKFRS 16	75,510
Less: Lease expenses of operating leases under HKAS 17 before 1 April 2019	<u>(615,000)</u>
Impact at 1 April 2019	<u><u>34,799</u></u>

New and amendments to HKASs and HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁵

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies 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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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.

The principal accounting policies are set out below.

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 and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component 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:

	2020 HK\$	2019 HK\$
Recognised at point in time		
Commission and brokerage fees from securities dealing on the Stock Exchange	7,283,226	9,286,317
Placing and underwriting commission	549,552	12,950
Commission and brokerage fees from dealing in futures contracts	529,032	618,681
Commission from securities advisory services	—	60,000
Other service income	2,123	1,684
Clearing and settlement fee	1,143,466	3,466,241
Handling service and dividend collection fees	84,006	106,981
Recognised over time		
Income derived from		
— income right	1,676,905	2,326,646
— film right	—	33,110
Other sources income		
Interest income from		
— margin client	10,450,822	9,887,884
— loan client	20,636,605	21,198,010
— cash client	177,760	332,531
— authorised financial institutions	582,728	303,130
— financial assets at fair value through other comprehensive income	1,294,475	506,981
— others	1,832	—
	44,412,532	48,141,146

Notes: These income are the revenue arising from HKFRS 15, while interest income are under the scope of HKFRS 9.

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

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Dividend income	160	51,260
Net exchange loss	(63,235)	(36,572)
Gain on disposal of income right	4,778,912	—
Sundry incomes	120,460	378,441
	<u>4,836,297</u>	<u>393,129</u>

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

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Impairment loss on trade receivable under ECL model	(4,028,125)	(11,956,757)
Impairment loss on loan receivable under ECL model	(6,353,364)	—
Recovery of trade receivables	5,036,777	—
Recovery of loans receivables	—	852,749
	<u>(5,344,712)</u>	<u>(11,104,008)</u>

6. BUSINESS SEGMENTS

Segment revenues and results

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

	2020					
	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory service HK\$	Investment holding HK\$	Consolidated HK\$
Segment revenues						
— Recognised at a point in time	9,039,730	549,552	—	—	2,123	9,591,405
— Recognised over time	—	—	—	—	1,676,905	1,676,905
— Other sources income	11,055,370	—	20,643,858	—	1,444,994	33,144,222
	20,095,100	549,552	20,643,858	—	3,124,022	44,412,532
Segment results	<u>10,693,197</u>	<u>97,558</u>	<u>11,991,047</u>	<u>(195,666)</u>	<u>1,009,556</u>	23,595,692
Net other income, gains and losses						4,836,134
Unallocated other operating expenses						(3,486,568)
Finance cost						<u>(498,891)</u>
Profit before tax						24,446,367
Income tax expenses						<u>(932,946)</u>
Profit for the year						<u>23,513,421</u>

2019

	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory service HK\$	Investment holding HK\$	Consolidated HK\$
— Recognised at a point in time	13,478,220	12,950	—	60,000	1,684	13,552,854
— Recognised over time	—	—	—	—	2,359,756	2,359,756
— Other sources income	10,431,256	—	21,200,068	—	597,212	32,228,536
	23,909,476	12,950	21,200,068	60,000	2,958,652	48,141,146
Segment results	<u>(2,450,592)</u>	<u>(477,418)</u>	<u>18,444,572</u>	<u>(145,113)</u>	<u>3,344,397</u>	18,715,846
Net other income, gains and losses						1,194,618
Unallocated other operating expenses						(4,141,452)
Finance cost						<u>(147,981)</u>
Profit before tax						15,621,031
Income tax expenses						<u>(3,103,053)</u>
Profit for the year						<u>12,517,978</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment transactions during the year (2019: HK\$nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of net other income, gains and losses, unallocated other operating expenses and finance costs except impairment loss on trade receivables under ECL model. This is the measure reported to the Executive Directors for the purpose of resources allocation and performance assessment.

Segment assets and liabilities

2020						
	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory service HK\$	Investment holding HK\$	Consolidated HK\$
Assets						
Segment assets	70,588,944	—	116,686,333	—	65,122,754	252,398,031
Unallocated assets						20,482,515
Total assets						<u>272,880,546</u>
Liabilities						
Segment liabilities	29,105,425	—	229,590	—	2,839,668	32,174,683
Unallocated liabilities						4,217,529
Total liabilities						<u>36,392,212</u>
2019						
	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory service HK\$	Investment holding HK\$	Consolidated HK\$
Assets						
Segment assets	226,128,572	—	100,570,705	—	58,834,727	385,534,004
Unallocated assets						9,701,100
Total assets						<u>395,235,104</u>
Liabilities						
Segment liabilities	152,351,183	—	1,249,003	—	2,252,919	155,853,105
Unallocated liabilities						2,120,603
Total liabilities						<u>157,973,708</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

	2020						
	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	92,600	—	—	—	—	—	92,600
Depreciation of plant and equipment	325,573	—	3,502	—	—	—	329,075
Depreciation of right-of-use assets	1,783,648	—	445,912	—	30,674	—	2,260,234
Impairment loss on trade receivables under ECL model	4,028,125	—	—	—	—	—	4,028,125
Impairment loss on loan receivables under ECL model	—	—	6,353,364	—	—	—	6,353,364
Recovery of trade receivables	(5,036,777)	—	—	—	—	—	(5,036,777)
	2019						
	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	7,300	—	—	—	—	—	7,300
Amortisation of intangible assets	—	—	—	—	1,196,572	—	1,196,572
Depreciation of plant and equipment	860,348	—	9,283	—	—	—	869,631
Impairment loss on trade receivables	11,956,757	—	—	—	—	—	11,956,757
Recovery of loans receivables	(852,749)	—	—	—	—	—	(852,749)

Geographical information

The Group operates in two principal geographical areas — Hong Kong and the People's Republic of China (the "PRC").

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed as below:

	Revenue from external customers		Non-current assets*	
	2020	2019	2020	2019
	HK\$	HK\$	HK\$	HK\$
Hong Kong	42,735,627	45,814,500	2,147,024	2,383,499
The PRC	1,676,905	2,326,646	—	—
	<u>44,412,532</u>	<u>48,141,146</u>	<u>2,147,024</u>	<u>2,383,499</u>

* Non-current assets exclude financial instruments and right-of-use assets.

Information on major customers

One major customer of the Group accounted for approximately 10.9% (2019: 11.8%) of the total revenue during the year ended 31 March 2020. No other single customer contributed 10% or more to the Group's revenue for both years.

7. FINANCE COSTS

	2020	2019
	HK\$	HK\$
Interest on bank borrowings	285,460	139,860
Interest on shareholder loan	—	8,121
Interest expense on lease liabilities	213,431	—
	<u>498,891</u>	<u>147,981</u>

8. PROFIT BEFORE TAX

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Profit before tax has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)	6,364,614	6,804,760
Auditor's remuneration	630,000	618,000
Depreciation of plant and equipment	329,075	869,631
Depreciation of right-of-use assets	2,260,234	—
Amortisation of intangible assets	—	1,196,572
Net gain on trading of financial assets at fair value through profit or loss	(445,817)	(2,134,645)
Net change in fair value of financial assets at fair value through profit or loss	2,153,145	(17,541)
Total minimum lease payments for leases previously classified as operating lease under HKAS17 (<i>Note</i>)	<u>—</u>	<u>2,840,513</u>

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

9. INCOME TAX EXPENSES

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Hong Kong Profits Tax		
— current year	1,796,641	3,111,803
— (over)/under provision in prior year	(185,000)	112,965
Deferred tax		
— current year	<u>(678,695)</u>	<u>(121,715)</u>
	<u>932,946</u>	<u>3,103,053</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000.

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

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Profit before tax	24,446,367	15,621,031
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	4,033,647	2,577,467
Tax effect of expenses not deductible for tax purpose	57,117	230,330
Tax effect of income not taxable for tax purpose	(1,157,371)	(431,398)
Tax effect of temporary difference not recognised	(4,133)	1,547
Tax effect of tax loss not recognised	—	1,042,442
Utilisation of tax losses previously not recognised	(1,608,916)	(430,300)
(Over)/under provision in prior year	(185,000)	112,965
Tax effect of tax reduction	(202,398)	—
	<hr/> 932,946 <hr/>	<hr/> 3,103,053 <hr/>
Tax expenses for the year	932,946	3,103,053

At 31 March 2020, the Group had estimated tax losses of HK\$1,720,381 (2019: HK\$11,471,387) 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

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
2019 Final dividend paid — HK1.0 cent per share (2018 Final dividend paid — HK1.0 cent per share)	22,000,000	22,000,000

The Board proposed a final dividend of HK1.0 cent per ordinary share for the year ended 31 March 2020 (2019: HK1.0 cent). This proposed final dividend is not reflected as a dividend payable as of 31 March 2020, but will be recorded as a distribution of retained profits for the year ending 31 March 2021.

11. EARNINGS PER SHARE

	2020 HK\$	2019 HK\$
Profit for the year attributable to owners of the Company	<u>23,513,421</u>	<u>12,517,978</u>
	2020	2019
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 earnings per share is based on the Group's profit attributable to the owners of the Company of HK\$23,513,421 (2019: HK\$12,517,978) and the number of ordinary shares of 2,200,000,000 (2019: 2,200,000,000) in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2020 is based on the profit for the year attributable to owners of the Company of HK\$23,513,421 (2019: HK\$12,517,978) and the weighted average number of 2,200,000,000 (2019: 2,200,000,000) dilutive potential ordinary shares in issue during the year.

The computation of diluted 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 2020.

12. TRADE RECEIVABLES

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Trade receivables from the business of dealing in securities:		
— Cash clients	93,837	330,172
— Margin clients	36,519,678	69,914,973
— Clearing houses and brokers	2,219,014	12,346,171
Trade receivables from the business of dealing in futures contracts:		
— Clearing houses	2,055,559	1,821,194
Income receivables from the income right	—	193,311
	<u>40,888,088</u>	<u>84,605,821</u>

The settlement terms of trade receivables arising from the business of dealing in securities 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 secured 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 2020, margin loans due from margin clients were current and repayable on demand except for HK\$nil (2019: HK\$1,800,000) where the margin loans were past due.

As at 31 March 2020, trade receivables denominated in United States dollars from brokers amounted to approximately HK\$nil (2019: HK\$nil).

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:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Margin clients balances:		
No due date	36,519,678	68,114,973
Past due but not impaired	<u>—</u>	<u>1,800,000</u>
	<u>36,519,678</u>	<u>69,914,973</u>
Cash clients balances:		
No due date	97,931	330,172
Past due	<u>—</u>	<u>—</u>
	<u>97,931</u>	<u>330,172</u>
Other balances:		
Not yet due (within 30 days)	4,270,479	14,360,676
Past due	<u>—</u>	<u>—</u>
	<u>4,270,479</u>	<u>14,360,676</u>
	<u><u>40,888,088</u></u>	<u><u>84,605,821</u></u>

Provision of impairment loss on trade receivables:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Balance at beginning of the year	14,817,950	2,861,193
Impairment loss under ECL model for the year	4,028,125	11,956,757
Recovery of the year	<u>(5,036,777)</u>	<u>—</u>
	<u><u>13,809,298</u></u>	<u><u>14,817,950</u></u>

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

	2020	2019
	HK\$	HK\$
Margin clients balances:		
Past due but not impaired		
More than 180 days	<u>—</u>	<u>1,800,000</u>

Impairment under HKFRS 9 for the year ended 31 March 2020

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

	Stage 1	Stage 2	Stage 3	Total
	HK\$	HK\$	HK\$	HK\$
As at 1 April 2018	—	—	—	—
Addition	<u>—</u>	<u>3,492,077</u>	<u>8,464,680</u>	<u>11,956,757</u>
As at 31 March 2019 and 1 April 2019	—	3,492,077	8,464,680	11,956,757
Transfer to stage 3	—	(3,492,077)	3,492,077	—
Addition	133,904	676,135	3,218,086	4,028,125
Recoveries	<u>—</u>	<u>—</u>	<u>(5,036,777)</u>	<u>(5,036,777)</u>
As at 31 March 2020	<u>133,904</u>	<u>676,135</u>	<u>10,138,066</u>	<u>10,948,105</u>

The following significant changes in the gross carrying amounts of margin client and cash client receivables contributed to the increase in the loss allowance during the year:

- Arising from margin receivables of HK\$13,390,431 to stage 1, HK\$3,380,673 to stage 2 and of HK\$17,683,458 to stage 3, resulting in an increase in loss allowance of HK\$133,904, HK\$676,135 and HK\$3,218,086 respectively.

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 a HK\$13,809,298 (2019: HK\$14,817,950) allowance for impairment was necessary as at 31 March 2020.

13. LOAN RECEIVABLES

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Loan advanced	88,154,893	76,780,408
Interest receivables	11,014,365	17,656,197
	<u>99,169,258</u>	<u>94,436,605</u>
	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Analysed as:		
Current	49,026,206	82,257,989
Non-current	50,143,052	12,178,616
	<u>99,169,258</u>	<u>94,436,605</u>

As at 31 March 2020, secured loans with an aggregate amount of HK\$61,204,138 (2019: HK\$68,068,495) were secured by marketable securities listed in Hong Kong, unlisted securities in Hong Kong and second legal charges in respect of properties located in Hong Kong. The fair value of the marketable securities listed in Hong Kong at 31 March 2020 held as collateral was HK\$905,627 (2019: HK\$47,860,243). The remaining balance amounted to HK\$26,950,755 (2019: HK\$8,711,913) was unsecured.

Loan receivables include current and non-current were measured at amortized cost using the effective interest method, less any impairment losses. In accordance with IFRS 9, these loan receivables will continue to be measured at amortized 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%–27% per annum (2019: 20%–34% per annum). The decrease in effective interest rates were mainly due to decrease in market interest rates of loan financing business.

As at 31 March 2020, included in the loan receivables was a balance of HK\$31,081,751 (2019: HK\$37,354,831) which has been past due but not impaired. These loan receivables were secured by sufficient assets.

Provision of impairment loss on loans receivables:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Balance at beginning of the year	—	852,749
Impairment loss under ECL model for the year	6,353,364	—
Recovery of loan receivable for the year	—	(852,749)
	<u>6,353,364</u>	<u>—</u>

Impairment under HKFRS 9 for the year ended 31 March 2020

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

	Stage 1 <i>HK\$</i>	Stage 2 <i>HK\$</i>	Stage 3 <i>HK\$</i>	Total <i>HK\$</i>
As at 31 March 2019	—	—	—	—
Arising from loan receivable	<u>2,180,572</u>	<u>3,224,179</u>	<u>948,613</u>	<u>6,353,364</u>
As at 31 March 2020	<u>2,180,572</u>	<u>3,224,179</u>	<u>948,613</u>	<u>6,353,364</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 loan receivables of HK\$43,611,445 to stage 1, HK\$16,120,893 to stage 2 and of HK\$948,613 to stage 3, resulting in an increase in loss allowance of HK\$2,180,572, HK\$3,224,179 and HK\$948,613 respectively.

For the loan receivables, these are limited exposure where there has not been a significant increase in credit risk since its initial recognition and not credit-impaired at the end of reporting period. Therefore, the loss allowances are limited to 12-months ECLs and is immaterial to be recognised.

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 loan 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 loan 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 a HK\$6,353,364 (2019: HK\$nil) allowance for impairment was necessary as at 31 March 2020.

14. TRADE PAYABLES

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Trade payables from the business of dealing in securities:		
— Cash clients	18,675,877	31,847,575
— Margin clients	5,407,335	115,128,181
Trade payables from the business of dealing in futures contracts:		
— Margin clients	4,226,494	3,081,667
	<u>28,309,706</u>	<u>150,057,423</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\$26,064,434 (2019: HK\$137,691,268) representing these clients' undrawn monies/excess deposits placed with the Group. The balances are repayable on demand.

15. OTHER PAYABLES AND ACCRUALS

	2020 HK\$	2019 HK\$
Accrued charges	1,277,599	1,197,215
Stamp duty, trading levies and trading fee payables	85,405	1,254,725
Other payables (<i>note</i>)	1,627,204	614,207
	<u>2,990,208</u>	<u>3,066,147</u>

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

Note: The other payables included HK\$1,500,000 (2019: HK\$nil) of refundable earnest money received from independent third parties.

16. BANK BORROWINGS

	Notes	2020 HK\$	2019 HK\$
Bank loans			
— Secured	(a)	<u>—</u>	<u>2,000,000</u>

Notes:

- (a) Secured bank loan of HK\$nil (2019: HK\$2,000,000) carrying interest at the rate of HIBOR plus 2.5% per annum was drawn under the banking facilities of HK\$20,000,000 (2019: HK\$20,000,000). Pledged bank deposit of HK\$5,000,000 (2019: HK\$5,000,000) represents deposits pledged to banks to secure bank facilities granted to the Group.

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.

17. SHARE CAPITAL

	Number of Ordinary shares HK\$0.01 each	<i>HK\$</i>
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>5,000,000,000</u>	<u>50,000,000</u>
Issued and fully paid:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<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 in the year. At the end of 2019, Hong Kong stock market performed well and it is mainly improved by the progress in the China-US trade negotiations. However, the COVID-19 outbreak spreads globally in the beginning of 2020. Equities suffered steep decline and bond price fell as investors became cautions. In Hong Kong, the financial market was affected by global equities' volatilities, the outbreak of COVID-19, prolonged social unrest in Hong Kong and the sharp cut in interest rates the Federal Reserve. As at 31 March 2020, the Hang Seng Index recorded as 23,603 representing approximately 18.8% decrease as compared with 29,051 as at 31 March 2019.

BUSINESS REVIEW

Revenue

The Group's total revenue and investment income for the year was approximately HK\$42.7 million, as compared with approximately HK\$50.3 million in 2019, representing a decrease by approximately 15.1% or approximately HK\$7.6 million. The breakdown of revenue and investment income by business activities of the Group is set out below:

	Year ended 31 March 2020		Year ended 31 March 2019		Increase/ (decrease)
	HK\$	%	HK\$	%	%
Revenue					
Commission and brokerage fees from securities dealings on the Stock Exchange	7,283,226	16.4	9,286,317	19.3	(21.6)
Placing and underwriting commission	549,552	1.2	12,950	0.0	4,143.6
Commission and brokerage fees from dealing in futures contracts	529,032	1.2	618,681	1.3	(14.5)
Commission from securities advisory services	—	0.0	60,000	0.1	(100.0)
Other service income	2,123	0.0	1,684	0.0	26.1
Clearing and settlement fee	1,143,466	2.6	3,466,241	7.2	(67.0)
Handling service and dividend collection fees	84,006	0.2	106,981	0.2	(21.5)
Interest income from					
— margin client	10,450,822	23.5	9,887,884	20.5	5.7
— loan client	20,636,605	46.5	21,198,010	44.0	(2.6)
— cash client	177,760	0.4	332,531	0.7	(46.5)
— authorised financial institutions	582,728	1.3	303,130	0.6	92.2
— financial assets at fair value through other comprehensive income	1,294,475	2.9	506,981	1.2	155.3
— others	1,832	0.0	—	—	NA
Income derived from:					
— income right	1,676,905	3.8	2,326,646	4.8	(27.9)
— film right	—	0.0	33,110	0.1	(100.0)
	<u>44,412,532</u>	<u>100.0</u>	<u>48,141,146</u>	<u>100.0</u>	(7.7)
Net gain on trading of financial assets at fair value through profit or loss	445,817	(26.1)	2,134,645	99.2	(79.1)
Net change in fair value of financial assets at fair value through profit or loss	<u>(2,153,145)</u>	<u>126.1</u>	<u>17,541</u>	<u>0.8</u>	(12,374.9)
	<u>(1,707,328)</u>	<u>100.0</u>	<u>2,152,186</u>	<u>100.0</u>	(179.3)
	<u><u>42,705,204</u></u>		<u><u>50,293,332</u></u>		(15.1)

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 decreased by approximately 21.6% from approximately HK\$9.3 million for the year ended 31 March 2019 to approximately HK\$7.3 million for the year ended 31 March 2020.

The total value of transactions decreased by approximately 73.4% from approximately HK\$155,399.9 million for the year ended 31 March 2019 to approximately HK\$41,392.7 million for the year ended 31 March 2020. The total value of transactions for securities dealings carried out by the Group for the year ended 31 March 2020 decreased as compared with the corresponding period of 2019. As a result, income relating to clearing and settlement fees and handling services also decreased by approximately 65.6% from approximately HK\$3.6 million for the year ended 31 March 2019 to approximately HK\$1.2 million for the year ended 31 March 2020.

The commission and brokerage fees from dealing in futures contracts decreased by approximately 14.5% from HK\$0.6 million for the year ended 31 March 2019 to approximately HK\$0.5 million for the year ended 31 March 2020.

The interest income derived from cash and margin securities accounts for the year ended 31 March 2020 was approximately HK\$10.5 million represents a increase of approximately 3.3% from that of the year ended 31 March 2019 amounting approximately HK\$10.1 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 2020 was approximately HK\$20.6 million (2019: approximately HK\$21.2 million).

Securities Advisory Service

The Group holds licence under the Securities and Futures Ordinance to engage in Type 4 regulated activities — Advising on Securities. Revenue generated from this segment derived from services provided under these regulated activities.

During the reporting period, Cheong Lee Securities Limited (“Cheong Lee”), the Company’s wholly-owned subsidiary, provides securities advisory service to customers.

The Group had not commission income derived from securities advisory services for year ended 31 March 2020 (2019: HK\$60,000).

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 2020, the placing and underwriting commission increased by approximately 4,143.6% from approximately HK\$13,000 for the year ended 31 March 2019 to approximately HK\$550,000 for the year ended 31 March 2020.

Investment Holding

The Group maintained a portfolio investments included the holding of listed equity securities, bonds, income right and film right. During the year under review, the Group received annual return (net of PRC tax) of RMB1,500,000 from an income right of the photovoltaic power plant at the rooftop of a factory located at Hunan Province, the PRC and the disposal of the income rights was completed for the year. The total value of the Group investment portfolio was approximately HK\$65.1 million (2019: approximately HK\$58.8 million). As at 31 March 2020, the value of portfolio of listed equity securities and debt securities was approximately HK\$54.1 million (2019: approximately HK\$33.5 million). This business segment has recorded revenue of approximately HK\$3.1 million (2019: approximately HK\$3.0 million). Net gain on trading of financial assets at fair value through profit or loss of approximately HK\$0.4 million (2019: approximately HK\$2.1 million), net loss in fair value of financial assets at fair value through profit or loss of approximately HK\$2.2 million (2019: net fair value gain of approximately HK\$18,000) and net loss in fair value of financial assets at fair value through other comprehensive income of approximately HK\$2.3 million (2019: HK\$nil).

Net other income, gains and losses

Net other income, gains and losses for the year ended 31 March 2020 were approximately HK\$4.8 million (approximately net gains of HK\$0.4 million for the year ended 31 March 2019). The increase in net gains were mainly attributed to gain on disposal of income right. Gain on disposal income right for the year ended 31 March 2020 was approximately HK\$4.8 million.

A subsidiary of the Group entered into an agreement with an independent third party to sell its income rights of PV Power Plant consideration of RMB21 million in cash. Further details relating to the transactions are disclosed in the announcements of the Company dated 8 October 2018, 9 October 2018, 10 April 2019 and 14 June 2019.

Impairment losses under expected credit loss model, net of reversal

Recovery of trade receivable under ECL model for the year ended 31 March 2020 was approximately HK\$5.0 million. The impairment loss under ECL model for the year ended 31 March 2019 was approximately HK\$12.0 million. The reversal of impairment loss of trade receivable of approximately HK\$5.0 million was due to the Group's recovery of trade receivable of approximately HK\$5.0 million for the year ended 31 March 2020.

The impairment loss for trade receivable and the impairment loss for loan receivable under ECL model were provided for approximately HK\$4.0 million and HK\$6.4 million respectively for the year ended 31 March 2020.

Administrative Expenses

Administrative expenses for the year ended 31 March 2020 were approximately HK\$17.3 million (approximately HK\$23.8 million for the year ended 31 March 2019) representing a decrease of approximately 27.6%. Due to the total value of transaction for securities dealing decreased for the year ended 31 March 2020, the related expenses such as CCASS charges and the payment of commission were decreased for the year ended 31 March 2020 compared with the corresponding period of 2019. The amortization cost for intangible asset and depreciation were decreased by approximately 84.1% from approximately HK\$2.1 million for the year ended 31 March 2019 to approximately HK\$0.3 million for the year ended 31 March 2020. Total staff costs were approximately HK\$6.4 million for the year ended 31 March 2020 as compared to approximately HK\$6.8 million for the year ended 31 March 2019. Furthermore, general expenses decreased due to the 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\$43.0 million of bank deposit, bank balances and cash in general accounts as at 31 March 2020. This represented a increase of approximately 105.3% as compared with the position as at 31 March 2019 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\$223.6 million as at 31 March 2019 to approximately HK\$164.5 million as at 31 March 2020 which represents a decrease of approximately 26.4%. The current ratio of the Group as at 31 March 2020 was approximately 5.8 times (2019: approximately 2.4 times).

As at 31 March 2020, the Group had available banking facilities of HK\$49.5 million which were not utilised (2019: 2.0 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 nil (2019: 0.8%).

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 2020, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$10.0 million (2019: 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 (2019: HK\$49.5 million) issued by the banks to the Group. As at 31 March 2020, the banking facilities were not utilised (2019: 2.0 million).

Contingent liabilities

As at 31 March 2020, the Group had no material contingent liabilities (2019: nil).

Capital commitments

As at 31 March 2020, the Group had no capital commitments, contracted but not provided in the consolidated financial statements (2019: 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\$6.4 million for the year ended 31 March 2020 as compared to approximately HK\$6.8 million for the year ended 31 March 2019.

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 2020, 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 2020 and up to the date of this annual report, the Group did not hold any significant investment.

Significant Investment

As at 31 March 2020, 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 loan receivable 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).

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

The outlook of financial market in Hong Kong is anticipated to be uncertain and challenging for the year 2020 due to the social unrest in Hong Kong, the COVID-19 in Europe and the United States continues, and the chance of a second outbreak of COVID-19 in China. However, the effectiveness of the Chinese government's anti-epidemic measures coupled with large-scale stimulus measures may lead the rebound of Hong Kong financial market. 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 2020, 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 2020. 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 2020, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except for the following deviation:

Under CG Code Provision A2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between chairman and chief executive 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, the appropriate time, arrange for the election of the new chairman of the Board.

Under CG Code Provision E.1.2, the chairman of the Board did not attend the annual general meeting held on 6 August 2019. Another executive Director, Mr. Kwok Kin Chung was elected to chair the annual general meeting.

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 2020.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Directors proposed to declare a final dividend of HK1.0 cent per share for the year ended 31 March 2020, which is subject to approval by shareholders of the Company at the forthcoming annual general meeting (the "AGM").

The AGM of the Company is scheduled to be held on Tuesday, 4 August 2020. The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is, Monday, 10 August 2020. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Monday, 10 August 2020, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, 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 Friday, 7 August 2020.

The proposed final dividend is expected to be made on Friday, 14 August 2020.

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. Hu Chao. The audited consolidated results of the Group for the year ended 31 March 2020 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 HLM CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 have been agreed by the Group's auditor, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM 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 HLM CPA Limited on the preliminary announcement.

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

Hong Kong, 22 June 2020

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. Hu Chao.

This announcement will remain on the Latest Company Announcements page of the Stock Exchange website at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.cheongleesec.com.hk.