



First Quarterly Report 2012

CL GROUP (HOLDINGS) LIMITED
昌利(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8098

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 higher 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.

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This report, 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 report 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 report misleading.

FINANCIAL HIGHLIGHT

- Recorded an unaudited turnover of approximately HK\$13.0 million for the three months ended 30 June 2012, representing a decrease of approximately 3.0% over the same period of the previous year.
- Recorded an unaudited profit attributable to the owners of the Company of approximately HK\$5.9 million (2011: HK\$4.9 million) for the three months ended 30 June 2012.
- Basic and diluted earnings per share for the three months ended 30 June 2012 were HK0.59 cents (2011: basic earnings per share of HK0.49 cents) and HK0.59 cents (2011: diluted earnings per share of HK0.49 cents) respectively.
- The Board does not recommend the payment of interim dividend for the three months ended 30 June 2012 (2011: HK\$Nil).

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 30 June 2012 together with comparative unaudited figures for the corresponding period in 2011, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

		Three months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	HK\$	HK\$
Turnover	3	13,002,488	13,403,447
Net other loss	4	(832,999)	(1,288,101)
Administrative expenses		(4,972,922)	(5,979,406)
Profit before taxation		7,196,567	6,135,940
Income tax expenses	5	(1,297,247)	(1,196,507)
Profit and total comprehensive income for the period		5,899,320	4,939,433
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		5,912,582	4,939,433
Non-controlling interests		(13,262)	–
		5,899,320	4,939,433
Dividend	6	–	–
Earnings per share attributable to owners of the Company			
– Basic	7	0.59 cents	0.49 cents
– Diluted	7	0.59 cents	0.49 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2012

	Attributable to owners of the Company							
	Share capital	Share premium	Merger reserve	Share option reserve	Retained profits	Total	Non-controlling interest	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2012	10,000,000	112,473,021	32,500,000	298,168	30,232,501	185,503,690	(136,299)	185,367,391
Profit and total comprehensive income for the period	-	-	-	-	5,912,582	5,912,582	(13,262)	5,899,320
Recognition of equity-settled share-based payments	-	-	-	68,808	-	68,808	-	68,808
At 30 June 2012	<u>10,000,000</u>	<u>112,473,021</u>	<u>32,500,000</u>	<u>366,976</u>	<u>36,145,083</u>	<u>191,485,080</u>	<u>(149,561)</u>	<u>191,335,519</u>
At 1 April 2011	10,000,000	112,473,021	32,500,000	31,412	27,483,288	182,487,721	-	182,487,721
Profit and total comprehensive income for the period	-	-	-	-	4,939,433	4,939,433	-	4,939,433
Recognition of equity-settled share-based payments	-	-	-	94,236	-	94,236	-	94,236
At 30 June 2011	<u>10,000,000</u>	<u>112,473,021</u>	<u>32,500,000</u>	<u>125,648</u>	<u>32,422,721</u>	<u>187,521,390</u>	<u>-</u>	<u>187,521,390</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 March 2011 (the "Listing Date").

The condensed consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are engaged in the provision of securities, futures and options broking and trading, placing and underwriting services, wealth management services and securities advisory service.

2 Basis of preparation and principal accounting policies

The unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong, Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. They have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

The accounting policies and method of computation used in preparing the unaudited condensed consolidated results are consistent with those used in the audited financial statements for the year ended 31 March 2012 except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements. The unaudited condensed consolidated quarterly results have not been reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

3 Turnover

An analysis of the Group's revenue for the period from continuing operations is as follows:

	Three months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Commission and brokerage fees from securities dealing on The Stock Exchange of Hong Kong Limited	597,309	3,579,701
Commission and brokerage fees on dealing in futures contracts	86,832	409,277
Commission from wealth management business	258,727	–
Commission from securities advisory service	7,500,000	–
Placing and underwriting commission	399,820	6,642,343
Clearing and settlement fee	49,945	338,846
Handling service and dividend collection fees	87,726	239,709
Interest income from		
– authorised financial institutions	198,324	100,104
– clients	3,823,804	2,093,431
– others	1	36
	13,002,488	13,403,447

4 Net other loss

	Three months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Gain on trading of financial assets at fair value through profit or loss	10,040	67,403
Dividends income	4,000	–
Net change in fair value of financial assets at fair value through profit or loss	(1,210,039)	(2,475,504)
Other income	363,000	1,120,000
	(832,999)	(1,288,101)

5 Income tax expenses

	Three months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Hong Kong Profits Tax		
– current period	1,323,484	1,220,925
Deferred tax credit		
– current period	(26,237)	(24,418)
	<u>1,297,247</u>	<u>1,196,507</u>

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimate assessable profits arising in Hong Kong for the three months ended 30 June 2012 and 2011.

6 Dividend

The Board does not recommend the payment of interim dividend for the three months ended 30 June 2012 (2011: HK\$Nil).

7 Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of the Company's ordinary shares in issue during the period.

	<i>Note</i>	Three months ended 30 June	
		2012 (Unaudited) <i>HK\$</i>	2011 (Unaudited) <i>HK\$</i>
Profit for the period attributable to owners of the Company		5,912,582	4,939,433
		Three months ended 30 June	
		2012 <i>No. of shares</i>	2011 <i>No. of shares</i>
Weighted average number of ordinary shares in issue during the period		1,000,000,000	1,000,000,000
Weighted average number of ordinary shares and dilutive potential ordinary share in issue during the period	(a)	1,000,000,000	1,000,414,447

Note:

- (a) No adjustment had been made to the basic earnings per share amounts presented for the three months ended 30 June 2012 as the conversion of the outstanding share options during the period had an anti-dilutive effect on the basic earnings per share because the exercise price per share option was higher than the average share price of the Company for the period.

The calculation of the diluted earnings per share for the three months ended 30 June 2011 is based on the profit for the period of HK\$4,939,433 and the weighted average number of 1,000,414,447 ordinary shares in issue respectively during the period.

Diluted earnings per share for the three months ended 30 June 2011 assumed the conversion of all outstanding pre-IPO share options of the Company, amounted to a maximum of 6,300,000 shares.

8 Comparative amounts

Certain amounts are reclassified in the unaudited condensed consolidated statement of comprehensive income in order to better reflect their nature and conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

During the reporting period, the financial service sector was very competitive. The global economic and financial environment was volatile. The market sentiment became more adversely affected by concerns over the monetary tightening policy in China as well as the European sovereign debt crisis and recession of the US economy.

As at 29 June 2012, the Hang Seng Index recorded as 19,442 representing approximately 5.4% decrease as compared with 20,556 as at 30 March 2012.

Business review

Securities and Futures Brokerage

The commission and brokerage fees on securities dealing decreased by approximately 83.3% from approximately HK\$3.6 million for the three months ended 30 June 2011 to approximately HK\$0.6 million for the three months ended 30 June 2012. The total value of transactions for securities dealing decreased by approximately 91.0% from approximately HK\$15,981.6 million for the three months ended 30 June 2011 to approximately HK\$1,445.3 million for the three months ended 30 June 2012.

The total value of transactions for securities dealing carried out by the Group for the three months ended 30 June 2012 decreased as compared with 2011. As a result, income relating to clearing and settlement fee and handling service also decreased by approximately 76.2% from HK\$578,555 for the three months ended 30 June 2011 to HK\$137,671 for the three months ended 30 June 2012.

The commission and brokerage fees on dealing in futures contracts decreased by approximately 78.8% from HK\$409,277 for the three months ended 30 June 2011 to HK\$86,832 for the three months ended 30 June 2012.

In May 2011, a joint venture, namely Capital Global (BVI) Limited (“Capital Global”), has been set up for the purpose of engaging in the wealth management business. The joint venture was incorporated in British Virgin Islands; and the Group initially holds 41.0% of the shareholding interest. In November 2011, the shareholding interest increased to 91.0%. Revenue generated from Capital Global for the three months ended 30 June 2012 was HK\$258,727.

Loan and Financing

The Group has commenced its margin financing business since April 2011. In 2012, CLC Finance Limited, a wholly owned subsidiary incorporated in Hong Kong, has been set up for the purpose of engaging in the money lending business. Revenue from loan and financing represent interest income from margin financing, IPO financing and loans and advances to customers.

The interest income, excluding the interest from authorised financial institutions, increased by approximately 82.7% from approximately HK\$2.1 million for the three months ended 30 June 2011 to approximately HK\$3.8 million for the three months ended 30 June 2012.

Securities Advisory Services

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 this regulated activities.

During the reporting period, Cheong Lee Securities Limited, the Company's wholly-owned subsidiary, provides securities advisory services to customers.

Commission income from securities advisory services for the three months ended 30 June 2012 was approximately HK\$7.5 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 three months ended 30 June 2012, the placing and underwriting commission decreased by approximately 94.0% from approximately HK\$6.6 million for the three months ended 30 June 2011 to HK\$399,820 for the three months ended 30 June 2012 due to decrease in fund raising activities in Hong Kong.

Financial review

The Group's revenue for the three months ended 30 June 2012 was approximately HK\$13.0 million, representing a decrease of approximately 3.0% from approximately HK\$13.4 million of the corresponding period in 2011.

The Group traded equity securities listed in Hong Kong, US and Canada. During the three months ended 30 June 2012, the Group suffered unrealised loss of approximately HK\$1.2 million on trading of equity securities listed in Hong Kong and Canada mainly due to the decline in value in the midst of the recent general downturn of the global equity market.

Administrative expenses for the three months ended 30 June 2012 were approximately HK\$5.0 million (approximately HK\$6.0 million for the three months ended 30 June 2011), representing a decrease of approximately 16.8%.

Due to the total value of transactions for securities dealing decreased by approximately 91.0% from approximately HK\$15,981.6 million for the three months ended 30 June 2011 to approximately HK\$1,445.3 million for the three months ended 30 June 2012, the related expenses such as CCASS charges, commission paid and subscription and membership fee, in aggregate, was decreased by approximately 48.4% from approximately HK\$1.8 million for the three months ended 30 June 2011 to HK\$927,736 for the three months ended 30 June 2012.

Staff cost excluding the effects of fair value provision for pre-IPO share options decreased by approximately 10.6% from approximately HK\$1.7 million for the three months ended 30 June 2011 to approximately HK\$1.5 million for the three months ended 30 June 2012.

Profit attributable to the owners of the Company amounted to approximately HK\$5.9 million for the three months ended 30 June 2012 (approximately HK\$4.9 million for the three months ended 30 June 2011). Earnings per share attributable to owners of the Company was approximately HK0.59 cents for the three months ended 30 June 2012 (approximately HK0.49 cents for the three months ended 30 June 2011).

OUTLOOK

Amidst uncertain market conditions arising from unresolved debt crisis in Europe, the risk of further economic deceleration in Europe and the US and continued monetary measures in the PRC, the Board believes that the Group's businesses will sustain well despite the unstable economic conditions. The Group will continue to grow its brokerage business and wealth management business, by broadening client base and by strengthening its trading platform. The Group will continue to put efforts on expanding the margin finance business and securities advisory services and on satisfying the needs of clients.

The Group aims to become a leading financial service group in Hong Kong. The Group will actively review future business opportunities to develop into various financial services in Hong Kong in anticipating to bring in new sources of income and to further increase the profitability of the Group.

SHARE OPTIONS SCHEMES

The Company has two share option schemes namely, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme") which were both adopted on 22 February 2011.

Pre-IPO Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme on 22 February 2011 under which the Company has conditionally granted options to certain Directors, senior management and employees of the Group to purchase shares of the Company (the "Shares") with an exercise price equal to the offer price as defined in the prospectus of the Company dated 28 February 2011.

The total number of shares in respect of which share options granted under the Pre-IPO Share Option Scheme as at 30 June 2012 was 4,600,000 which represented approximately 0.46% of the issued share capital of the Company as at 30 June 2012.

As at 30 June 2012, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

	Grantees	Date of Grant (Note 1) (dd/mm/yyyy)	Exercise price per share HK\$	Exercisable period (Note 2) (dd/mm/yyyy)	Number of underlying shares	Approximate percentage of shareholding (%)
(i)	Yu Linda, Executive Director	25/02/2011	0.485	08/03/2012 – 07/03/2013	500,000	0.05%
				08/03/2013 – 07/03/2014	1,000,000	0.10%
					<u>1,500,000</u>	<u>0.15%</u>
(ii)	Lau Kin Hon, Executive Director	25/02/2011	0.485	08/03/2012 – 07/03/2013	500,000	0.05%
				08/03/2013 – 07/03/2014	500,000	0.05%
					<u>1,000,000</u>	<u>0.10%</u>
(iii)	Kwok Kin Chung, Executive Director	25/02/2011	0.485	08/03/2012 – 07/03/2013	500,000	0.05%
				Sub-total	<u>3,000,000</u>	<u>0.30%</u>
(iv)	Employees	25/02/2011	0.485	08/03/2012 – 07/03/2013	1,400,000	0.14%
				08/03/2013 – 07/03/2014	200,000	0.02%
					<u>1,600,000</u>	<u>0.16%</u>
				Total	<u>4,600,000</u>	<u>0.46%</u>

Notes:

- (1) It was the date when the Company offered to the grantees the options under the Pre-IPO Share Option Scheme.
- (2) Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise:
 - (i) up to 500,000 of the total number options granted at any time during the period commencing from the date of the first anniversary of the Listing Date to the date of the second anniversary of the Listing Date (both days inclusive); and
 - (ii) remaining options granted at any time during the period commencing from the date immediately following the date of the second anniversary of the Listing Date to the date of the third anniversary of the Listing Date (both days inclusive).

Share Option Scheme

The Company adopted the Share Option Scheme on 22 February 2011, which was approved by the shareholders' written resolutions, is valid and effective for a period of 10 years. It is a share incentive scheme and is established to recognise and acknowledge the contribution that the eligible participants have or may have made to the Group. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant an option to any Directors, employees, advisers, consultants, distributors, contractors, suppliers, customers, agents, business partners and service providers of any member of the Group.

The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 100,000,000 shares, representing 10% of the total number of issued shares of the Company as at 30 June 2012.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to eligible participants in any 12 months period up to the date of grant shall not exceed 1% of the Shares in issue as the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of shareholders in a general meeting.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a Share.

As at 30 June 2012 and up to the date of approval of these financial statements, no share options have been granted under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, save for the interest of the Directors in Shares and share options as below, neither of the Directors nor the Chief Executive of the Company had interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Long positions in the shares of the Company

Director	Type of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Kwok Kin Chung	Beneficial owner	30,000	0.003%
Mr. Lau Kin Hon	Beneficial owner	30,000	0.003%
Ms. Yu Linda	Beneficial owner	30,000	0.003%

Long Position in the underlying shares of the Company

Share Option

As at 30 June 2012, there were a total of 3,000,000 outstanding share options of the Company granted to the Directors, details of which are summarised in the following table:

Options to Subscribe for Shares of the Company									
Director	Date of grant	Outstanding as at 1 April 2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2012	Option exercise period	Exercise price per share	Approximate percentage of shareholding
Yu Linda	25/2/2011	500,000	-	-	-	500,000	08/03/2012 to 07/03/2013	HK\$0.485	0.05%
	25/2/2011	1,000,000	-	-	-	1,000,000	08/03/2013 to 07/03/2014		0.10%
						1,500,000			0.15%
Lau Kin Hon	25/2/2011	500,000	-	-	-	500,000	08/03/2012 to 07/03/2013	HK\$0.485	0.05%
	25/2/2011	500,000	-	-	-	500,000	08/03/2013 to 07/03/2014		0.05%
						1,000,000			0.10%
Kwok Kin Chung	25/2/2011	500,000	-	-	-	500,000	08/03/2012 to 07/03/2013	HK\$0.485	0.05%
Total		3,000,000	-	-	-	3,000,000			0.30%

Note:

The above share options were granted pursuant to the Company's pre-IPO share option scheme adopted on 22 February 2011.

Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise the options in the following manner:

- (i) a maximum of 500,000 of Shares under the options granted to him, or if the number of the Shares under the options granted to him is less than 500,000, his maximum entitlements under the options granted to him, at any time during the period on or after from the date falling on the first anniversary of the Listing Date to the date of the second anniversary of the Listing Date; and

- (ii) the remaining Shares, if any, under the options granted to him at any time during the period on or after the date falling on the date of the second anniversary of the Listing Date to the date immediately before the third anniversary of the Listing Date.

Save as disclosed above, none of the Directors or the Chief Executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2012.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and Chief Executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long position in shares of the Company

Name of shareholder	Number of shares	Approximate percentage holding
Zillion Profit Limited	750,000,000	75%
Ms. Au Suet Ming Clarea (<i>note i</i>)	750,000,000	75%

Note:

- (i) Ms. Au Suet Ming Clarea is deemed to be interested in 750,000,000 shares through her controlling interest (100%) in Zillion Profit Limited.

Save as disclosed above, as at 30 June 2012, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

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 three months ended 30 June 2012.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by VC Capital Limited ("VC Capital"), the compliance adviser of the Company, neither VC Capital nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2012.

Pursuant to the agreement dated 3 March 2011 entered into between VC Capital and the Company, VC Capital received and will receive fees for acting as the compliance adviser of the Company.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the three months ended 30 June 2012, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective 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.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Committee") 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. Au-Yeung Tai Hong Rorce, Ms. Choy Wing Man and Mr. Chiu Wai Keung. The unaudited condensed consolidated results of the Group for the three months ended 30 June 2012 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.

POSSIBLE LISTING TRANSFER

The Board is of the preliminary view that the Company meets the profit requirements to transfer its listing from GEM to the Main Board of the Stock Exchange (the “Listing Transfer”) under Rule 8.05(1) of the Rules Governing the Listing of Securities on the Stock Exchange. The Board will explore the possibility of the Listing Transfer. The Board is also reviewing whether the Company is able to meet all the other requirements for the Listing Transfer and the costs and benefits of such Listing Transfer and whether the Listing Transfer is in the interest of the Company and the shareholders of the Company as a whole. **Shareholders and the investing public should take note that there is no certainty that application for the Listing Transfer will eventually be made and even if the application is made, there is no certainty that the Stock Exchange will grant the approval of the Listing Transfer. Shareholders and the investing public should therefore exercise caution when dealing in the shares of the Company.**

The Company will make announcement as soon as practicable when there is any material development regarding the Listing Transfer.

By Order of the Board
CL Group (Holdings) Limited
Alexis Ventouras
Chairman

Hong Kong, 10 August 2012

As at the date of this report, the Company's executive Directors are Mr. Alexis Ventouras, Mr. Kwok Kin Chung, Mr. Lau Kin Hon and Ms. Yu Linda, and the Company's independent non-executive Directors are Mr. Au-Yeung Tai Hong Rorce, Ms. Choy Wing Man and Mr. Chiu Wai Keung.