

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 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 revenue of approximately HK\$36.7 million for the nine months ended 31 December 2018, representing an increase of approximately 0.4% over the same period of the previous year.
- Recorded an unaudited profit attributable to the owners of the Company of approximately HK\$19.1 million for the nine months ended 31 December 2018, representing an increase of approximately 1.9% over the same period of the previous year.
- Basic and diluted earnings per share for the nine months ended 31 December 2018 were approximately HK0.87 cents (2017: basic and diluted earnings per share of approximately HK0.85 cents).
- The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: Nil).

The board of directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 December 2018 together with comparative unaudited figures for the corresponding period in 2017, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2018

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 (unaudited) HK\$	2017 (unaudited) HK\$	2018 (unaudited) HK\$	2017 (unaudited) HK\$
Revenue	3	13,051,893	12,824,679	36,714,081	36,560,834
Net (loss) gain on trading of financial assets at fair value through profit or loss		(321,359)	108,576	2,040,593	1,469,011
Net changes in fair value of financial assets at fair value through profit or loss		(2,817,440)	1,467,522	234,344	838,590
Net other income, gains and losses	4	493,552	330,993	1,311,147	1,045,152
Administrative expenses		(6,128,735)	(6,475,269)	(17,748,623)	(17,487,925)
Finance cost		(89,187)	(20,275)	(89,255)	(144,913)
Profit before tax		4,188,724	8,236,226	22,462,287	22,280,749
Income tax expenses	5	(319,825)	(1,161,725)	(3,400,367)	(3,579,459)
Profit and total comprehensive income and attributable to the equity holders of the Company for the period		3,868,899	7,074,501	19,061,920	18,701,290
Earnings per share for profit attributable to equity holders of the Company					
— Basic	7	0.18 cents	0.32 cents	0.87 cents	0.85 cents
— Diluted	7	0.18 cents	0.32 cents	0.87 cents	0.85 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Share capital	Share premium	Merger reserve	Share options reserve	Capital reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2018	22,000,000	130,931,993	32,500,000	8,275,000	(112,519)	53,148,944	246,743,418
Profit and total comprehensive income for the period	—	—	—	—	—	19,061,920	19,061,920
Dividend	—	—	—	—	—	(22,000,000)	(22,000,000)
At 31 December 2018	22,000,000	130,931,993	32,500,000	8,275,000	(112,519)	50,210,864	243,805,338
At 1 April 2017	22,000,000	130,931,993	32,500,000	8,275,000	(112,519)	58,679,735	252,274,209
Profit and total comprehensive income for the period	—	—	—	—	—	18,701,290	18,701,290
Dividend	—	—	—	—	—	(22,000,000)	(22,000,000)
At 31 December 2017	22,000,000	130,931,993	32,500,000	8,275,000	(112,519)	55,381,025	248,975,499

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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The 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, margin and loan financing service, placing and underwriting services, securities advisory service and investment holding.

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 (the "HKICPA") 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 2018 except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the 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 and revised HKFRSs that have been issued but are not yet effective.

3 Revenue

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 (Unaudited) HK\$	2017 (Unaudited) HK\$	2018 (Unaudited) HK\$	2017 (Unaudited) HK\$
Commission and brokerage fees from securities dealings on the Stock Exchange	2,563,641	2,704,801	7,158,099	6,907,321
Commission and brokerage fees from dealing in futures contracts	177,253	87,194	499,952	157,013
Other services income	419	750	1,399	21,325
Commission from securities advisory services	—	—	60,000	1,000,000
Placing and underwriting commission	4,950	—	4,950	280,000
Clearing and settlement fees	1,074,273	912,193	2,625,678	1,910,964
Handling service and dividend collection fees	14,068	16,926	79,554	131,032
Interest income from				
— authorised financial institutions	107,411	27,650	224,711	121,929
— clients (including margin clients)	8,544,128	7,812,714	24,027,371	20,931,334
— others	2,969	629,893	282,018	3,028,255
Income derived from				
— Income right	562,781	632,558	1,744,409	1,747,199
— Film right	—	—	5,940	39,600
Market data subscription income	—	—	—	284,862
	13,051,893	12,824,679	36,714,081	36,560,834

4 Net other income, gain and losses

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Net exchange gain/(loss)	797	656	(39,035)	13,737
Recovery of other receivables	238,979	327,098	926,636	962,054
Dividend income	—	—	51,260	—
Sundry income	253,776	3,239	372,286	69,361
	493,552	330,993	1,311,147	1,045,152

5 Income tax expenses

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Hong Kong Profits Tax				
— current period	1,197,849	1,147,284	3,364,416	3,383,201
Deferred tax (credit)/expense				
— current period	(878,024)	14,441	35,951	196,258
	319,825	1,161,725	3,400,367	3,579,459

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimate assessable profits arising in Hong Kong for the three months and nine months ended 31 December 2018 and 2017.

6 Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (2017: 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.

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Profit for the period attributable to owners of the Company	3,868,899	7,074,501	19,061,920	18,701,290

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
Note	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares in issue during the period	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000

Weighted average number of ordinary shares and dilutive potential ordinary shares in issue during the period	(a)	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000
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Note:

- (a) No adjustment had been made to the basic earnings per share amounts presented for the three months ended and nine months ended 31 December 2018 and for the three months ended 31 December 2017 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

In late 2018, US stock market declined materially in December, it due to fears over economic momentum and slower earnings growth. The China-US trade war also continued to hamper investor optimism.

Hong Kong stock market was also negatively impacted by China-US trade war. At 31 December 2018, the Hang Seng Index recorded 25,846 representing approximately 14.1% decreased as compared with 30,093 as at 31 March 2018.

Business review

Revenue and Investment Income

The Group's total revenue and investment income for the nine months ended 31 December 2018 was approximately HK\$39.0 million, as compared with the corresponding period in 2017 of approximately HK\$38.9 million, increased by approximately 0.3% or approximately HK\$0.1 million.

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 fees from securities dealings increased by approximately 3.6% from approximately HK\$6.9 million for the nine months ended 31 December 2017 to approximately HK\$7.2 million for the nine months ended 31 December 2018. The total value of transaction for the nine months ended 31 December 2018 was approximately HK\$138,996.2 million (2017: approximately HK\$81,450.1 million). As a result, income relating to clearing and settlement fees and handling service also increased by approximately 32.5% from approximately HK\$2.0 million for the nine months ended 31 December 2017 to approximately HK\$2.7 million for the nine months ended 31 December 2018.

The commission and brokerage fees on dealing in futures contracts increased by approximately 218.4% from approximately HK\$157,000 for the nine months ended 31 December 2017 to approximately HK\$500,000 for the nine months ended 31 December 2018.

The interest income derived from cash and margin securities accounts for the nine months ended 31 December 2018 was approximately HK\$8.8 million represents a decrease of approximately 0.2% from approximately HK\$8.8 million of the corresponding period in 2017.

Loan and Financing

The Group holds Money Lenders Licence under the Money Lenders Ordinance to engage in money lending business. CLC Finance Limited, the Company's wholly-owned subsidiary, provides loan and financing service to customers. As at 31 December 2018, CLC Finance Limited maintained the loan portfolio amounting to approximately HK\$68.9 million. The interest income derived from providing loan and finance to customers for the nine months ended 31 December 2018 was approximately HK\$15.3 million (2017: approximately HK\$12.1 million).

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 these regulated activities.

Commission income from securities advisory services decreased by approximately 94.0% from HK\$1.0 million for the nine months ended 31 December 2017 to HK\$60,000 for the nine months ended 31 December 2018.

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.

The placing and underwriting commission decreased by approximately 98.2% from approximately HK\$280,000 for the nine months ended 31 December 2017 to approximately HK\$5,000 for nine months ended 31 December 2018.

Investment Holding

The Group maintained portfolio investments included the holding of listed equity securities, bonds, income right and film right. The Group traded equity securities listed in Hong Kong, USA and Canada. The Group holds an income right of the photovoltaic power plant at the rooftop of a factory located at Hunan Province, the PRC to generate stable cash inflow. As at 31 December 2018, the total value of the Group investment portfolio was approximately HK\$62.4 million (31 March 2018: approximately HK\$67.3 million), including the value of portfolio of listed securities of approximately HK\$41.4 million (31 March 2018: approximately HK\$38.6 million).

During the period, the gain on trading of financial assets at fair value through profit or loss of approximately HK\$2.0 million (2017: approximately HK\$1.5 million). The net changes in fair value gain of financial assets at fair value through profit or loss for the nine months ended 31 December 2018 was approximately HK\$0.2 million, representing a decrease of approximately 72.1% from approximately HK\$0.8 million of corresponding period in 2017, mainly attributed that the Group adopted the cautious approach in making investment decision so as to obtain a balance between risk and return.

Financial review

The Group's revenue for the nine months ended 31 December 2018 was approximately HK\$36.7 million, representing an increase of approximately 0.4% from approximately HK\$36.6 million of the corresponding period in 2017.

Administrative expenses for the nine months ended 31 December 2018 were approximately HK\$17.7 million (approximately HK\$17.5 million for the nine months ended 31 December 2017) representing a decrease of approximately 1.5%.

Staff cost decreased by approximately 3.6% from approximately HK\$4.8 million for the nine months ended 31 December 2017 to approximately HK\$4.7 million for the nine months ended 31 December 2018.

Profit attributable to the owners of the Company amounted to approximately HK\$19.1 million for the nine months ended 31 December 2018 (approximately HK\$18.7 million for the nine months ended 31 December 2017).

Earnings per share attributable to owners of the Company was approximately HK0.87 cents for the nine months ended 31 December 2018 (approximately HK0.85 cents for the nine months ended 31 December 2017). Diluted earnings per share for the nine months ended 31 December 2018 were approximately HK0.87 cents (2017: diluted earnings per share of approximately HK0.85 cents).

Future plans for material investments or capital assets

As at 31 December 2018, 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.

Outlook

The outcome of China-US trade negotiation in early 2019 will have a certain impact on the stock market. Investor want new round of negotiations to bring about constructive progress. The Group will leverage the knowledge and experience of our management team to seize opportunities as they arise. 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.

SHARE OPTIONS SCHEME

The Company adopted the Share Option Scheme (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, the remaining life of the Share Option Scheme is 2 years. It is established to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group. Pursuant to the Share Option Scheme, the Board may, at its discretion and on such terms as it may think fit, offer to grant an option to any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group. An offer for the grant of share options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

As at 31 December 2018, the total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 110,000,000 shares, representing 5% of the total number of shares of the Company as at 31 December 2018.

Under the share option scheme, the Company may grant to directors (the "Directors") and employees of the Group and any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group which options granted shall be immediately vested. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of the passing of the relevant ordinary resolution. If any option is to be granted to connected person(s), it must be approved by independent non-executive directors or independent shareholders as the case may be.

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.

The total number of shares in respect of which share options granted under the Share Option Scheme as at 31 December 2018 and not yet exercised was 100,000,000 which represented approximately 4.55% of the issued share capital of the Company as at 31 December 2018.

As at 31 December 2018, details of the share options granted under the Share Option Scheme are as follows:

Granted	Date of Grant (dd/mm/yyyy)	Exercise price [#] per share HK\$	Exercisable period (dd/mm/yyyy)	Changes during the period				Balance as at 31 December 2018
				Balance as at 1 April 2018	Granted	Exercised	Cancelled/ lapsed	
Kwok Kin Chung, Executive Director	09/04/2014	0.2275	09/04/2014-08/04/2023	20,000,000	—	—	—	20,000,000
Yu Linda, Executive Director	09/04/2014	0.2275	09/04/2014-08/04/2023	20,000,000	—	—	—	20,000,000
Lau Kin Hon, Executive Director	09/04/2014	0.2275	09/04/2014-08/04/2023	20,000,000	—	—	—	20,000,000
			Sub-total	60,000,000	—	—	—	60,000,000
Employees and Other Participants	09/04/2014	0.2275	09/04/2014-08/04/2023	40,000,000	—	—	—	40,000,000
			Total	100,000,000	—	—	—	100,000,000
Weighted average exercise price				0.2275	—	—	—	0.2275

Fair value of share options and assumptions

The fair value of share option granted at the grant date was HK\$8,275,000 per share, which are calculated using the Black-Scholes model with the following inputs:

Date of grant	:	9 April 2014
Share price at the grant date	:	HK\$0.410
Exercise price [#]	:	HK\$0.2275
Expected volatility	:	55.019%
Expected life of option	:	9 years
Expected dividend yield	:	5.860%
Risk free rate	:	2.106%

The fair values of share options granted by the Company were determined by using Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

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

As at 31 December 2018, save for the interest of the Directors in share options as below, neither of the Directors nor the Chief Executive of the Company had interests and or short positions in the shares of the Company, 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 Position in the Shares and underlying shares of the Company Share Option

As at 31 December 2018, there were a total of 60,000,000 outstanding share options of the Company granted to the Directors, details of which are summarised in the following table:

Director	Date of grant (dd/mm/yyyy)	Options to subscribe for shares of the Company				Outstanding as at 31 December 2018	Option exercise period (dd/mm/yyyy)	Exercise price per share [#]	Approximate percentage of shareholding
		Outstanding as at 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period				
Kwok Kin Chung	09/04/2014	20,000,000	—	—	—	20,000,000	09/04/2014 to 08/04/2023	HK\$0.2275	0.91%
Yu Linda	09/04/2014	20,000,000	—	—	—	20,000,000	09/04/2014 to 08/04/2023	HK\$0.2275	0.91%
Lau Kin Hon	09/04/2014	20,000,000	—	—	—	20,000,000	09/04/2014 to 08/04/2023	HK\$0.2275	0.91%
Total		60,000,000	—	—	—	60,000,000			2.73%

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 31 December 2018.

- # The exercise price of the share options is subject to adjustment in the case of bonus issues, or other similar Company's capital reorganisation.

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

As at 31 December 2018, 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	1,500,000,000	68.18%
Ms. Au Suet Ming Clarea (<i>note (i)</i>)	1,500,000,000	68.18%

Note:

- (i) Ms. Au Suet Ming Clarea is deemed to be interested in 1,500,000,000 shares through her controlling interest (100%) in Zillion Profit Limited.

Save as disclosed above, as at 31 December 2018, 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 nine months ended 31 December 2018.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the nine months ended 31 December 2018, 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.

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 confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the nine months ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors 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 period of nine months ended 31 December 2018, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except for the following deviation:

Under CG Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

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

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

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

AUDIT COMMITTEE

The Company 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. Poon Wing Chuen, Mr. Chiu Wai Keung and Mr. Wang Rongqian. The unaudited condensed consolidated results of the Group for the nine months ended 31 December 2018 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.

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

Hong Kong, 12 February 2019

As at the date of this report, 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. Chiu Wai Keung, Mr. Poon Wing Chuen and Mr. Wang Rongqian.