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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 2021

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 2021 was approximately HK\$52.2 million (2020: approximately HK\$42.7 million), representing an increase of approximately 22.1% from that of the year ended 31 March 2020.
- The Group's profit before tax for the year ended 31 March 2021 amounted to approximately HK\$19.8 million (2020: approximately HK\$24.4 million).
- The Group's profit attributable to the owners of the Company amounted to approximately HK\$15.2 million for the year ended 31 March 2021 (2020: approximately HK\$23.5 million).
- Basic and diluted earnings per share for the year ended 31 March 2021 were approximately HK0.69 cents (2020: Basis earnings per share of approximately HK1.07 cent) and approximately HK0.69 cents (2020: Diluted earnings per share of approximately HK1.07 cent) respectively.
- The Board proposed a final dividend of HK0.5 cent per share for the financial year ended 31 March 2021 (2020: 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 2021 (the “Financial Year”) together with comparative figures for the year ended 31 March 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$	2020 HK\$
Revenue	4	41,129,006	44,412,532
Net gain on trading of financial assets at fair value through profit or loss		4,419,851	445,817
Net gain on derecognition of financial assets of fair value through other comprehensive income		85,023	—
Net change in fair value of financial assets at fair value through profit or loss		6,521,348	(2,153,145)
Net other income, gains and losses	5(a)	928,290	4,836,297
Impairment losses under expected credit loss model, net of reversal	5(b)	(16,075,079)	(5,344,712)
Administrative expenses		(16,717,255)	(17,251,531)
Finance costs	7	(483,496)	(498,891)
Profit before tax	8	19,807,688	24,446,367
Income tax expenses	9	(4,619,087)	(932,946)
Profit for the year attributable to owners		<u>15,188,601</u>	<u>23,513,421</u>
Other comprehensive income (expense) 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 financial assets at fair value through other comprehensive income		2,634,957	(2,251,684)
Reclassification adjustment relating to gain on derecognition of financial assets at fair value through other comprehensive income		473,887	—
		<u>3,108,844</u>	<u>(2,251,684)</u>
Total comprehensive income attributable to owners of the Company for the year		<u>18,297,445</u>	<u>21,261,737</u>
Earnings per share			
— Basic	11	<u>0.69 cents</u>	<u>1.07 cents</u>
— Diluted	11	<u>0.69 cents</u>	<u>1.07 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Non-current assets			
Plant and equipment		196,537	417,024
Right-of-use assets		1,738,691	4,056,946
Other assets		1,705,000	1,730,000
Loans receivables	13	39,731,273	50,143,052
Rental and utility deposits		—	698,875
Financial assets at fair value through other comprehensive income		13,851,552	17,688,534
Deferred tax assets		194,719	173,698
		57,417,772	74,908,129
Current assets			
Trade receivables	12	49,662,276	40,888,088
Loans receivables	13	74,838,161	49,026,206
Other receivables, deposits and prepayments		755,113	195,430
Financial assets at fair value through profit or loss		50,875,559	31,544,690
Financial assets at fair value through other comprehensive income		10,999,015	4,901,090
Income tax refundable		—	2,389,961
Pledged bank deposits		10,000,000	10,000,000
Bank balances and cash — trust accounts		21,831,802	26,064,434
Bank balances and cash — general accounts		11,001,699	33,136,216
		229,963,625	198,146,115

		2021	2020
	Notes	HK\$	HK\$
Current liabilities			
Trade payables	14	23,542,923	28,309,706
Other payables and accruals	15	4,219,769	2,990,208
Bank borrowings	16	22,000,000	—
Lease liability — due within one year		1,819,949	2,340,894
Income tax payables		1,550,303	40,176
		<u>53,132,944</u>	<u>33,680,984</u>
Net current assets		<u>176,830,681</u>	<u>164,465,131</u>
Total assets less current liabilities		<u>234,248,453</u>	<u>239,373,260</u>
Non-current liabilities			
Lease liability — due after one year		—	1,819,949
Deferred tax liabilities		1,462,674	1,064,977
		<u>1,462,674</u>	<u>2,884,926</u>
Net assets		<u><u>232,785,779</u></u>	<u><u>236,488,334</u></u>
Capital and reserves			
Share capital	17	22,000,000	22,000,000
Reserves		210,785,779	214,488,334
Total equity		<u><u>232,785,779</u></u>	<u><u>236,488,334</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	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 2019	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
Other comprehensive expense	—	—	—	—	(2,251,684)	—	—	(2,251,684)
	—	—	—	—	(2,251,684)	—	23,513,421	21,261,737
Total comprehensive income for the year	—	—	—	—	—	—	(22,000,000)	(22,000,000)
Dividend (Note 10)	—	—	—	—	—	—	—	—
At 31 March 2020 and 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
	—	—	—	—	3,108,844	—	15,188,601	18,297,445
Total comprehensive income for the year	—	—	—	—	—	—	(22,000,000)	(22,000,000)
Dividend (Note 10)	—	—	—	—	—	—	—	—
At 31 March 2021	<u>22,000,000</u>	<u>130,931,993</u>	<u>32,500,000</u>	<u>8,275,000</u>	<u>857,160</u>	<u>(112,519)</u>	<u>38,334,145</u>	<u>232,785,779</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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”)

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

The Group has applied the following revised and 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:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

The application of the revised and amendments to 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.

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 and the related Amendments ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁵
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ⁴

- 1 Effective for annual periods beginning on or after 1 June 2020
- 2 Effective for annual periods beginning on or after 1 January 2021
- 3 Effective for annual periods beginning on or after 1 April 2021
- 4 Effective for annual periods beginning on or after 1 January 2022
- 5 Effective for annual periods beginning on or after 1 January 2023
- 6 Effective date to be determined

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

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 in the accounting policies set out below.

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

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.

The principal accounting policies are set out below.

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:

	2021 HK\$	2020 HK\$
Recognised at a point in time		
Commission and brokerage fees from securities dealing on the Stock Exchange	6,545,721	7,283,226
Placing and underwriting commission	1,964,110	549,552
Commission and brokerage fees from dealing in futures contracts	458,680	529,032
Other service income	259	2,123
Clearing and settlement fee	1,485,196	1,143,466
Handling service and dividend collection fees	70,918	84,006
Recognised over time		
Income derived from		
— income right	—	1,676,905
— film right	12,349	—
Other sources income		
Interest income from		
— margin clients	6,246,091	10,450,822
— loan clients	19,679,716	20,636,605
— cash clients	154,187	177,760
— authorised financial institutions	180,206	582,728
— financial assets at fair value through profit or loss	1,559,999	—
— financial assets at fair value through other comprehensive income	2,749,554	1,294,475
— others	22,020	1,832
	41,129,006	44,412,532

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

	2021 HK\$	2020 HK\$
Dividend income	87,931	160
Net exchange income (loss)	84,470	(63,235)
Gain on disposal of income right	—	4,778,912
Government grants	662,684	—
Sundry income	93,205	120,460
	<u>928,290</u>	<u>4,836,297</u>

During the year ended 31 March 2021, the Group recognised government grants of HK\$662,684 in respect of Covid-19 related subsidies, of which HK\$612,684 relates to Employment Support Scheme provided by the Hong Kong Government.

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

	2021 HK\$	2020 HK\$
Impairment loss on trade receivables under ECL model	—	(4,028,125)
Impairment loss on loans receivables under ECL model	(20,573,668)	(6,353,364)
Recovery of trade receivables	1,880,039	5,036,777
Recovery of loans receivables	2,618,550	—
	<u>(16,075,079)</u>	<u>(5,344,712)</u>

6. BUSINESS SEGMENTS

Segment revenues and results

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

	2021					
	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	8,560,515	1,964,110	—	—	259	10,524,884
— Recognised over time	—	—	—	—	12,349	12,349
— Other sources income	6,539,978	—	19,693,658	—	4,358,137	30,591,773
	15,100,493	1,964,110	19,693,658	—	4,370,745	41,129,006
Segment results	<u>6,521,251</u>	<u>1,524,850</u>	<u>(302,402)</u>	<u>(190,622)</u>	<u>14,773,882</u>	22,326,959
Net other income, gains and losses						2,720,396
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>

	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 administrative 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>

Revenue reported above represents revenue generated from external customers. There were no inter-segment transactions during the year (2020: 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 administrative expenses and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

Segment assets and liabilities

	2021					
	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	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>
	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	70,762,642	—	116,686,333	—	65,122,754	252,571,729
Unallocated assets						20,482,515
Total assets						<u>273,054,244</u>
Liabilities						
Segment liabilities	29,105,425	—	229,590	—	3,013,366	32,348,381
Unallocated liabilities						4,217,529
Total liabilities						<u>36,565,910</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

	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 loans 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>
	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	—	—	—	—	—	2,260,234	2,260,234
Impairment loss on trade receivables under ECL model	4,028,125	—	—	—	—	—	4,028,125
Impairment loss on loans receivables under ECL model	—	—	6,353,364	—	—	—	6,353,364
Recovery of trade receivables	(5,036,777)	—	—	—	—	—	(5,036,777)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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*	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Hong Kong	41,129,006	42,735,627	2,096,256	2,320,723
The PRC	—	1,676,905	—	—
	<u>41,129,006</u>	<u>44,412,532</u>	<u>2,096,256</u>	<u>2,320,723</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 10.3% (2020: 10.9%) of the total revenue during the year ended 31 March 2021. No other single customer contributed 10% or more to the Group's revenue for both years.

7. FINANCE COSTS

	2021	2020
	HK\$	HK\$
Interest on bank borrowings	323,980	285,460
Interest on shareholder loan	40,411	—
Interest on lease liability	119,105	213,431
	<u>483,496</u>	<u>498,891</u>

8. PROFIT BEFORE TAX

	2021 HK\$	2020 HK\$
Profit before tax has been arrived at after charging (crediting):		
Staff costs (including Directors' emoluments)	6,200,666	6,364,614
Auditor's remuneration	630,000	630,000
Depreciation of plant and equipment	242,424	329,075
Depreciation of right-of-use assets	2,318,255	2,260,234
Impairment loss on trade receivables under ECL model	—	(4,028,125)
Impairment loss on loans receivables under ECL model	(20,573,668)	(6,353,364)
Recovery of trade receivables	1,880,039	5,036,777
Recovery of loans receivables	2,618,550	—
Net gain on trading of financial assets at fair value through profit or loss	(4,419,851)	(445,817)
Net gain on derecognition of financial assets of fair value through other comprehensive income	(85,023)	—
Net change in fair value of financial assets at fair value through profit or loss	<u>(6,521,348)</u>	<u>2,153,145</u>

9. INCOME TAX EXPENSES

	2021 HK\$	2020 HK\$
Hong Kong Profits Tax		
— current year	4,262,411	1,796,641
— over-provision in prior year	(20,000)	(185,000)
Deferred tax		
— current year	<u>376,676</u>	<u>(678,695)</u>
	<u>4,619,087</u>	<u>932,946</u>

Under the two-tiered profits tax rates regime, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% (2020: 8.25%) on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% (2020: 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% (2020: 16.5%).

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:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Profit before tax	19,807,688	24,446,367
Tax at the profits tax rate of 16.5% (2020:16.5%)	3,268,268	4,033,647
Tax effect of expenses not deductible for tax purpose	2,597,588	57,117
Tax effect of income not taxable for tax purpose	(793,935)	(1,157,371)
Tax effect of temporary difference not recognised	—	(1,531)
Utilisation of tax losses previously not recognised	(227,834)	(1,608,916)
Over-provision in prior year	(20,000)	(185,000)
Tax effect of tax reduction	(40,000)	(40,000)
Tax effect of two-tiered tax rate	(165,000)	(165,000)
	<u>4,619,087</u>	<u>932,946</u>
Tax expenses for the year	<u>4,619,087</u>	<u>932,946</u>

At 31 March 2021, the Group had estimated tax losses of HK\$339,569 (2020: HK\$1,720,381) 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

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
2020 Final dividend paid — HK1.0 cent per share		
(2019 Final dividend paid — HK1.0 cents per share)	<u>22,000,000</u>	<u>22,000,000</u>

The Board proposed a final dividend of HK0.5 cent per ordinary share for the year ended 31 March 2021 (2020: HK1.0 cent). This proposed final dividend is not reflected as a dividend payable as of 31 March 2021, but will be recorded as a distribution of retained profits for the year ending 31 March 2022.

11. EARNINGS PER SHARE

	2021 HK\$	2020 HK\$
Profit for the year attributable to owners of the Company	<u>15,188,601</u>	<u>23,513,421</u>
	2021	2020
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\$15,188,601 (2020: HK\$23,513,421) and the number of ordinary shares of 2,200,000,000 (2020: 2,200,000,000) in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2021 is based on the profit for the year attributable to owners of the Company of HK\$15,188,601 (2020: HK\$23,513,421) and the weighted average number of 2,200,000,000 (2020: 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 2021.

12. TRADE RECEIVABLES

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Trade receivables from the business of dealing in securities:		
— Cash clients	3,946,506	93,837
— Margin clients	43,283,860	36,519,678
— Clearing houses and brokers	844,245	2,219,014
Trade receivables from the business of dealing in futures contracts:		
— Clearing houses	<u>1,587,665</u>	<u>2,055,559</u>
	<u>49,662,276</u>	<u>40,888,088</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 2021, margin loans due from margin clients were current and repayable on demand and no margin loans were past due (2020: 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:

	2021 HK\$	2020 HK\$
Margin clients balances:		
No due date	43,283,860	36,519,678
Past due but not impaired	<u>—</u>	<u>—</u>
	43,283,860	36,519,678
Cash clients balances:		
No due date	555,059	93,837
Past due (<i>Note</i>)	3,391,447	<u>—</u>
	3,946,506	93,837
Other balances:		
Not yet due (within 30 days)	2,431,910	4,274,573
Past due	<u>—</u>	<u>—</u>
	2,431,910	4,274,573
	49,662,276	40,888,088

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

Provision of impairment loss on trade receivables:

	2021 HK\$	2020 HK\$
Margin client balances (before impairment)	55,213,119	50,328,976
Impairment loss:		
Balance at beginning of the year	13,809,298	14,817,950
Impairment loss under ECL model for the year	<u>—</u>	4,028,125
Recovery of the year	(1,880,039)	(5,036,777)
Balance at the end of year	11,929,259	13,809,298
Margin client balances (after impairment)	43,283,860	36,519,678

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

	2021 HK\$	2020 HK\$
Cash clients balance:		
Past due but not impaired		
30–60 days	<u>3,391,447</u>	<u>—</u>
Margin clients balances:		
Past due but not impaired		
More than 180 days	<u>—</u>	<u>—</u>

Impairment loss under ECL model

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

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
As at 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 and 1 April 2020	133,904	676,135	10,138,066	10,948,105
Recoveries	<u>(133,904)</u>	<u>(676,135)</u>	<u>(1,070,000)</u>	<u>(1,880,039)</u>
As at 31 March 2021	<u>—</u>	<u>—</u>	<u>9,068,066</u>	<u>9,068,066</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\$nil (2020: HK\$4,028,125) was necessary for the year ended.

13. LOANS RECEIVABLES

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Loans advanced and interest receivables	<u>114,569,434</u>	<u>99,169,258</u>
	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Analysed as:		
Current	74,838,161	49,026,206
Non-current	<u>39,731,273</u>	<u>50,143,052</u>
	<u>114,569,434</u>	<u>99,169,258</u>

As at 31 March 2021, secured loans with an aggregate amount of HK\$90,768,789 (2020: HK\$61,974,132) 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 2021 held as collateral was HK\$37,758,000 (2020: HK\$905,627). The remaining balance amounted to HK\$23,800,645 (2020: HK\$37,195,126) 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 (2020: 8%–27% 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 2021, included in the loans receivables was a balance of HK\$16,942,892 (2020: HK\$31,081,751) which was past due but not impaired. These loans receivables were either secured by sufficient collateral or was settled subsequently to the year end date.

Provision of impairment loss on loans receivables:

	2021 HK\$	2020 HK\$
Balance at beginning of the year	6,353,364	—
Impairment loss under ECL model for the year	20,573,668	6,353,364
Recovery of loans receivables for the year	(2,618,550)	—
Written-off	(98,613)	—
	<u>24,209,869</u>	<u>6,353,364</u>

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
As at 1 April 2019	—	—	—	—
Arising from loans receivables	<u>2,180,572</u>	<u>3,224,179</u>	<u>948,613</u>	<u>6,353,364</u>
As at 31 March 2020 and 1 April 2020	2,180,572	3,224,179	948,613	6,353,364
Arising from loans receivables	111,070	12,715,491	7,747,107	20,573,668
Recoveries	—	(1,768,550)	(850,000)	(2,618,550)
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	<u>111,070</u>	<u>16,351,692</u>	<u>7,747,107</u>	<u>24,209,869</u>

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

- Arising from loans receivables of HK\$111,070 to stage 1, HK\$12,715,491 to stage 2 and of HK\$7,747,107 to stage 3, resulting in an increase in loss allowance of HK\$20,573,668. During the year, the group have record a recoveries of HK\$1,768,550 from stage 2 and HK\$850,000 from stage 3.

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 and past collection history 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\$20,573,668 (2020: HK\$6,353,364) was necessary for the year ended.

14. TRADE PAYABLES

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Trade payables from the business of dealing in securities:		
— Cash clients	14,270,293	18,675,877
— Margin clients	5,961,648	5,407,335
Trade payables from the business of dealing in futures contracts:		
— Margin clients	3,310,982	4,226,494
	<u>23,542,923</u>	<u>28,309,706</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\$21,831,802 (2020: HK\$26,064,434) representing these clients' undrawn monies/excess deposits placed with the Group. The balances are repayable on demand.

15. OTHER PAYABLES AND ACCRUALS

	2021 HK\$	2020 HK\$
Accrued charges	1,117,388	1,277,599
Stamp duty, trading levies and trading fee payables	1,474,530	85,405
Other payables (<i>Note</i>)	<u>1,627,851</u>	<u>1,627,204</u>
	<u>4,219,769</u>	<u>2,990,208</u>

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

Note: The other payables included HK\$1,500,000 (2020: HK\$1,500,000) of refundable earnest money received from independent third parties.

16. BANK BORROWINGS

		2021 HK\$	2020 HK\$
	<i>Notes</i>		
Bank loans			
— Secured	(a)	20,000,000	—
— Unsecured	(b)	<u>2,000,000</u>	<u>—</u>
		<u>22,000,000</u>	<u>—</u>

Notes:

- (a) Secured bank loan of HK\$20,000,000 (2020: HK\$Nil) carrying interest at the rate of HIBOR plus 2.5% per annum was drawn under the banking facilities of HK\$20,000,000 (2020: HK\$20,000,000). Pledged bank deposits of HK\$5,000,000 (2020: HK\$5,000,000) represents deposits pledged to banks to secure bank facilities granted to the Group.
- (b) Unsecured bank loan of HK\$2,000,000 (2020: HK\$Nil) carrying interest at the rate of HIBOR plus 2.75% per annum was drawn under the aggregated banking facilities of HK\$14,500,000 (2020: 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 (2020: HK\$5,000,000).

17. SHARE CAPITAL

	Number of ordinary shares HK\$0.01 each	HK\$
Authorised: At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>5,000,000,000</u>	<u>50,000,000</u>
Issued and fully paid: At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<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 volatility during the year. The whole year had been shadowed by the China-US tension and the COVID-19 pandemic. The GDP of Hong Kong recorded negative growth in 2020 and the interest rate kept at a low level. Surprisingly, the capital market in Hong Kong recorded a significantly rebound. The market turnover started to improve from the second half of 2020. The Hong Kong IPO market has shown strong vitality. In 2020, many new economy companies with innovative and leading technology launched the IPO in the Hong Kong capital market. Moreover, there is a trend that some of the China-based company which listed in the US capital market start to be second listing in Hong Kong. As of 31 March 2021, the Hang Seng Index increased 20.2% from the last year-end to 28,378 as at 31 March 2021.

BUSINESS REVIEW

Revenue

The Group's total revenue and investment income for the year was approximately HK\$52.2 million, as compared with approximately HK\$42.7 million in 2020, representing an increase by approximately 22.1% or approximately HK\$9.5 million. The breakdown of revenue and investment income by business activities of the Group is set out below:

	Year ended 31 March 2021 HK\$	%	Year ended 31 March 2020 HK\$	%	Increase/ (decrease) %
Revenue					
Commission and brokerage fees from securities dealings on the Stock Exchange	6,545,721	15.9	7,283,226	16.4	(10.1)
Placing and underwriting commission	1,964,110	4.8	549,552	1.2	257.4
Commission and brokerage fees from dealing in futures contracts	458,680	1.1	529,032	1.2	(13.3)
Other service income	259	0.0	2,123	0.0	(87.8)
Clearing and settlement fee	1,485,196	3.6	1,143,466	2.6	29.9
Handling service and dividend collection fees	70,918	0.2	84,006	0.2	(15.6)
Interest income from					
— margin clients	6,246,091	15.2	10,450,822	23.5	(40.2)
— loan clients	19,679,716	47.8	20,636,605	46.5	(4.6)
— cash clients	154,187	0.4	177,760	0.4	(13.3)
— authorised financial institutions	180,206	0.4	582,728	1.3	(69.1)
— financial assets at fair value through other comprehensive income	2,749,554	6.7	1,294,475	2.9	112.4
— financial assets at fair value through profit or loss	1,559,999	3.8	—	0.0	100.0
— others	22,020	0.1	1,832	0.0	1,102.0
Income derived from:					
— income right	—	0.0	1,676,905	3.8	(100.0)
— film right	12,349	0.0	—	0.0	100.0
	<u>41,129,006</u>	<u>100.0</u>	<u>44,412,532</u>	<u>100.0</u>	(7.4)
Net gain on trading of financial assets at fair value through profit or loss	4,419,851	40.1	445,817	(26.1)	891.4
Net gain on derecognition of financial assets at fair value through other comprehensive income	85,023	0.8	—	0.0	100.0
Net change in fair value of financial assets at fair value through profit or loss	<u>6,521,348</u>	<u>59.1</u>	<u>(2,153,145)</u>	<u>126.1</u>	NA
	<u>11,026,222</u>	<u>100.0</u>	<u>(1,707,328)</u>	<u>100.0</u>	NA
	<u><u>52,155,228</u></u>		<u><u>42,705,204</u></u>		22.1

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 10.1% from approximately HK\$7.3 million for the year ended 31 March 2020 to approximately HK\$6.5 million for the year ended 31 March 2021.

The total value of transactions increased by approximately 37.9% from approximately HK\$41,392.7 million for the year ended 31 March 2020 to approximately HK\$57,059.0 million for the year ended 31 March 2021. The total value of transactions for securities dealings carried out by the Group for the year ended 31 March 2021 increased as compared with the corresponding period of 2020. As a result, income relating to clearing and settlement fees and handling services also increased by approximately 29.9% from approximately HK\$1.2 million for the year ended 31 March 2020 to approximately HK\$1.5 million for the year ended 31 March 2021.

The commission and brokerage fees from dealing in futures contracts decreased by approximately 13.3% from approximately HK\$0.5 million for the year ended 31 March 2020 to approximately HK\$0.4 million for the year ended 31 March 2021.

The interest income derived from margin securities accounts for the year ended 31 March 2021 was approximately HK\$6.2 million represents a decrease of approximately 40.2% from that of the year ended 31 March 2020 amounting approximately HK\$10.5 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 2021 was approximately HK\$19.7 million (2020: approximately HK\$20.6 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 2021, the placing and underwriting commission increased by approximately 257.4% from approximately HK\$0.5 million for the year ended 31 March 2020 to approximately HK\$2.0 million for the year ended 31 March 2021.

Investment Holding

The Group maintained a portfolio investments included the holding of listed equity securities, bonds and film right. As at 31 March 2021, the value of portfolio of listed equity securities and debt securities was approximately HK\$75.7 million (2020: approximately HK\$54.1 million). Net gain on trading of financial assets at fair value through profit or loss of approximately HK\$4.4 million (2020: approximately HK\$0.4 million), net gain in fair value of financial assets at fair value through profit or loss of approximately HK\$6.5 million (2020: net fair value loss of approximately HK\$2.2 million) and net gain in fair value of financial assets at fair value through other comprehensive income of approximately HK\$2.6 million (2020: net loss of approximately HK\$2.3 million).

Net other income, gains and losses

Net other income, gains and losses for the year ended 31 March 2021 were approximately HK\$0.9 million (2020: approximately HK\$4.8 million). The decrease in net gains were mainly attributed to gain on disposal of income right for the year ended 31 March 2020 amounting approximately HK\$4.8 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 2021 was approximately HK\$1.9 million and HK\$2.6 million, respectively. The impairment loss under ECL model for the year ended 31 March 2020 was approximately HK\$5.0 million. The reversal of impairment loss of trade receivables due to the Group’s recovery of trade receivables for the year ended 31 March 2021.

The impairment loss for trade receivables and the impairment loss for loans receivables under ECL model were provided for approximately HK\$nil million and HK\$20.6 million respectively for the year ended 31 March 2021 (2020: approximately HK\$4.0 million and HK\$6.4 million respectively).

Administrative Expenses

Administrative expenses for the year ended 31 March 2021 were approximately HK\$16.7 million (2020: approximately HK\$17.3 million) representing a decrease of approximately 3.1%. The decrease was due to the decreased of payment of commission during the year compared with the corresponding period of 2020. The depreciation of plant and equipment were decreased by approximately 26.3% from approximately HK\$0.3 million for the year ended 31 March 2020 to approximately HK\$0.2 million for the year ended 31 March 2021. Total staff costs were approximately HK\$6.2 million for the year ended 31 March 2021 as compared to approximately HK\$6.4 million for the year ended 31 March 2020. 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\$21.0 million of bank deposit, bank balances and cash in general accounts as at 31 March 2021. This represented a decrease of approximately 51.3% as compared with the position as at 31 March 2020 of approximately HK\$43.0 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 increased from approximately HK\$164.5 million as at 31 March 2020 to approximately HK\$176.8 million as at 31 March 2021 which represents an increase of approximately 7.5%. The current ratio of the Group as at 31 March 2021 was approximately 4.3 times (2020: approximately 5.9 times).

As at 31 March 2021, the Group had available banking facilities of HK\$27.5 million which were not utilised (2020: 49.5 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 9.5% (2020: nil).

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 2021, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$10.0 million (2020: 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 (2020: HK\$49.5 million) issued by the banks to the Group. As at 31 March 2021, HK\$27.5 million of the banking facilities were not utilised (2020: HK\$49.5 million).

Contingent liabilities

As at 31 March 2021, the Group had no material contingent liabilities (2020: nil).

Capital commitments

As at 31 March 2021, the Group had no capital commitments, contracted but not provided for in the consolidated financial statements (2020: 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\$6.2 million for the year ended 31 March 2021 as compared to approximately HK\$6.4 million for the year ended 31 March 2020.

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 2021, 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 2021 and up to the date of this annual report, the Group did not hold any significant investment.

Significant Investment

As at 31 March 2021, 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

With the launch of vaccination schemes in various places around the world, it is expected that the financial and general impact of COVID-19 will start diminishing. The China-US tension may lead to more China-based Company which listed in the US capital market go further to accelerate the process to have a second listing in Hong Kong or moved back to Hong Kong to have a primary listing. It will further stimulate the Hong Kong stock market to become more active. 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 2021, 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 2021. 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 2021, 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 4 August 2020. 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 2021.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Directors proposed to declare a final dividend of HK0.5 cent per share for the year ended 31 March 2021, 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 Friday, 6 August 2021. 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, Thursday, 12 August 2021. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Thursday, 12 August 2021, 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 Wednesday, 11 August 2021.

The proposed final dividend is expected to be made on Friday, 20 August 2021.

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 2021 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 2021 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
Chief Executive Officer

Hong Kong, 24 June 2021

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.