

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8098



2019
Interim
Report



CHARACTERISTICS OF THE 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.

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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\$24.6 million for the six months ended 30 September 2019, representing an increase of approximately 3.8% over the same period of the previous year.
- Recorded an unaudited profit attributable to the owners of the Company of approximately HK\$12.9 million for the six months ended 30 September 2019. The decrease in profit and total comprehensive income attributable to the owners of the Company as compared with the corresponding period in 2018, which was mainly attributed to the decrease in net gain on trading of financial assets at fair value through profit or loss.
- Basic and diluted earnings per share for the six months ended 30 September 2019 were HK0.59 cent (2018: basic earnings per share of HK0.69 cent) and HK0.59 cent (2018: diluted earnings per share of HK0.69 cent) respectively.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: 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 six months ended 30 September 2019 together with comparative unaudited figures for the corresponding period in 2018, as follows:

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

For the three months and six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 (Unaudited) HK\$	2018 (Unaudited) HK\$	2019 (Unaudited) HK\$	2018 (Unaudited) HK\$
Revenue	3	12,817,766	12,222,821	24,552,270	23,662,188
Net gain on trading of financial assets at fair value through profit or loss		354,060	25,754	354,060	2,361,952
Net changes in fair value of financial assets at fair value through profit or loss		(3,219,707)	(2,006,566)	(1,579,982)	3,051,784
Net other income, gains and losses	4	43,743	395,066	34,740	817,595
Administrative expenses		(3,924,105)	(6,087,500)	(8,553,789)	(11,619,888)
Finance costs		(276,017)	(68)	(328,981)	(68)
Profit before tax		5,795,740	4,549,507	14,478,318	18,273,563
Income tax expenses	6	(810,965)	(1,120,893)	(1,573,696)	(3,080,542)
Profit and total comprehensive income for the period		<u>4,984,775</u>	<u>3,428,614</u>	<u>12,904,622</u>	<u>15,193,021</u>
Earnings per share					
— Basic	8	<u>0.23 cent</u>	<u>0.16 cent</u>	<u>0.59 cent</u>	<u>0.69 cent</u>
— Diluted	8	<u>0.23 cent</u>	<u>0.16 cent</u>	<u>0.59 cent</u>	<u>0.69 cent</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30 September 2019 (Unaudited) HK\$	31 March 2019 (Audited) HK\$
Non-current assets			
Plant and equipment	9	557,539	653,499
Right-of-use assets		5,168,602	—
Other assets		1,730,000	1,730,000
Loans receivables	11	55,822,284	12,178,616
Rental and utility deposits		698,875	698,875
		63,977,300	15,260,990
Current assets			
Trade receivables	10	55,513,188	84,605,821
Loan receivables	11	53,458,550	82,257,989
Other receivables, deposits and prepayments		157,537	310,931
Financial assets at fair value through profit or loss		47,433,338	33,481,389
Asset held-for-sale		18,646,588	18,646,588
Tax refundable		1,969,011	1,969,011
Pledged bank deposit	12	10,000,000	10,000,000
Bank balances and cash — trust accounts	12	130,571,300	137,691,268
Bank balances and cash — general accounts	12	9,091,436	11,011,117
		326,840,948	379,974,114

		30 September 2019 (Unaudited) HK\$	31 March 2019 (Audited) HK\$
	Notes		
Current liabilities			
Trade payables	13	133,245,806	150,057,423
Other payables and accruals		6,384,177	3,066,147
Bank borrowing		14,000,000	2,000,000
Income tax payables		2,185,543	1,280,164
Lease liabilities		2,269,978	—
		158,085,504	156,403,734
Net current assets		168,755,444	223,570,380
Total assets less current liabilities		232,732,744	238,831,370
Non-current liability			
Deferred tax liabilities		1,616,848	1,569,974
Lease liabilities		2,984,678	—
		4,601,526	1,569,974
Net assets		228,131,218	237,261,396
Capital and reserves			
Share capital	14	22,000,000	22,000,000
Reserves		206,131,218	215,261,396
Total equity		228,131,218	237,261,396

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Share options reserve HK\$	Capital reserve HK\$	Retained profits HK\$	Total HK\$
At 1 April 2019 as originally presented	22,000,000	130,931,993	32,500,000	8,275,000	(112,519)	43,666,922	237,261,396
Initial adoption of HKFRS 16 (Note)	—	—	—	—	—	(34,800)	(34,800)
Restated as at 1 April 2019	22,000,000	130,931,993	32,500,000	8,275,000	(112,519)	43,632,122	237,226,596
Profit and total comprehensive income for the period	—	—	—	—	—	12,904,622	12,904,622
Dividend	—	—	—	—	—	(22,000,000)	(22,000,000)
At 30 September 2019	22,000,000	130,931,993	32,500,000	8,275,000	(112,519)	34,536,744	228,131,218
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	—	—	—	—	—	15,193,021	15,193,021
Dividend	—	—	—	—	—	(22,000,000)	(22,000,000)
At 30 September 2018	22,000,000	130,931,993	32,500,000	8,275,000	(112,519)	46,341,965	239,936,439

Note: Upon the adoption of HKFRS 16 "Leases" on 1 April 2019, the accumulated impact of HK\$34,800 was recorded as an adjustment to the accumulated losses as at 1 April 2019, including HK\$574,289 depreciation on right-of-use assets, HK\$75,511 interest expenses on lease liabilities and HK\$615,000 reversal of operating lease expenses.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash generated from operating activities	23,023,834	9,965,360
Net cash used in from investing activities	(14,943,515)	(3,819,679)
Net cash used in from financing activities	(10,000,000)	(22,000,000)
Net decrease in cash and cash equivalents	(1,919,681)	(15,854,319)
Cash and cash equivalents at beginning of period	11,011,117	25,074,154
Cash and cash equivalents at end of period	9,091,436	9,219,835
Analysis of the balance of cash and cash equivalents		
Bank balances and cash — general accounts	9,091,436	9,219,835
Bank overdraft	—	—
	9,091,436	9,219,835

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 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, margin and loan financing services, placing and underwriting services, securities advisory services 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. It was authorised for issue on 5 November 2019.

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 2019 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 interim results have not been reviewed by the Company's auditor, 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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since 31 March 2019. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the HKFRSs.

The interim financial report is unaudited. The financial information relating to the financial year ended 31 March 2019 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. The statutory financial statements for the year ended 31 March 2019 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 24 June 2019.

3 Revenue

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

	Three months ended		Six months ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Recognised at a point in time				
Commission and brokerage fees from securities dealing on the Stock Exchange	1,914,881	2,423,404	3,995,723	4,594,458
Commission and brokerage fees from dealing in futures contracts	136,800	170,893	252,839	322,699
Commission from securities advisory services	—	60,000	—	60,000
Other service income	510	495	1,179	980
Clearing and settlement fee	207,242	898,039	826,987	1,551,405
Handling service and dividend collection fees	38,896	26,711	70,013	65,486
Recognised over time				
Income derived from income right	552,861	578,200	1,122,415	1,187,568
Other sources income				
Interest income from				
— clients (including margin clients)	9,749,231	7,738,782	17,953,348	15,483,243
— authorised financial institutions	216,571	63,450	326,955	117,300
— others	774	262,847	2,811	279,049
	<u>12,817,766</u>	<u>12,222,821</u>	<u>24,552,270</u>	<u>23,662,188</u>

4 Net other income, gains and losses

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Net exchange gain/(loss)	18,756	(6,996)	806	(39,832)
Recovery of other receivables	—	347,255	—	687,657
Dividend income	160	51,260	160	51,260
Sundry income	24,827	3,547	33,774	118,510
	<u>43,743</u>	<u>395,066</u>	<u>34,740</u>	<u>817,595</u>

5 Business and geographical segments

Information reported to the Board, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. In addition, for “Securities, futures and options brokering and trading” and “Placing and underwriting”, “Loan financing”, “Securities advisory service” and “investment holding” the information reported to the Board of Directors is further analysed based on the different classes of customers.

Specifically, the Group’s reportable segments under HKFRS 8 are as follow:

Securities, futures and options brokering and trading	Provision of securities and futures brokering services and margin financing
Placing and underwriting	Provision of placing and underwriting services
Loan financing	Provision of money lending services
Securities advisory services	Provision of securities advisory services
Investment holdings	Investment income and capital appreciation

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs that are regularly reviewed by CODM.

Segments profit represents profit earned by each segment without allocation of other revenue, central administration costs and finance costs. This is the basis of measurement reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Business segments

Segment revenues and results

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

	Six months ended 30 September 2019 (Unaudited)					Consolidated HK\$
	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	
Segment revenues						
— Recognised at a point in time	5,145,562	—	—	—	1,179	5,146,741
— Recognised over time	—	—	—	—	1,122,415	1,122,415
— Other sources income	7,694,828	—	10,536,971	—	51,315	18,283,114
	<u>12,840,390</u>	<u>—</u>	<u>10,536,971</u>	<u>—</u>	<u>1,174,909</u>	<u>24,552,270</u>
Segment results	<u>8,318,844</u>	<u>(209,481)</u>	<u>9,706,868</u>	<u>(87,622)</u>	<u>(218,822)</u>	17,509,787
Net other income, gains and losses						34,580
Unallocated other operating expenses						(2,737,068)
Finance costs						(328,981)
Profit before tax						14,478,318
Income tax expenses						(1,573,696)
Profit for the period						<u>12,904,622</u>

Six months ended 30 September 2018
(Unaudited)

	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	Consolidated HK\$
Segment revenues						
— Recognised at a point in time	6,534,048	—	—	60,000	980	6,595,028
— Recognised over time	—	—	—	—	1,187,568	1,187,568
— Other sources income	5,607,984	—	9,985,296	—	286,312	15,879,592
	<u>12,142,032</u>	<u>—</u>	<u>9,985,296</u>	<u>60,000</u>	<u>1,474,860</u>	<u>23,662,188</u>
Segment results	<u>5,763,068</u>	<u>(225,584)</u>	<u>8,799,040</u>	<u>(24,211)</u>	<u>5,992,658</u>	20,304,971
Net other income, gains and losses						766,335
Unallocated other operating expenses						(2,797,675)
Finance costs						(68)
Profit before tax						18,273,563
Income tax expenses						(3,080,542)
Profit for the period						<u>15,193,021</u>

Revenue reported above represents revenue generated from external customers. There was no inter-segment sale during the period (six months ended 30 September 2018: Nil).

Segment assets and liabilities

At 30 September 2019
(Unaudited)

	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	Consolidated HK\$
Assets						
Segment assets	198,029,254	—	109,573,800	—	63,892,742	371,495,796
Unallocated assets						<u>19,322,452</u>
Total assets						<u>390,818,248</u>
Liabilities						
Segment liabilities	134,180,298	—	2,152,359	—	3,308,903	139,641,560
Unallocated liabilities						<u>23,045,470</u>
Total liabilities						<u>162,687,030</u>

At 31 March 2019
(Audited)

	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	Consolidated HK\$
Assets						
Segment assets	226,128,572	—	100,570,705	—	58,834,727	385,534,004
Unallocated assets						<u>9,701,100</u>
Total assets						<u><u>395,235,104</u></u>
Liabilities						
Segment liabilities	152,351,183	—	1,249,003	—	2,252,919	155,853,105
Unallocated liabilities						<u>2,120,603</u>
Total liabilities						<u><u>157,973,708</u></u>

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

- all assets are allocated to reportable segments other than other receivables, deposits and prepayments, tax refundable, pledged bank deposit, bank balances and cash — general accounts. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segment; 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

Six months ended 30 September 2019 (Unaudited)

	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan and financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	Consolidated HK\$
Additions to plant and equipment	92,600	—	—	—	—	92,600
Depreciation of plant and equipment	185,058	—	3,502	—	—	188,560
Amortisation of intangible assets	—	—	—	—	—	—

Six months ended 30 September 2018 (Unaudited)

	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan and financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	Consolidated HK\$
Additions to plant and equipment	—	—	—	—	—	—
Depreciation of plant and equipment	433,129	—	4,641	—	—	437,770
Amortisation of intangible assets	—	—	—	—	598,286	598,286

Geographical information

The Group operates in the 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*	
	Six months ended 30 September 2019 (Unaudited) HK\$	2018 (Unaudited) HK\$	At 30 September 2019 (Unaudited) HK\$	At 31 March 2019 (Audited) HK\$
Hong Kong	23,429,855	22,480,560	7,456,141	2,383,499
The PRC	1,122,415	1,181,628	—	—
	<u>24,552,270</u>	<u>23,662,188</u>	<u>7,456,141</u>	<u>2,383,499</u>

* Non-current assets exclude financial instrument.

Information on major customers

A major customer of the Group accounted for approximately 10% (2018: 12%) of the total revenue during the six months ended 30 September 2019.

6 Income tax expenses

	Three months ended 30 September		Six months ended 30 September	
	2019 (Unaudited) HK\$	2018 (Unaudited) HK\$	2019 (Unaudited) HK\$	2018 (Unaudited) HK\$
Hong Kong Profits Tax				
— current period	795,350	1,089,823	1,526,822	2,166,567
Deferred tax				
— current period	51,615	31,070	46,874	913,975
	846,965	1,120,893	1,573,696	3,080,542

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Hong Kong Profits Tax is calculated at 16.5% of the estimate assessable profit arising in Hong Kong for the three months and six months ended 30 September 2018.

7 Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

8 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		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Profit for the period attributable to owners of the Company	<u>4,984,775</u>	<u>3,428,614</u>	<u>12,904,622</u>	<u>15,193,021</u>

	Note	Three months ended		Six months ended	
		30 September		30 September	
		2019	2018	2019	2018
		No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares in issue during the period	(a)	<u>2,200,000,000</u>	<u>2,200,000,000</u>	<u>2,200,000,000</u>	<u>2,200,000,000</u>
Weighted average number of ordinary shares and dilutive potential ordinary shares in issue during the period	(a)	<u>2,200,000,000</u>	<u>2,200,000,000</u>	<u>2,200,000,000</u>	<u>2,200,000,000</u>

Notes:

No adjustment had been made to the basic earnings per share amounts presented for the three months and six months ended 30 September 2019 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.

9 Plant and equipment

During the six months ended 30 September 2019, the Group acquired items of plant and equipment with a cost of HK\$92,600 (six months ended 30 September 2018: nil). During the six months ended 30 September 2019, the Group has not disposed items and write-off of plant and equipment (six months ended 30 September 2018: Nil).

10 Trade receivables

	30 September 2019 (Unaudited) HK\$	31 March 2019 (Audited) HK\$
Trade receivables from the business of dealing in securities:		
— Cash clients	438,231	330,172
— Margin clients	50,937,145	69,914,973
— Clearing houses and brokers	819,904	12,346,171
Trade receivables from the business of dealing in futures contracts:		
— Clearing houses	2,765,046	1,821,194
Income receivables from the income right	552,862	193,311
	55,513,188	84,605,821

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

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

Margin clients are required to pledge securities as collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 30 September 2019, margin loans due from margin clients were current and repayable on demand except for HK\$15,594,202 (31 March 2019: HK\$1,800,000) where the margin loans were past due. At 30 September 2019, the total market value of securities pledged as collateral in respect of all margin clients were HK\$121,443,546 (31 March 2019: HK\$163,230,199). Margin loans that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, 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.

The aging analysis of the trade receivables are as follows:

	30 September 2019 (Unaudited) HK\$	31 March 2019 (Audited) HK\$
Margin clients balances:		
No due date	35,342,943	68,114,973
Past due but not impaired	15,594,202	1,800,000
	<u>50,937,145</u>	<u>69,914,973</u>
Cash clients balances:		
No due date	438,231	330,172
Past due but not impaired	—	—
	<u>438,231</u>	<u>330,172</u>
Other balances:		
Not yet due (within 30 days)	4,137,812	14,360,676
Past due but not impaired	—	—
	<u>4,137,812</u>	<u>14,360,676</u>
	<u>55,513,188</u>	<u>84,605,821</u>

Provision of impairment loss on trade receivables:

	30 September 2019 (Unaudited) HK\$	31 March 2019 (Audited) HK\$
Balance at beginning of the period/year	14,817,950	2,861,193
Impairment loss under ECL Model for the period/year	<u>—</u>	<u>11,956,757</u>
Balance at end of the period/year	<u>14,817,950</u>	<u>14,817,950</u>

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

	30 September 2019 (Unaudited) HK\$	31 March 2019 (Audited) HK\$
Margin clients balances:		
Past due	<u>15,594,202</u>	<u>1,800,000</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 a HK\$14,817,950 (31 March 2019: HK\$14,817,950) allowance for impairment was sufficient as at 30 September 2019.

11 Loan receivables

	30 September 2019 (Unaudited) HK\$	31 March 2019 (Audited) HK\$
Loan advanced and interest receivables	<u>109,280,834</u>	<u>94,436,605</u>
Analysed as:		
Current	<u>53,458,550</u>	<u>82,257,989</u>
Non-current	<u>55,822,284</u>	<u>12,178,616</u>
	<u>109,280,834</u>	<u>94,436,605</u>

The fair values of the Group's loan receivables at the end of reporting period are determined based on the present value of the estimated future cash flows discounted using the prevailing market rates at the end of each reporting period. The fair values of the Group's loan receivables approximate to the corresponding carrying amounts of the loan receivables.

The loan receivables have been reviewed by the Directors to assess impairment which are based on the evaluation of collectability, aging analysis of accounts and on their judgment, including the current creditworthiness and the past collection statistics. The Directors considered that no impairment is required to be provided for the period/year.

12 Bank balances and cash/pledged bank deposit

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that one is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

The general accounts and cash comprise cash held by the Group and bank deposits are bearing interest at commercial rates with original maturity of three months or less. The fair values of these assets at the end of the reporting period approximate their carrying amounts.

Pledge bank deposit represents deposit pledged to bank to secure bank facilities granted to the Group. Deposits amounting to HK\$10,000,000 (31 March 2019: HK\$10,000,000) have been pledged to secure bank overdrafts and bank loans is therefore classified as current assets.

13 Trade payables

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 aged analysis does not give additional value in view of the short period for payment.

Included in trade payables to cash clients and margin clients attributable to dealing in securities and futures contracts transaction which described in Note 12 to the interim financial statement representing these clients' undrawn monies/excess deposits placed with the Company. The balances are repayable on demand.

The Directors consider that the carrying amounts of trade payables approximate their fair values.

14 Share capital The Company

	Number of shares	HK\$
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019, ordinary shares of HK\$0.01 each	<u>5,000,000,000</u>	<u>50,000,000</u>
	Number of shares	HK\$

Issued and fully paid:

At 1 April 2018, 31 March 2019, and 30 September 2019 ordinary shares of HK\$0.01 each	<u>2,200,000,000</u>	<u>22,000,000</u>
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15 Contingent liabilities

At 30 September 2019, neither the Group nor the Company had any significant contingent liabilities (31 March 2019: Nil).

16 Capital commitment

At 30 September 2019, the Company did not have any significant commitments (31 March 2019: Nil).

17 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

- (a) During the period, the Group entered into the following transactions with related parties. The transactions were carried out at estimated market prices determined by the Directors of the Company.

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Commission and brokerage income from securities trading:				
— Au Suet Ming Clarea				
Substantial shareholder				
("Ms. Au") and her associate	—	3,055	—	5,099
— CAAL Capital Limited				
Owned by Ms. Au	241,000	240,700	482,694	481,592
— Au Yik Fei				
Associate of Ms. Au	—	—	1,099	—
— Au Yuk Kit				
Associate of Ms. Au	—	200	502	200
— Yu Linda				
Director	—	—	—	225

- (b) Included in trade receivables and payables arising from the business of dealing in securities and futures contracts are amounts due from/(to) certain related parties, the net balance of which are as follows:

	At 30 September	At 31 March
	2019	2019
	(Unaudited)	(Audited)
	HK\$	HK\$
Amount due from/(to) related parties		
— Ms. Au		
Substantial shareholder	(13,582)	(1,620,875)
— CAAL Capital Company Limited		
Wholly-owned by Ms. Au	339,604	144,762
— China Merit International Holdings Limited		
Wholly-owned by Ms. Au	(40,436)	(31,854)
— Au Yik Fei		
Associate of Ms. Au	(6,786)	529,932
— Au Yuk Kit		
Associate of Ms. Au	(153,728)	(150,748)
— Au Nim Bing		
Associate of Ms. Au	—	(651)

The fair values of the balances included in the accounts at the end of the reporting period approximate the corresponding carrying amounts.

The settlement terms of trade receivables/payables including transactions with related parties arising from the business of dealing in securities are T+2; and trade receivables/ payables arising from the business of dealing in futures are T+1. The settlement terms are same as those with third parties. The related parties custodians' cash placed with the Group in its trust account were included in trade payables and would be settled upon request or the related party ceased to trade with the Group.

- (c) The remuneration of Directors of the Company and other members of key management during the period was as follows:

	Six months ended	
	30 September	30 September
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Short-term benefits	1,158,489	1,248,506
Post-employment benefits	—	—
Share based payment	—	—
	1,158,489	1,248,506
	1,158,489	1,248,506

18 Comparative figures

Certain comparative figures have been reclassified or restated to conform with current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

United States equities modest gain in the reporting period, despite ongoing growth concerns and uncertainty surrounding China-US trade. The performance of Hong Kong financial market was affected by China-US trade negotiations. Furthermore, the number of visitors to Hong Kong had dropped significantly and the local economy and investment sentiment had also weakened. At 30 September 2019, the Hang Seng Index recorded as 26,092 representing approximately 10.2% decrease as compared with 29,051 at 31 March 2019.

Business Review

Turnover

The Group's total turnover and investment income for the six months ended 30 September 2019 was approximately HK\$23.3 million, as compared with the corresponding period in 2018 of approximately HK\$29.1 million, decreased by approximately 19.8% or approximately HK\$5.7 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 dealing on the Stock Exchange decreased by approximately 13.0% from approximately HK\$4.6 million for the six months ended 30 September 2018 to approximately HK\$4.0 million for the six months ended 30 September 2019. The total value of transactions for securities dealing decreased by approximately 53.1% from approximately HK\$69,581.4 million for the six months ended 30 September 2018 to approximately HK\$32,632.2 million for the six months ended 30 September 2019. As a result, income relating to clearing and settlement fee and handling service also decreased by approximately 44.5% from approximately HK\$1.6 million for the six months ended 30 September 2018 to approximately HK\$0.9 million for the six months ended 30 September 2019.

The commission and brokerage fees on dealing in futures contracts decreased by approximately 21.6% from approximately HK\$0.3 million for the six months ended 30 September 2018 to approximately HK\$0.3 million for the six months ended 30 September 2019.

The interest income derived from cash and margin securities accounts for the six months ended 30 September 2019 was approximately HK\$7.4 million represents an increase of approximately 34.9% from approximately HK\$5.5 million of the corresponding period in 2018.

Loan 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 subsidiary, provides loan and financing service to customers. The interest income derived from providing loan and finance to customers for the six months ended 30 September 2019 was approximately HK\$10.5 million (For the six months ended 30 September 2018: approximately HK\$10.0 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 for the six months ended 30 September 2019 was approximately HK\$nil (For the six months ended 30 September 2018: approximately HK\$60,000).

Placing and Underwriting Business

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

Investment Holdings

The Group maintained a portfolio investment included the holding of listed equity securities, bonds and 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 cash inflow. As at 30 September 2019, the total value of the Group investment portfolio was approximately HK\$63.9 million (31 March 2019: approximately HK\$58.8 million), including the value of portfolio of listed securities of approximately HK\$47.4 million (31 March 2019: approximately HK\$33.4 million).

During the period under review, the net gain on trading of financial assets at fair value through profit or loss of approximately HK\$0.3 million and net loss in fair value of financial assets at fair value through profit or loss of approximately HK\$1.6 million (2018: approximately HK\$2.4 million and net gain in fair value of approximately HK\$3.0 million respectively).

Financial review

The Group's revenue for the six months ended 30 September 2019 was approximately HK\$24.6 million, representing an increase of approximately 3.8% from approximately HK\$23.7 million of the corresponding period in 2018.

Administrative expenses for the six months ended 30 September 2019 were approximately HK\$8.6 million (approximately HK\$11.6 million for the six months ended 30 September 2018) representing a decrease of approximately 26.4%. Due to the total value of transaction for securities dealing decreased for the six months ended 30 September 2019, the related expenses such as CCASS charges and the payment of commission were decreased for the six months ended 30 September 2019 compared with the corresponding period in 2018.

The amortization cost for intangible asset and depreciation were decreased by approximately 81.8% from approximately HK\$1.0 million for the six months ended 30 September 2018 to approximately HK\$0.2 million for the six months ended 30 September 2019. Total staff costs were approximately HK\$2.9 million for the six months ended 30 September 2019 as compared to approximately HK\$3.2 million for the six months ended 30 September 2018.

Profit attributable to the owners of the Company amounted to HK\$12.9 million for the six months ended 30 September 2019 (HK\$15.2 million for the six months ended 30 September 2018). The decrease in profit attributable to the owners of the Company was mainly attributed to the decrease in net gain on trading of financial assets at fair value through profit or loss. Earnings per share attributable to owners of the Company was HK0.59 cent for the six months ended 30 September 2019 (HK0.69 cent for the six months ended 30 September 2018). Diluted earnings per share for the six months ended 30 September 2019 were HK0.59 cent (2018: diluted earnings per share of HK0.69 cent).

Liquidity and financial resources and capital structure

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

The Group maintained a financial position, with pledged bank deposit and bank balance and cash in general accounts amounting to approximately HK\$19.1 million at 30 September 2019 (approximately HK\$21.0 million at 31 March 2019). Most of the Group's cash and bank balances in general accounts were denominated in Hong Kong dollars. At 30 September 2019, the Group had net current assets of approximately HK\$168.8 million (approximately HK\$223.6 million as at 31 March 2019). Current ratio of the Group as at 30 September 2019 was approximately 2.1 times (approximately 2.4 times at 31 March 2019).

At 30 September 2019, the Group had utilised HK\$14.0 million of secured loan (31 March 2019: HK\$2.0 million).

The gearing ratio is calculated as total indebtedness divided by total capital. Total indebtedness is total bank borrowings (including current and non-current bank borrowings). Total capital is calculated as "equity", as shown in the statement of financial position. As at 30 September 2019, the Group has bank borrowings totally HK\$14.0 million and accordingly, the gearing ratio is approximately 6.1% (0.8% as at 31 March 2019).

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.

Capital Commitments

As at 30 September 2019, the Group did not have any significant capital commitments (Nil at 31 March 2019).

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (Nil for the six months ended 30 September 2018).

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.

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 and options that may be granted under the share option scheme.

Charge on group assets and Guarantee

As at 30 September 2019, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$10.0 million (HK\$10.0 million at 31 March 2019) were pledged and corporate guarantee from the Company for securing overdraft and revolving loan facilities amounted to HK\$49.5 million (31 March 2019: HK\$49.5 million) issued by the banks to the Group. At 30 September 2019, the banking facilities granted by the banks, HK\$14.0 million has been utilised (31 March 2019: HK\$2.0 million).

Contingent liabilities

At 30 September 2019, the Group had no material contingent liabilities (31 March 2019: Nil).

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.

Future plans for material investments or capital assets

At 30 September 2019, 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

Trade negotiations and Brexit will continue to be headwinds to the global stock market. The outlook for Hong Kong stock market remains clouded, but the valuation of Hong Kong stocks will be very attractive for long-term investors. 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 need of our customers.

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.

RISK MANAGEMENT CREDIT RISK

Credit Risk

Credit risk exposure represents loans to customer, account 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 on-going basis.

For account 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 account 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 loan 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 loan receivables, if any. In addition, the Group reviews the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's loan receivables credit risk is significantly reduced.

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

Liquidity Risk

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

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

Foreign Exchange Risk

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

SHARE OPTION SCHEMES

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.

At 30 September 2019, 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 30 September 2019.

Under the share option scheme, the Company may grant to 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 30 September 2019 and not yet exercised was 100,000,000 which represented approximately 4.55% of the issued share capital of the Company as at 30 September 2019.

At 30 September 2019, details of the share options granted under the Share Option Scheme are as follows:

Grantees	Date of Grant (dd/mm/yyyy)	Exercise price ^a per share HK\$	Exercisable period (dd/mm/yyyy)	Changes during the period				Balance at 30 September 2019
				Balance at 1 April 2019	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	<u>60,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,000,000</u>
Employees and Other Participants	09/04/2014	0.2275	09/04/2014-08/04/2023	40,000,000	—	—	—	40,000,000
			Total	<u>100,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>100,000,000</u>
Weighted average exercise price				<u>0.2275</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.2275</u>

Fair value of share options and assumptions

The fair value of share option granted at the grant date was HK\$8,275,000, 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

At 30 September 2019, 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

At 30 September 2019, 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 at 30 September 2019	Option exercise Period (dd/mm/yyyy)	Exercise price [#] per share	Approximate percentage of shareholding
		Outstanding at 1 April 2019	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		<u>60,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,000,000</u>			<u>2.73%</u>

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 September 2019.

The exercise price of 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 30 September 2019, 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, at 30 September 2019, 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 six months ended 30 September 2019.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 September 2019, 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 confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 September 2019.

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 six months ended 30 September 2019, 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board reviews the adequacy and effectiveness of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management of the Company (collectively "risk management and internal controls").

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of risk management and internal controls within the Group to safeguard the interests of the Company's shareholders and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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 interim results of the Group for the six months ended 30 September 2019 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, 5 November 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.