



# PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8221

## Annual Report 2021

## CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (the "Directors") of PF 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.*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Dr. Lee Chun Pong Bruce (*Chairman*)  
(appointed on 11 December 2020)  
Mr. Fok Yuk Tong (appointed on 20 November 2020)  
Ms. Hsieh Ching Chun  
(appointed on 20 November 2020)  
Ms. Fok Kit Yee (appointed on 11 December 2020)  
Mr. Zhong Chu Jian (appointed on 11 December 2020)  
Mr. Lo Tak Wing Benson  
(resigned on 11 December 2020)  
Mr. Lo Shiu Wing Chester  
(resigned on 11 December 2020)

### Non-executive Director

Ms. Fong Man Julisa (appointed on 11 December 2020)  
Mr. Khoo Ken Wee (resigned on 11 December 2020)

### Independent Non-executive Directors

Mr. Wong Che Man Eddy  
(appointed on 11 December 2020)  
Ms. Chan Hoi Wuen Katherine  
(appointed on 11 December 2020)  
Mr. Cho Chun Man (appointed on 8 January 2021)  
Mr. Tang Yiu Wing (appointed on 11 December 2020  
and resigned on 8 January 2021)  
Mr. Ma Wai Hung Vincent  
(resigned on 11 December 2020)  
Mr. Mok Kwai Pui Bill (resigned on 11 December 2020)  
Mr. Ng Shu Bun Andrew  
(resigned on 11 December 2020)

## AUDIT COMMITTEE

Mr. Wong Che Man Eddy (*Chairman*)  
(appointed on 11 December 2020)  
Ms. Chan Hoi Wuen Katherine  
(appointed on 11 December 2020)  
Mr. Cho Chun Man (appointed on 8 January 2021)  
Ms. Fong Man Julisa (appointed on 11 December 2020)  
Mr. Tang Yiu Wing (appointed on 11 December 2020  
and resigned on 8 January 2021)

Mr. Mok Kwai Pui Bill (resigned on 11 December 2020)  
Mr. Ma Wai Hung Vincent  
(resigned on 11 December 2020)  
Mr. Ng Shu Bun Andrew  
(resigned on 11 December 2020)

## REMUNERATION COMMITTEE

Mr. Wong Che Man Eddy (*Chairman*)  
(appointed on 11 December 2020)  
Ms. Chan Hoi Wuen Katherine  
(appointed on 11 December 2020)  
Mr. Cho Chun Man (appointed on 8 January 2021)  
Dr. Lee Chun Pong Bruce  
(appointed on 11 December 2020)  
Ms. Fong Man Julisa (appointed on 11 December 2020)  
Mr. Tang Yiu Wing (appointed on 11 December 2020  
and resigned on 8 January 2021)  
Mr. Mok Kwai Pui Bill (resigned on 11 December 2020)  
Mr. Ma Wai Hung Vincent  
(resigned on 11 December 2020)  
Mr. Ng Shu Bun Andrew  
(resigned on 11 December 2020)  
Mr. Lo Tak Wing Benson  
(resigned on 11 December 2020)

## NOMINATION COMMITTEE

Ms. Chan Hoi Wuen Katherine  
(appointed on 11 December 2020) (*Chairman*)  
Mr. Wong Che Man Eddy  
(appointed on 11 December 2020)  
Mr. Cho Chun Man (appointed on 8 January 2021)  
Ms. Fok Kit Yee (appointed on 11 December 2020)  
Ms. Fong Man Julisa (appointed on 11 December 2020)  
Mr. Tang Yiu Wing (appointed on 11 December 2020  
and resigned on 8 January 2021)  
Mr. Ma Wai Hung Vincent  
(resigned on 11 December 2020)  
Mr. Mok Kwai Pui Bill (resigned on 11 December 2020)  
Mr. Ng Shu Bun Andrew  
(resigned on 11 December 2020)  
Mr. Lo Shiu Wing Chester  
(resigned on 11 December 2020)

# CORPORATE INFORMATION

## COMPLIANCE OFFICER

Dr. Lee Chun Pong Bruce  
(appointed on 11 December 2020)  
Mr. Lo Shiu Wing Chester  
(resigned on 11 December 2020)

## COMPANY SECRETARY

Mr. Chan Ting (appointed on 7 January 2021)  
Ms. Wong Po Ling, Pauline (resigned on 7 January 2021)

## AUTHORISED REPRESENTATIVES

Dr. Lee Chun Pong Bruce  
(appointed on 11 December 2020)  
Mr. Chan Ting (appointed on 7 January 2021)  
Mr. Lo Tak Wing Benson  
(resigned on 11 December 2020)  
Ms. Wong Po Ling, Pauline  
(resigned on 7 January 2021)

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4409, 44/F  
COSCO Tower  
183 Queen's Road Central  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## AUDITORS

ZHONGHUI ANDA CPA Limited  
*Certified Public Accountants*  
Unit 701, 7/F., Citicorp Centre  
18 Whitfield Road  
Causeway Bay, Hong Kong

## PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited  
4-4A Des Voeux Road  
Central, Hong Kong

## STOCK CODE

8221

## COMPANY WEBSITE

[www.pfs.com.hk](http://www.pfs.com.hk)

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am delighted to present to you the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2021 (the "**Year**" or "**2021**").

## BUSINESS REVIEW

During the year under review, the global spread of COVID-19 has prompted countries to adopt different levels of anti-epidemic measures, thereby delivering an unprecedented hit to the global economy and resulting in a cautious investor sentiment. The daily life in society has been significantly affected by the epidemic. In Hong Kong, every sector has been heavily affected by the epidemic. According to the labour force statistics (provisional figures for January to March 2021) released by the Census and Statistics Department, the seasonally adjusted unemployment rate and the underemployment rate were 6.8% and 3.8% respectively from January to March 2021.

The Group's commission income from securities dealing and brokerage services slightly increased by 11.4% from approximately HK\$7.0 million in 2020 to approximately HK\$7.8 million in 2021.

The Group's fee and commission income from placing and underwriting activities decreased by 95.4% from approximately HK\$11.0 million in 2020 to approximately HK\$0.5 million in 2021, which was mainly attributable to the decrease in the number of placing and underwriting engagements participated by the Group and the total transaction value decreased by approximately HK\$101.6 million to about HK\$47.6 million.

Interest income mainly represents the interest income generated from the provision of margin and loan financing services for customers to purchase securities listed in the Stock Exchange on a margin basis. During the Year, the interest income derived from margin and loan clients decreased by 41.2% from approximately HK\$8.5 million in 2020 to approximately HK\$5.0 million in 2021.

On the other hand, the Group's fee income from asset management services increased by 128.6% from approximately HK\$0.7 million in 2020 to approximately HK\$1.6 million in 2021, which was mainly attributable to an addition of an asset management client.

Other revenue mainly represents our professional service fee income and loan commitment fee income. During the Year, other revenue decreased by 60.5% from approximately HK\$3.8 million in 2020 to approximately HK\$1.5 million in 2021.

Overall, total revenue for the year ended 31 March 2021 decreased by approximately 46.9% or HK\$14.5 million as compared to the year ended 31 March 2020 mainly as a result of the decrease in fee and commission income from placing and underwriting activities under the challenging business environment during the Year.

# CHAIRMAN'S STATEMENT

## OUTLOOK

Looking ahead, the global epidemic is still the biggest uncertainty to the global economy, the impact of COVID-19 will probably last for a period of time. Economic activities will not fully resume until the crisis is completely under control. At the same time, the conflict between China and the United States brought further uncertainties to the global trading environment. It is expected that such economic uncertainties will also last for a while. Dealing with the future challenges, the management of the Group would review and adjust business strategies on a regular basis with a prudent and balanced risk management approach. The management of the Group remains cautiously optimistic about the business development and overall performance of the Group in the future.

The Group and the Directors will continue to keep abreast of the latest development of the Hong Kong financial market and the update on the regulatory requirements applicable to the Group and to strive to achieve the business objective to increase the Group's exposure and scale of operations in Hong Kong within the capital markets and to capture a larger market share.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Group's shareholders, customers and business partners for their continuous support, and to our management and staff members for their diligence and contribution to the growth of the Group.

On behalf of the Board,

**Dr. Lee Chun Pong Bruce**

*Chairman and Executive Director*

Hong Kong, 30 June 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and initial public offering (“**IPO**”) margin financing; and (iv) asset management services. The Group’s services mainly relate to equity and debt securities trading on the Stock Exchange in Hong Kong.

The Group conducts its abovementioned principal business activities through Pacific Foundation Securities Limited (“**PFSL**”), the operating subsidiary of the Company, which is a corporation licensed to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

### Securities Dealing and Brokerage Services

The Group provides securities and brokerage services to customers for trading in securities listed on the Stock Exchange which comprise corporate and individual customers. For the year ended 31 March 2021, the Group had 488 active securities trading accounts (2020:393), the total transaction value in 2021 was approximately HK\$3.6 billion (2020: approximately HK\$3.2 billion). The Group’s commission income from securities dealing and brokerage services slightly increased by approximately 11.4% from approximately HK\$7.0 million in 2020 to approximately HK\$7.8 million in 2021.

### Placing and Underwriting Services

The Group acts as an underwriter or a sub-underwriter or a placing agent or a sub-placing agent for companies listed or to be listed on the Stock Exchange or for shareholders of companies listed on the Stock Exchange for their fund raising exercises such as IPOs, rights issue, open offer or placing of new or existing shares or bonds.

Placing and underwriting fee and commission income is principally affected by the number of engagements participated by the Group, the size of engagements and the commission rates. For the year ended 31 March 2021, the Group completed 3 placing and underwriting engagements with a total transaction value of approximately HK\$47.6 million (2020: 8 placing and underwriting engagements with a total transaction value of approximately HK\$149.2 million). The Group’s fee and commission income generated from placing and underwriting activities decreased by approximately 95.4% from approximately HK\$11.0 million in 2020 to approximately HK\$0.5 million in 2021. The decrease was mainly attributable to the decrease in the number of engagements participated by the Group and the total transaction value decreased by approximately HK\$101.6 million.

### Margin and Loan Financing Services

Interest income from margin and loan financing mainly represents the interest income generated from the provision of margin financing and loan financing services for customers to purchase securities listed on the Stock Exchange on a margin basis.

The Group’s interest income from margin and loan financing services decreased by 41.2% from approximately HK\$8.5 million in 2020 to approximately HK\$5.0 million in 2021. The decrease was attributable to the decrease in margin loans over the Year and the mark down of the loan interest accrued from the general offer loan.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Asset Management Services

Total fee income from asset management services generated during the Year was approximately HK\$1.6 million, representing an increase of approximately 128.6% as compared to that of approximately HK\$0.7 million in 2020, which was mainly due to the addition of an asset management client.

All asset management clients had already terminated their engagements with the Group by the end of the Year. Thus, as at 31 March 2021, the Group did not have any asset management client (2020: six) and the total value of net assets managed by the Group was zero (2020: approximately HK\$4.3 billion). Pursuant to the relevant asset management agreements with those clients before termination, the Group acted as an investment manager and provided asset management services to them on a discretionary basis pursuant to each client's investment requirements, objectives and restrictions, and was entitled to (i) management fees on a fixed fee basis or on a percentage basis ranging from 1.0% per annum to 1.5% per annum; (ii) performance fees on a percentage basis ranging from 10% to 20%; and (iii) discretionary bonus.

## Other Services

In addition to the above business activities, the Group may on a case by case basis come across other projects, the fee income from which is recorded as other revenue. The amount of other revenue generated by the Group in 2021 was approximately HK\$1.5 million, representing a decrease of approximately 60.5% as compared to that of approximately HK\$3.8 million in 2020.

## FINANCIAL REVIEW

### Key Financial Data

	As at/Year ended 31 March		Approximate percentage change
	2021	2020	
Results of operation (HK\$'000)			
Revenue	<b>16,448</b>	30,905	(46.8%)
Loss before tax	<b>16,060</b>	6,216	158.4%
Total comprehensive loss for the year attributable to owners of the Company	<b>16,027</b>	6,263	155.9%
Financial position (HK\$'000)			
Current assets	<b>218,034</b>	291,430	(25.2%)
Current liabilities	<b>48,749</b>	54,531	(10.6%)
Net assets	<b>178,125</b>	244,152	(27.0%)
Key financial ratios			
Net profit margin	<b>(97.6%)</b>	(20.1%)	
Return on equity	<b>(9.0%)</b>	(2.5%)	
Return on total assets	<b>(7.1%)</b>	(2.1%)	
Current ratio	<b>4.4 times</b>	5.3 times	
Net debt to equity ratio	<b>Net Cash Position</b>	Net Cash Position	
Gearing ratio	<b>0.7%</b>	2.5%	

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue

The Group's revenue comprises (i) commission income from securities dealing and brokerage services; (ii) fee and commission income from placing and underwriting activities; (iii) interest income from margin and loan financing; (iv) fee income from asset management services; and (v) income from other services provided.

	2021 HK\$'000	2020 HK\$'000
Securities dealing and brokerage service	7,837	6,956
Placing and underwriting services	508	10,986
Asset management services	1,567	662
Other services	1,500	3,795
Revenue from contracts with customers	11,412	22,399
Revenue from other sources		
Interest income from margin financing services	3,966	6,324
Interest income from loan financing services	1,070	2,182
	5,036	8,506
	16,448	30,905
Timing of revenue recognition:		
A point in time	9,845	21,921
Over time	1,567	478
	11,412	22,399

The Group recorded a total revenue for the year ended 31 March 2021 of approximately HK\$16.4 million, representing a decrease of approximately 46.9% from approximately HK\$30.9 million for the year ended 31 March 2020. Details are stated as below:

- (i) The Group's commission income from securities dealing and brokerage services increased by approximately 11.4% from approximately HK\$7.0 million in 2020 to approximately HK\$7.8 million in 2021.;
- (ii) The Group generated fee and commission income from placing and underwriting activities decreased by approximately 95.4% from approximately HK\$11.0 million in 2020 to approximately HK\$0.5 million in 2021. The decrease was mainly attributable to the decrease in number of engagement participated by the Group and the total transaction value decreased by approximately HK\$101.6 million.;

# MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) The Group's interest income from margin and loan financing services decreased by 41.2% from approximately HK\$8.5 million in 2020 to approximately HK\$5.0 million in 2021.;
- (iv) the Group's fee income from asset management services increased by 128.6% from approximately HK\$0.7 million in 2020 to approximately HK\$1.6 million in 2021, which was mainly attributable to an addition of an asset management client; and
- (v) other revenue decreased by 60.5% from approximately HK\$3.8 million in 2020 to approximately HK\$1.5 million in 2021.

## Other Gains and Losses

Other gains and losses mainly consist of interest charged on overdue accounts receivable (at 5% plus prime rate) and settlement and handling fee income. The total other gains and losses for the year ended 31 March 2021 was approximately HK\$2.4 million (2020: approximately HK\$0.7 million).

## Commission Expenses

Commission expenses represent commission paid to the Group's accounts executives (including in-house and self-employed accounts executives) and commission paid to sub-placing agents or sub-underwriters engaged by the Group for the fund raising exercises participated by the Group. Total commission expenses decreased by approximately 66.7% from approximately HK\$8.7 million in 2020 to approximately HK\$2.9 million in 2021 which was mainly due to the decrease in commission paid to sub-placing agents or sub-underwriters by approximately HK\$5.0 million.

## Depreciation expenses for right-of-use assets

Upon implementation of HKFRS 16 effective from 1 January 2020, if the Group enters into any lease transaction as a lessee, it should recognise the right-of-use asset and will be regarded as an acquisition of asset under the GEM Listing Rules. Depreciation expenses for right-of-use assets represent the leasing period from the head office in Hong Kong. The depreciation expenses for the year ended 31 March 2021 was approximately HK\$4.7 million.

## Staff Costs

Staff costs include Directors' emoluments, staff salaries, bonus, allowances and contribution to Mandatory Provident Fund. As at 31 March 2021, the Group had a total of 22 employees including Directors (2020: 25). Staff costs is one of the largest expense in the Group which accounted for approximately 45.4% of the total expenses of the Group in 2021 (2020: approximately 39.3%). Total staff costs in 2021 was approximately HK\$16.0 million, representing an increase of approximately 6.7% from approximately HK\$15.0 million in 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Operating Expenses

Other operating expenses primarily consist of legal and professional fees, entertainment expenses, office rent and rates, software and stock information expenses and various miscellaneous office expenses. Total other operating expenses increased by 7.7% from approximately HK\$10.4 million in 2020 to approximately HK\$11.2 million in 2021, which was mainly attributable to the increase in legal and professional fees.

## Loss for the Year

Loss for the Year was approximately HK\$16.1 million, as compared with a loss for the year of approximately HK\$6.2 million in 2020. Basic loss per share in 2021 was approximately HK0.80 cents, as compared with loss per share of approximately HK0.31 cents in 2020. The net loss was mainly attributable to the challenging business environment during the Year, which posed significant negative impact on the financial market.

## Dividend

The Board does not recommend the payment of any dividend for the year ended 31 March 2021 (2020: HK\$30,000,000 (special dividend) and HK\$50,000,000 (final dividend)).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 March 2021, the Group mainly financed its operations, capital expenditure and other capital requirements by internal resources.

As at 31 March 2021, the net current assets of the Group amounted to approximately HK\$169.3 million (2020: approximately HK\$236.9 million), including cash and cash equivalents of approximately HK\$115.9 million excluding cash held on behalf of customers (2020: approximately HK\$107.5 million). The current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 4.4 times (2020: 5.3 times).

As at 31 March 2021, the Group had no bank borrowings outstanding (31 March 2020: nil).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$178.1 million as at 31 March 2021 (31 March 2020: approximately HK\$244.2 million).

## OUTLOOK

During the Year, the pandemic of the COVID-19 has dealt a severe blow to the economy of Hong Kong. The management of the Group would review and adjust business strategies on a regular basis with a prudent and balanced risk management approach so as to cope with the current unpredictable economic situation. Looking forward, the Group will primarily focus on securities dealing and brokerage services, placing and underwriting services, financial services including but not limited to securities and initial public offering margin financing and asset management service.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group and the Directors will continue to keep abreast of the latest development of the Hong Kong financial market and updates on the regulatory requirements applicable to the Group and to strive to achieve the business objective to increase the Group's exposure and scale of operations in Hong Kong within the capital markets and to capture a larger market share.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group had a total of 22 employees including Directors (2020: 25). Total staff costs (including Directors' emoluments, staff salaries, bonus, allowances and contribution to the Mandatory Provident Fund) for the year ended 31 March 2021 were approximately HK\$16.0 million (2020: approximately HK\$15.0 million). Employees' remuneration was determined based on the employees' qualification, experience, position and seniority. The remuneration packages comprise mainly monthly fixed salaries and discretionary bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

## FOREIGN EXCHANGE EXPOSURE

The Group's exposure to foreign exchange risk is primarily related to transactions denominated in a currency other than Hong Kong dollars. The turnover and operation costs of the Group were principally denominated in Hong Kong dollars. The Group currently does not have a policy on hedges of foreign exchange risk. However, the Group will closely monitor the fluctuations in exchange rates and will consider to employ financial instrument for hedging should the needs arise.

## GEARING RATIO

As at 31 March 2021, the gearing ratio of the Group, which was calculated by dividing the total debts by the total equity, was 0.7% (2020: 2.5%).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any future plans for material investments and capital assets as at the date of this report.

## SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the year ended 31 March 2021 (2020: nil).

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 March 2021.

## CAPITAL COMMITMENTS

As at 31 March 2021, the Group did not have any significant capital commitments.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2021 (2020: nil).

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, subsequent to 31 March 2021 and up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that came to the attention of the Directors.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Group's operating performance, and maximise the benefits of the shareholders of the Company (the "**Shareholders**"). The Group has in place a risk management structure and implemented compliance and operational manuals, which contain credit policies, operating procedures and other internal control measures for control of exposure to risks during the course of business activities.

### Credit Risk

The Group is exposed to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Group holds collateral to cover its credit risks associated with its accounts receivable from margin and loan clients and reviews the recoverable amount of each individual accounts receivable at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

### Liquidity Risk

PFSL is subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules ("**SF(FR)R**"). The management of the Group closely monitors, on a daily basis, the liquid capital level of PFSL to ensure compliance with the requirements under the SF(FR)R.

The Group also has other monitoring systems to monitor and maintain a level of cash and cash equivalents deems adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

### Operational Risk

The Group has responsible officers and compliance officers in charge of overseeing the day-to-day operations, controlling and monitoring compliance issues and solving dealing problems. They also formulate and update the compliance and operational manuals for each business function based on regulatory and industrial requirements to standardise the Group's operational procedures and reduce human errors.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Fok Yuk Tong** (“**Mr. Fok**”), aged 57, was appointed as an executive Director on 20 November 2020. He has been engaging in the wholesale trading and distribution of telecommunications electronic products for over 20 years. Mr. Fok is also the director of various subsidiaries of the Group, namely Dynamic Express Global Limited, Pacific Foundation Holdings Limited, PFSL and PF Finance Limited.

Mr. Fok is the spouse of Ms. Hsieh Ching Chun and the father of Ms. Fok Kit Yee.

Mr. Fok is a director and a shareholder of Chance Wise Investments Limited (“**CWIL**”), which owns 1,199,640,000 shares of the Company. Mr. Fok is deemed to be interested in such shares held by CWIL within the meaning of Part XV of the SFO. For details, please refer to page 41 of this report.

**Ms. Hsieh Ching Chun** (“**Ms. Hsieh**”), aged 60, was appointed as an executive Director on 20 November 2020. She has been engaging in the wholesale trading and distribution of telecommunications electronic products for over 20 years. Ms. Hsieh is also the director of various subsidiaries of the Group, namely Dynamic Express Global Limited, Pacific Foundation Holdings Limited, PFSL and PF Finance Limited.

Ms. Hsieh is the spouse of Mr. Fok and the mother of Ms. Fok Kit Yee.

Ms. Hsieh is a director and a shareholder of CWIL, which owns 1,199,640,000 shares of the Company. Ms. Hsieh is deemed to be interested in such shares held by CWIL within the meaning of Part XV of the SFO. For details, please refer to page 41 of this report.

**Dr. Lee Chun Pong Bruce** (“**Dr. Lee**”), aged 38, was appointed as an executive Director on 11 December 2020. He studied nutrition and sports science. He has been fascinated by martial arts since he was young. He learned martial arts since childhood and under the tutelage of Mr. Ip Chun (葉準), the son of the celebrated martial arts master Mr. Ip Man (葉問). He has won numerous awards over the years. In 2019, he was awarded the Big Ben Award Global Ten Outstanding Young Persons. He is the first Chinese to establish a charity fund in the name of martial arts. Dr. Lee has been engaging in money lending business for over 10 years. Dr. Lee is a director and a shareholder of Mega Wise Group Limited (“**MWGL**”), which holds 300,000,000 shares of the Company. By virtue of the SFO, Dr. Lee is deemed to be interested in such shares held by MWGL. For details, please refer to page 41 of this report.

**Mr. Zhong Chu Jian** (“**Mr. Zhong**”), aged 47, was appointed as an executive Director on 11 December 2020. He is a founder and director of a group of companies based in Hong Kong and the Mainland, which specialized in trading and, building and managing the supply chains of 3C (computer, communication and consumer electronics) products with market coverage of over 20 countries. Mr. Zhong has been engaging in the sales and trading of 3C products for over 20 years.

**Ms. Fok Kit Yee** (“**Ms. Fok**”), aged 34, was appointed as an executive Director on 11 December 2020. She has been engaging in the wholesale trading and distribution of telecommunications electronic products for over 10 years. She holds a Bachelor of Business (Tourism & Hospitality) from La Trobe University and Diploma of Commerce from Melbourne Institute of Business and Technology. Ms. Fok is the daughter of Ms. Hsieh and Mr. Fok. Ms. Fok is interested in 360,000 shares of the Company. For details, please refer to page 41 of this report.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## NON-EXECUTIVE DIRECTOR

**Ms. Fong Man Julisa (“Ms. Fong”)**, aged 50, was appointed as a non-executive Director on 11 December 2020. She has over 24 years of experience in corporate finance transactions, including mergers and acquisitions, initial public offerings and equity syndication. She is currently the Managing Director and a responsible officer of Veda Capital Limited, of which she is a founder, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has extensive experience in advising listed companies on corporate finance and company restructuring. Ms. Fong holds a Bachelor of Business Administration from Chinese University of Hong Kong, a Master degree in Business Administration from University of Kansas and a Master degree in International and Public Affairs from The University of Hong Kong. Ms. Fong is the spouse of Mr. Lee Ho Leung William, a member of the senior management of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Che Man Eddy (“Mr. Wong”)**, aged 61, was appointed as an independent non-executive Director on 11 December 2020. He has over twenty-eight years of experience in the auditing and accounting profession. Mr. Wong graduated with an honors diploma in accounting from Hong Kong Baptist College in 1984. He is the sole proprietor of Eddy Wong & Co., Certified Public Accountants, and is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wong is currently an independent non-executive director of China All Access (Holdings) Limited (Stock Code: 633), and Sun Hing Vision Group Holdings Limited (Stock Code: 125), which are both listed on the Main Board of the Stock Exchange.

**Mr. Cho Chun Man (“Mr. Cho”)**, aged 54, was appointed as an independent non-executive Director on 8 January 2021. He has over 10 years of experience in each of the automobile industry and office furniture industry respectively. Mr. Cho is a co-founder and has been an executive director from August 2002 to July 2004 of Ultra Group Holdings Limited (now known as Kaisun Holdings Limited; Stock code: 8203) which is listed on the GEM of the Stock Exchange. Mr. Cho graduated from University of California, Los Angeles, United States and holds a bachelor degree of Arts in Economics.

**Ms. Chan Hoi Wuen Katherine (“Ms. Chan”)**, aged 40, was appointed as an independent non-executive Director on 11 December 2020. She holds a Bachelor degree in Arts (first-class honours) and a Master degree in Philosophy at the University of Hong Kong as well as a Bachelor degree in Laws at the Manchester Metropolitan University. She is currently a practising solicitor in Hong Kong and a principal of Katherine Chan Law Office. She has a wide range of experience in corporate finance, private equity and acquisitions and is familiar with the Rules Governing the Listing of Securities on the Stock Exchange, corporate governance and compliance issues of listed companies.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Lee Ho Leung William ("Mr. Lee")**, aged 49, is one of the Responsible Officers for the Group's Type 1 and Type 9 regulated activities under the SFO and he was appointed as the Managing Director of PFSL on 5 November 2020. Mr. Lee is the Manager-in-Charge ("**MIC**") of PFSL of the following Core Functions as defined under the SFC's MIC Regime: Overall Management Oversight, Key Business Line (Dealing in securities and Asset management), Operational Control and Review, Risk Management, Finance and Accounting and Anti Money Laundry. Mr. Lee has over 20 years experiences in private equity, venture capital, structured finance investment and corporate finance. Mr. Lee had been Responsible Officer for Type 1, 4, 6 and/or 9 activities under the SFO for various financial institutions. Mr. Lee obtained a bachelor's degree in Accountancy from City University of Hong Kong, a Master of Business Administration degree from the Hong Kong University of Science and Technology and a Master of International and Public Affairs degree from the University of Hong Kong. Mr. Lee was admitted as a member to the Association of Chartered Certified Accountants in 1998 and became a fellow of the association in 2003. Mr. Lee has been a Chartered Financial Analyst (CFA) charterholder since 2001. Mr. Lee is the spouse of Ms. Fong.

**Ms. Tsang Kong Kit ("Ms. Tsang")**, aged 45, is one of the Responsible Officers for the Group's Type 1 and Type 9 regulated activities under the SFO and she was appointed as the chief information officer and a compliance officer of PFSL on 8 December 2015. Ms. Tsang is responsible for overseeing and managing the Group's information system, which includes designing and constructing its IT infrastructure, implementing and maintaining its trading system and providing IT support. She is also responsible for monitoring and advising PFSL on compliance and internal control matters. Ms. Tsang has around 19 years of experience working in the Hong Kong securities industry. Prior to joining the Group in September 2015, Ms. Tsang worked at Hani Securities (Hong Kong) Limited ("**Hani**") from 1999 to 2015 where she was head of information system and she was also one of the Responsible Officers of Hani from June 2009 to 2015. She was a licensed representative for Type 1, Type 4 and Type 9 regulated activities under the SFO. At Hani, she was responsible for the computerisation of the front and back office as well as compliance issues and information system planning and implementation. Ms. Tsang obtained a bachelor's degree in Computing Studies from the Hong Kong Baptist University in December 1999. She has been a certified financial planner of the Institute of Financial Planners of Hong Kong since September 2009.

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report for the year ended 31 March 2021. This report highlights the key corporate governance practices of the Company.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to promoting high standards of corporate governance practices and procedures. 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.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 15 of the GEM Listing Rules. For the year ended 31 March 2021, to the best of the knowledge of the Board, the Company has applied the principles and complied with the applicable code provisions set out in the CG Code, except for the deviation from code provision A.2.1 and code provision A.6.7.

Code provision A.2.1 provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. After the resignation of Mr. Lo Shiu Wing Chester as executive Director and chief executive officer of the Company on 14 December 2020, the post of Chief Executive Officer of the Company is vacant and the role of the Chief Executive Officer has been performed by the executive Directors collectively. The board of Directors will continue to use its best endeavour in finding a suitable candidate to assume duties as Chief Executive Officer of the Company as soon as possible.

Code provision A.6.7 requires independent non-executive Directors and non-executive Directors to attend general meetings to gain and develop a balanced understanding of the views of shareholders. An independent non-executive Director was absent at the annual general meeting held during his tenure on 10 August 2020 due to other commitments.

The Board will continue to review its corporate governance practices in order to enhance its corporate governance standards, comply with the increasingly complicated regulatory requirements, and meet with the rising expectations of the shareholders and respective investors of the Company.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "**Required Standard of Dealings**") set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, the Company confirmed that all Directors have complied with the Required Standard of Dealings throughout the year ended 31 March 2021 and up to the date of this annual report.

## THE BOARD

The Board has the responsibility for leadership and control of the Group and the Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests. The Board is also responsible to communicate with shareholders and regulatory bodies and, where appropriate, will make recommendations to shareholders on final dividends and approve the declaration of any interim dividend. The Board has delegated the day-to-day responsibility to the executive Directors and senior management of the Company who will meet regularly to review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board.

# CORPORATE GOVERNANCE REPORT

## Composition of the Board

The Directors of the Company during the year ended 31 March 2021 and up to date of this report were as follows:

### *Executive Directors*

Mr. Fok Yuk Tong (appointed on 20 November 2020)  
 Ms. Hsieh Ching Chun (appointed on 20 November 2020)  
 Dr. Lee Chun Pong Bruce (*Chairman*) (appointed on 11 December 2020)  
 Mr. Zhong Chu Jian (appointed on 11 December 2020)  
 Ms. Fok Kit Yee (appointed on 11 December 2020)  
 Mr. Lo Tak Wing Benson ("**Mr. B Lo**") (resigned on 11 December 2020)  
 Mr. Lo Shiu Wing Chester ("**Mr. C Lo**") (resigned on 11 December 2020)

### *Non-executive Director*

Ms. Fong Man Julisa (appointed on 11 December 2020)  
 Mr. Khoo Ken Wee ("**Mr. Khoo**") (resigned on 11 December 2020)

### *Independent non-executive Directors*

Mr. Wong Che Man Eddy (appointed on 11 December 2020)  
 Mr. Cho Chun Man (appointed on 8 January 2021)  
 Ms. Chan Hoi Wuen Katherine (appointed on 11 December 2020)  
 Mr. Tang Yiu Wing ("**Mr. Tang**") (appointed on 11 December 2020 and resigned on 8 January 2021)  
 Mr. Ma Wai Hung Vincent ("**Mr. Ma**") (resigned on 11 December 2020)  
 Mr. Mok Kwai Pui Bill ("**Mr. Mok**") (resigned on 11 December 2020)  
 Mr. Ng Shu Bun Andrew ("**Mr. Ng**") (resigned on 11 December 2020)

As at the date of this annual report, the Board currently comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors.

The biographical details of the existing Directors (including relationships between the Board members) are set out on pages 14 to 16 of this annual report.

## Appointment and Re-election of Directors

In accordance with article 83(3) of the Articles of Association of the Company (the "**Articles**"), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

# CORPORATE GOVERNANCE REPORT

In addition, in accordance with article 84 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation and being eligible offer themselves for re-election provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years. The Directors to retire by rotation in every year shall be those who have been longest in office since their last appointment or re-appointment.

## CHAIRMAN AND CHIEF EXECUTIVE

During the Year, Mr. B Lo and Mr. C Lo acted as the chairman (the “**Chairman**”) of the Board and the chief executive officer of the Company (the “**Chief Executive Officer**”) respectively prior to their resignation.

Mr. B Lo, as the Chairman, focused on the Group’s strategic planning, overall management, business development and customer referrals, while Mr. C Lo, being the Chief Executive Officer, assumed overall responsibility for the Group’s operations, internal business control and compliance matters.

Following their resignation, Dr. Lee was appointed as the Chairman, in which he is responsible for the overall strategic planning, management, corporate development and customer referrals of the Group. The Board, led by the Chairman, sets the overall direction, strategy and policies of the Company. The Chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. As aforementioned, the Company was still in search of a suitable candidate to assume the role of the Chief Executive Officer as at the date of this report. As such, subsequent to the resignation of Mr. C Lo, his duties were being performed by the executive Directors of the Company during the Year. The day-to-day responsibilities of the Group were delegated to the executive Directors and the management was responsible for managing different aspects of the business.

## NON-EXECUTIVE DIRECTORS

The non-executive Directors (including the independent non-executive Directors) are seasoned individuals from diversified backgrounds and industries.

In compliance with rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board, and with at least one of them possessing the appropriate professional qualifications, or accounting or related financial management expertise.

The non-executive Directors are appointed an initial term of two years, and either party may terminate such appointment at any time by giving at least one month prior notice in writing to the other and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all of them have met the guidelines for assessing independence as set out in rule 5.09 of the GEM Listing Rules and still considers them to be independent as at the date of this report.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the code provision D.3.1 of the CG Code which include (i) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

## BOARD COMMITTEES

### Audit Committee

The Company has established an audit committee (the "**Audit Committee**") in compliance with rules 5.28 and 5.29 of the GEM Listing Rules and with the written terms of reference in compliance with the CG Code. The Audit Committee currently comprises one non-executive Director, namely Ms. Fong and three independent non-executive Directors, namely, Mr. Wong, Ms. Chan and Mr. Cho. Mr. Wong is the chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly (i) to make recommendations to the Board on the appointment and removal of external auditors; (ii) to review and supervise the financial statements and provide advices in respect of financial reporting; (iii) to oversee the financial reporting system, internal control and risk management systems of the Group; and (iv) to monitor any continuing connected transactions.

During the year ended 31 March 2021, the Audit Committee held five meetings. During the Year, the Audit Committee reviewed the consolidated quarterly, interim and final results of the Group. It has also reviewed the risk management and internal control systems of the Group, and the continuing connected transactions carried out by the Group as set out in the section headed "REPORT OF THE DIRECTORS" of this annual report. The Audit Committee had reviewed the audited consolidated financial statements (the "**Consolidated Financial Statements**") of the Group for the year ended 31 March 2021 and was of the opinion that the Consolidated Financial Statements complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures were made therein.

### Nomination Committee

The Company has established a nomination committee (the "**Nomination Committee**") with written terms of reference in compliance with the CG Code. The Nomination Committee currently comprises one executive Director, namely Ms. Fok, one non-executive Director, namely Ms. Fong and three independent non-executive Directors, namely Mr. Wong, Ms. Chan and Mr. Cho. Ms. Chan is the chairman of the Nomination Committee.

# CORPORATE GOVERNANCE REPORT

The primary duties of the Nomination Committee are mainly (i) to review the structure, size, composition, diversity of the Board, the board diversity and nomination policies on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) to make recommendations to the Board regarding the candidates to fill vacancies on the Board.

Two meetings was held during the Year. During the Year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board and also reviewed the board diversity policy and the nomination policy. The Nomination Committee will continue to review the necessity of recruiting more competent staff in the expansion of the Group.

## Board Diversity Policy

The board diversity policy as adopted by the Board aims to achieve diversity in the Board in order to have a balance of skills, experience and diversity of perspectives in accordance with the business nature of the Group. The Company endorses and recognises the benefits of having a diversified Board. Selections on the Board for appointments are based on a range of diversity of perspectives, including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Board is of the view that the Board comprises members with diversified background and industry expertise to oversee and operate the Company efficiently and safeguard the interests of various stakeholders of the Company.

## Nomination Policy

The Board has adopted a nomination policy which sets out the nomination procedures, criteria and process in the nomination and appointment of Directors.

## Selection Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement in accordance with the GEM Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules (in case of independent non-executive Directors);

# CORPORATE GOVERNANCE REPORT

- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- any other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

## *Directors Nomination Procedures*

The Board has the relevant procedures for Directors' nomination which are pursuant to the GEM Listing Rules and the Articles as below:

### *(a) Appointment of New Director*

The Nomination Committee or the company secretary of the Company shall call for a meeting of the Nomination Committee upon receipt of any nominations of candidates. The Nomination Committee should evaluate such candidate based on the selection criteria mentioned above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship. For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the same selection criteria as mentioned above to determine whether such candidate is qualified for directorship, and where appropriate, the Nomination Committee and/or the Board should make recommendation to the Shareholders in respect of the proposed election of Director at the general meeting. The Board should have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

### *(b) Re-election of Director at General Meeting*

Retiring Directors are eligible for nomination by the Board to stand for re-election at the general meeting according to the Articles. The Nomination Committee and/or the Board should review the overall contribution and service of the retiring Director to the Company, his/her level of participation and performance on the Board and determine whether the retiring Director continues to meet the above selection criteria. The Nomination Committee and/or the Board should then make recommendation to the Shareholders in respect of the proposed re-election of Director at the general meeting.

## **Remuneration Committee**

The Company has established a remuneration committee (the "**Remuneration Committee**") in compliance with the rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The Remuneration Committee currently comprises one executive Director, namely Dr. Lee, one non-executive Director, namely Ms. Fong and three independent non-executive Directors, namely Mr. Wong, Ms. Chan and Mr. Cho. Mr. Wong is the chairman of the Remuneration Committee.

# CORPORATE GOVERNANCE REPORT

The primary duties of the Remuneration Committee are mainly (i) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) to review other remuneration-related matters, including benefits-in-kind and other compensation payable to the Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration.

Two meetings was held during the Year. During the Year, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company and the remuneration paid to Directors and senior management for the Year and considered that they are fair and reasonable. The Remuneration Committee also reviewed the terms of reference of the Remuneration Committee.

## DIRECTORS' ATTENDANCE AT MEETINGS

During the year ended 31 March 2021, sixteen meetings were held by the Board and an annual general meeting of the Company was held on 10 August 2020. The attendance of each member of the committees meetings, Board meetings and general meeting held during the Year are recorded as follows:

Directors	Board	Audit	Nomination	Remuneration	General
	meetings attended/ held	Committee meetings attended/ held	Committee meeting attended/ held	Committee meeting attended/ held	meeting attended/ held
	(Notes 1 and 2)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Dr. Lee (appointed on 11 December 2020)	8/8	N/A	N/A	1/1	0/0
Mr. Fok (appointed on 20 November 2020)	9/9	N/A	N/A	N/A	0/0
Ms. Hsieh (appointed on 20 November 2020)	9/9	N/A	N/A	N/A	0/0
Ms. Fok (appointed on 11 December 2020)	3/8	N/A	1/1	N/A	0/0
Mr. Zhong (appointed on 11 December 2020)	3/8	N/A	N/A	N/A	0/0
Ms. Fong (appointed on 11 December 2020)	1/8	2/2	1/1	1/1	0/0
Mr. Wong (appointed on 11 December 2020)	1/8	2/2	1/1	1/1	0/0
Ms. Chan (appointed on 11 December 2020)	1/8	2/2	1/1	1/1	0/0
Mr. Cho (appointed on 8 January 2021)	0/2	1/2	1/1	1/1	0/0
Mr. Tang (appointed on 11 December 2020 and resigned on 8 January 2021)	0/6	0/0	0/0	0/0	0/0
Mr. B Lo (resigned on 11 December 2020)	6/8	N/A	N/A	1/1	1/1
Mr. C Lo (resigned on 11 December 2020)	6/8	N/A	1/1	N/A	1/1
Mr. Khoo (resigned on 11 December 2020)	6/8	N/A	N/A	N/A	1/1
Mr. Ma (resigned on 11 December 2020)	7/8	3/3	1/1	1/1	1/1
Mr. Mok (resigned on 11 December 2020)	7/8	3/3	1/1	1/1	0/1
Mr. Ng (resigned on 11 December 2020)	7/8	3/3	1/1	1/1	1/1

Notes:

- Attendance of the Directors who were appointed and/or had resigned during the Year were made by reference to the number of such meetings held during their respective tenures.
- One of the board meetings held during the Year required the attendance of non-executive Directors only.



# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the auditors of the Company regarding their reporting responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 45 to 47 of this annual report.

## DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The following shows the training received by each of the Directors during the Year:

	<b>Attending or participating in seminars/briefings or reading regulatory updates/journals relating to director's duties</b>
<b>Executive Directors</b>	
Dr. Lee	✓
Mr. Fok	✓
Ms. Hsieh	✓
Ms. Fok	✓
Mr. Zhong	✓
Mr. B Lo (resigned on 11 December 2020)	–
Mr. C Lo (resigned on 11 December 2020)	–
<b>Non-executive Directors</b>	
Ms. Fong	✓
Mr. Khoo (resigned on 11 December 2020)	–
<b>Independent Non-executive Directors</b>	
Mr. Wong	✓
Ms. Chan	✓
Mr. Cho	✓
Mr. Tang (appointed on 11 December 2020 and resigned on 8 January 2021)	–
Mr. Ma (resigned on 11 December 2020)	✓
Mr. Mok (resigned on 11 December 2020)	✓
Mr. Ng (resigned on 11 December 2020)	–

Notes:

- The Company arranged an in-house directors' training in corporate governance for existing Directors on 31 March 2021. Those Directors who had already resigned during the Year did not participate in the said training.

# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

Mr. Chan Ting (“**Mr. T Chan**”) is the company secretary of the Company (the “**Company Secretary**”). Mr. T Chan has been a practising solicitor since 2000 and is an external secretarial services provider engaged and appointed by the Company as its Company Secretary. The primary corporate contact person of the Company is Dr. Lee, an executive Director and the Chairman. In accordance with the rule 5.15 of the GEM Listing Rules, Mr. T Chan had taken no less than 15 hours of relevant professional training during the year ended 31 March 2021.

## INDEPENDENT AUDITORS’ REMUNERATION

During the year ended 31 March 2021, the remuneration paid or payable to the external auditors of the Company in respect of the audit and non-audit services were as follows:

Services rendered	Remuneration paid/payable HK\$’000
Audit services	
– Statutory audit services	580
Non-audit services	
– Tax advisory services	6
	586

## DIVIDEND POLICY

The Board approved and adopted a dividend policy (the “**Dividend Policy**”) which outlines general principles for the determination and payment of dividend to its Shareholders. Dividends or distributions by the Company shall be determined and declared in accordance with the applicable laws and regulations, the Articles and the Dividend Policy. The Board may amend any provision in the Dividend Policy if it considers necessary.

Pursuant to the Dividend Policy, that, in recommending or declaring dividends, the Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its Shareholder value. The Board has the absolute discretion to declare and distribute dividends from time to time to the Shareholders, and any final dividend for a financial year will be subject to Shareholders’ approval. In proposing any dividend payout, the Board shall also take into account, among other things, the Group’s financial results, financial position, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant.

## CONSTITUTIONAL DOCUMENTS

Pursuant to rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles. There are no changes in the Company’s constitutional documents during the year ended 31 March 2021 and up to the date of this annual report.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness. The Company's risk management and internal control systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board is committed to implementing an effective and sound risk management and internal control systems to safeguard the interest of the Shareholders and the Group's assets. The Board has delegated to the management the implementation of the systems of risk management and internal control and review of all relevant financial, operational, compliance controls and risk management functions within the established framework. The Group has engaged an independent external professional consultant to conduct independent internal control review throughout the year. The review covered the risk management and internal control systems including financial, operational, compliance control and risk management functions. Such review will be conducted regularly throughout each year.

As the corporate and operating structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Group does not have an internal audit department. However, because the Group has engaged an independent external professional consultant to conduct internal control review, the Board through the Audit Committee, conducted an annual review of effectiveness of the risk management and internal control systems of the Group, including reviewing the internal control review report issued by the independent external professional consultant and reviewing the need for a separate internal audit department, and considered that the Group's risk management and internal control system is adequate and effective.

The scope of internal control consultant work includes reviewing the design of the control and performing walkthrough of the processes. The independent external professional consultant has reported major findings and areas for improvement to the Audit Committee. All recommendations from the independent external professional consultant would be followed up closely to ensure that they are implemented within a reasonable period of time.

Key elements of the risk management and internal control systems of the Group is described below. They have been operating throughout the year and reviewed regularly by the Board up to the date of this report.

- management structure is clearly defined with lines of responsibilities and delegation of authority;
- high recruitment standards and formal career development and training to ensure the integrity and competence of the staff;
- regular and comprehensive information provided to management, covering financial results and nonfinancial performance indicators;
- procedures for the approval of capital expenditure, investments and acquisitions;
- detailed budgeting process in which top management is involved in budget setting, constant monitoring of key statistics and review of management accounts on a monthly basis, noting and investigating major variances; and
- consideration of mitigating measures against significant business risks at monthly management review meetings, with quarterly briefings to the Board.

# CORPORATE GOVERNANCE REPORT

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows: The main features of the risk management and internal control systems includes:

## **Risk Identification**

Identifies risks relating to changing regulatory and operating environment that may potentially affect the Group's business and operations.

## **Risk Assessment**

Assesses the risks identified by using the assessment criteria developed by management; and considers the impacts of risks on the business caused by adverse events together with the likelihood of occurrence of these adverse events.

## **Response to Risks**

Prioritizes the risks by comparing the results of the risk assessments; and determines the risk mitigation plan and internal control processes to prevent, avoid and mitigate the risks.

## **Risk Monitoring and Reporting**

Performs ongoing and periodic monitoring of the risks and ensures that appropriate internal control processes are in place and resolve material internal control defects (if any); revises the risk mitigation plan and internal control processes in case of any significant change of situation; and reports the results and make appropriate suggestions of risk monitoring to management and the Board regularly.

## **Inside Information**

The Group has in place, as an element of its risk management and internal control systems, a policy on handling and dissemination of inside information, to ensure that inside information is handled and disseminated properly and in accordance with the applicable laws and regulations. The department heads within the Group and an executive Director are responsible for monitoring the changes and developments in their respective areas of operation and report any potential or suspected inside information events to the Board. Based on this information obtained through internal reporting, the Board assesses whether any of the information constitutes inside information which needs to be released to the public. Should public disclosure be required, the Board will determine the scope of information to be disclosed and the timing of disclosure. If and when appropriate, the Board may seek independent professional advice to ensure that the Company complies with the disclosure requirements.

During the Year, the Board reviewed the effectiveness of the Group's risk management and internal control system and considered the Group's risk management and internal control as adequate and effective.

# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of timely disclosure of corporate information to its shareholders and investment public.

Information of the Company shall be communicated to the shareholders and potential investors mainly through the Company's quarterly, interim and annual reports, annual general meetings and other general meetings that may be convened as well as by making available all the disclosure submitted to the Stock Exchange and the corporate communications and other corporate publications on the Company's website.

## RIGHTS OF THE SHAREHOLDERS

### Procedures for the Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles, any one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

The shareholders may include a resolution to be considered at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for the Shareholders to Convene an Extraordinary General Meeting".

### Procedures for directing shareholders' enquiries to the Board

The shareholders may send their enquiries to the Board by addressing them to the principal place of business of the Company in Hong Kong (located at Room 4409, 44/F, COSCO Tower, 183 Queen's Road Central, Hong Kong) by post or by email to [info@pfs.com.hk](mailto:info@pfs.com.hk). Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

# CORPORATE GOVERNANCE REPORT

## **Procedures for the Shareholders to Propose a Person for Election as a Director**

Pursuant to article 85 of the Articles, a written notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong at Room 4409, 44/F, COSCO Tower, 183 Queen's Road Central, Hong Kong provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting of the Company appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by rule 17.50(2) of the GEM Listing Rules. The procedures for shareholders of the Company to propose a person for election as a Director are posted on the Company's website.

# REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and IPO margin financing; and (iv) asset management services.

## SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2021 are set out in note 37 to the consolidated financial statements.

## BUSINESS REVIEW

A review of the Group's business, a discussion and analysis of the Group's performance during the year ended 31 March 2021, an analysis of the prospects of the Group's business and a description of the principal risks and uncertainties facing by the Group are set out in the sections headed "CHAIRMAN'S STATEMENT" on page 5 and "MANAGEMENT DISCUSSION AND ANALYSIS" from pages 7 to 13 of this annual report which form part of this report of Directors.

## SEGMENT INFORMATION

Details of segment reporting are set out in note 7 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2021 and the financial position of the Group as at that date are set out in the consolidated financial statements from pages 48 to 99 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 March 2021 (2020: HK\$30,000,000 (special dividend) and HK\$50,000,000 (final dividend)).

## FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the last five financial years is set out on page 100 of this annual report.

# REPORT OF THE DIRECTORS

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, the revenue attributable to the Group's largest customer accounted for approximately 24.9% (2020: approximately 17.7%) of the Group's total revenue and the revenue attributable to the Group's five largest customers accounted for approximately 49.8% (2020: approximately 41.8%) of the Group's total revenue.

To the best of the Directors' knowledge, none of the Directors, their respective close associates (as defined under the GEM Listing Rules) or any shareholder of the Company (who to the best of the knowledge of the Directors owns more than 5% of the issued shares of the Company) had an interest in any of the major customers above.

The Group had no supplier due to the nature of its principal business activities.

## PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 March 2021 are set out in note 20 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2021 are set out in note 31 to the consolidated financial statements.

## DEBENTURES

The Company did not issue any debentures during the year ended 31 March 2021.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 March 2021 are set out in the consolidated statement of changes in equity and in note 33 to the consolidated financial statements, respectively.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2021, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK\$49.2 million (2020: HK\$51.8 million).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.



# REPORT OF THE DIRECTORS

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

## SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was adopted by the shareholders of the Company and was effective on 5 December 2016. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years from the date of its adoption on 5 December 2016. Subject to the terms of the Scheme, the Board shall be entitled to make an offer of the grant of an option (the "**Option**") to subscribe for shares (the "**Shares**") of the Company to any Directors, employees of the Group, consultants or advisers of the Group, providers of goods and/or services to the Group, customers of the Group, holders of securities issued by any member of the Group, or any other person, who at the sole discretion of the Board, has contributed to the Group (the "**Eligible Participants**"), whom the Board may select at its absolute discretion.

The purpose of the Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant Options to attract, retain and reward the Eligible Participants and to provide the Eligible Participants an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

The Board may in its absolute discretion specify such conditions as it thinks fit when granting an Option to an Eligible Participant (including, without limitation, as to any minimum period an Option must have been held or the minimum period of service or relationship with any member of the Group to be achieved before an Option can be exercised (or any part thereof), to the extent of the Option which can be exercised at any material time, or any performance criteria which must be satisfied by the Eligible Participant, the Company, and its subsidiaries, before an Option may be exercised), provided that such conditions shall not be inconsistent with any other terms and conditions of the Scheme and the relevant requirements under the applicable laws or the GEM Listing Rules.

The Option will be offered for acceptance for a period of ten business days from the date on which the Option is granted. The amount payable by the grantee to the Company on acceptance of the offer shall be a nominal amount to be determined by the Board. The subscription price in respect of any Option shall, subject to any adjustments made pursuant to the terms of the Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of: (i) the closing price per share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("**Trading Day**"); (ii) the average of the closing prices per share of the Company as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of the shares of the Company on the date of grant of the Options.

## REPORT OF THE DIRECTORS

The total number of shares of the Company which may be issued upon exercise of all Options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at 6 January 2017 (the “**Listing Date**”) (i.e. 2,000,000,000 shares) unless the Company obtains a fresh approval from the shareholders. The Company may seek approval of shareholders in general meeting to renew the 10% limit above such that the total number of shares in respect of which Options may be granted by the Board under the Scheme and any other share option schemes of the Company in issue shall not exceed 10% of the total number of shares in issue as at the date of approval of the renewed limit. The Company may grant Options to specified participant(s) beyond the 10% limit set out above provided that the Options granted in excess of such limit are specifically approved by the shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought. Notwithstanding the foregoing and subject to the maximum entitlement of each Eligible Participant, the maximum number of shares in respect of which Options may be granted under the Scheme together with any Options outstanding and yet to be exercised under the Scheme and any other share option schemes of the Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares in issue from time to time.

The total number of shares of the Company issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options under the Scheme) in the twelve-month period expiring on the offer date shall not exceed 1% of the issued share capital of the Company, unless approval of the shareholders of the Company has been obtained in accordance with the GEM Listing Rules. Where Options are proposed to be granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of Options will, result in the total number of shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of the Company and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such grant must be approved by the shareholders of the Company at general meeting in accordance with the GEM Listing Rules.

An Option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine save that such period shall not exceed ten years from the date of acceptance of the offer subject to the provisions of early termination thereof.

As at the date of this annual report, the total number of shares available for issue under the Scheme is 200,000,000 shares, representing 10% of the issued share capital of the Company as at the date of this report. Since the adoption of the Scheme and up to 31 March 2021, no Option was granted by the Company.

# REPORT OF THE DIRECTORS

## EQUITY-LINKED AGREEMENTS

Save and except for the Scheme as disclosed in the paragraph headed "SHARE OPTION SCHEME" above, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company to enter into any agreement that will or may result in the Company issuing shares, was entered into by the Company during the year ended 31 March 2021 or subsisted at the end of the year.

## CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" from pages 17 to 29 of this annual report.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2021, to the best of knowledge of the Directors, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

## DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 March 2021, the Group had no circumstances which would give rise to a disclosure obligation under rules 17.22 to 17.24 of the GEM Listing Rules.

## ENVIRONMENTAL POLICIES AND KEY RELATIONSHIP WITH EMPLOYEES

As a responsible corporation, the Group is committed to maintaining a highly environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

The Environmental, Social and Governance Report conducted by a professional third party for the Year will be published separately in compliance with the requirements of the GEM Listing Rules.

## KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2021, the Group has 488 (2020: 393) active securities accounts. The Group is committed to establish and maintain long term and harmonious relationships with its customers. In order to maintain the relationships with customers, various means have been established to strengthen the communications between the Group and the customers including email, telephone and face-to-face meeting. In addition, the Group will continue to expand the customer base by utilising the network it has and referrals from existing customers.

The Group does not have any supplier due to the nature of its principal business activities.

# REPORT OF THE DIRECTORS

## DONATION

During the year ended 31 March 2021, the Group did not make charitable donations (2020: HK\$0.2 million).

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 March 2021 and up to date of this report were as follows:

### Executive Directors

Mr. Fok Yuk Tong (appointed on 20 November 2020)  
 Ms. Hsieh Ching Chun (appointed on 20 November 2020)  
 Dr. Lee Chun Pong, Bruce (*Chairman*) (appointed on 11 December 2020)  
 Mr. Zhong Chu Jian (appointed on 11 December 2020)  
 Ms. Fok Kit Yee (appointed on 11 December 2020)  
 Mr. Lo Tak Wing Benson (resigned on 11 December 2020)  
 Mr. Lo Shiu Wing Chester (resigned on 11 December 2020)

### Non-executive Directors

Ms. Fong Man Julisa (appointed on 11 December 2020)  
 Mr. Khoo Ken Wee (resigned on 11 December 2020)

### Independent non-executive Directors

Mr. Wong Che Man Eddy (appointed on 11 December 2020)  
 Mr. Cho Chun Man (appointed on 8 January 2021)  
 Ms. Chan Hoi Wuen Katherine (appointed on 11 December 2020)  
 Mr. Tang Yiu Wing (appointed on 11 December 2020 and resigned on 8 January 2021)  
 Mr. Ma Wai Hung Vincent (resigned on 11 December 2020)  
 Mr. Mok Kwai Pui Bill (resigned on 11 December 2020)  
 Mr. Ng Shu Bun Andrew (resigned on 11 December 2020)

The biographical details of the existing Directors are set out on pages 14 to 16 of this annual report.

Pursuant to the Articles, at the forthcoming annual general meeting of the Company (the "**2021 AGM**"), Mr. Fok, Ms. Hsieh, Dr. Lee, Mr. Zhong, Ms. Fok, Ms. Fong, Mr. Wong, Mr. Cho and Ms. Chan will retire as Directors and, being eligible, offer themselves for re-election.

The executive Directors have entered into service contracts with the Company for a term of three years and be renewable automatically for successive terms of three years unless and until the termination by either party thereto by giving not less than three months' prior written notice and are subject to retirement by rotation and re-election in accordance with the Articles.

The non-executive Director is appointed for a term of two years and either party may terminate such appointment at any time by giving at least one month prior notice in writing to the other and is subject to retirement by rotation and re-election in accordance with the Articles.

# REPORT OF THE DIRECTORS

The independent non-executive Directors are appointed for a term of two years and either party may terminate such appointment at any time by giving at least one month prior notice in writing to the other and are subject to retirement by rotation and re-election in accordance with the Articles.

No Director proposed for re-election at the 2021 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than the normal statutory compensation.

## CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the requirement of rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" from pages 14 to 16 of this annual report.

## EMOLUMENT POLICY

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group as well as the performance of the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out in the paragraph headed "SHARE OPTION SCHEME".

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group.

Details of the emoluments of the Directors, five highest paid individuals and senior management by band are set out in notes 16, 17 and 35 to the consolidated financial statements respectively.

## PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions against them arising out of corporate activities. A permitted indemnity provision (as defined under the Hong Kong Companies Ordinance) is currently in force and was in force throughout the year ended 31 March 2021 for the benefit of the Directors.

## COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year ended 31 March 2021 and up to the date of this annual report.

# REPORT OF THE DIRECTORS

## CHANGE OF CONTROLLING SHAREHOLDER OF THE COMPANY

On 28 April 2020, Thoughtful Mind Limited, a company incorporated in British Virgin Islands with limited liability and is owned as to 57.1% by Mr. B Lo and as to 42.9% by Mr. C Lo (collectively, the “**Warrantors**”), as a vendor (the “**Vendor**”) and the Warrantors had entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”) with CWIL, as a purchaser and offeror (the “**Offeror**”), pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase the sale shares, being 1,500,000,000 ordinary shares of the Company (the “**Sale Shares**”), for a total consideration of HK\$120,000,000, equivalent to HK\$0.08 per Sale Share, which was agreed between the Vendor and the Offeror after arm’s length negotiations. The Sale Shares represent 75% of the entire issued share capital of the Company. The completion of the Sale and Purchase Agreement (the “**Completion**”) took place on 28 October 2020.

Immediately following the Completion, the Offeror and parties acting in concert with it (“**Concert Parties**”) were interested in an aggregate of 1,500,360,000 Shares, representing 75.018% of the entire issued share capital of the Company as at the date thereof. Pursuant to Rule 26.1 of the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, the Offeror made a mandatory unconditional general offer (the “**Offer**”) in cash for all the issued shares other than those already owned or agreed to be acquired by the Offeror and its Concert Parties upon Completion.

The Offer was closed on 11 December 2020 and was not revised or extended by the Offeror. Immediately after the close of the Offer, the Offeror and its Concert Parties were interested in an aggregate of 1,764,880,000 Shares, representing approximately 88.24% of the issued share capital of the Company. Trading in the Shares was suspended from 14 December 2020, being the trading day immediately after the close of the Offer as the percentage of the public float had fallen below 15% following the close of the Offer at the request of the Company. The Offeror appointed a placing agent to place down certain number of Shares held by it to independent third parties for the purpose of restoring the Company’s minimum public float to at least 25% in compliance with Rule 11.23(7) of the GEM Listing Rules. An application was made by the Company to the Stock Exchange for a temporary waiver (the “**Waiver**”) from strict compliance with Rule 11.23(7) of the GEM Listing Rules. On 22 December 2020, the Company was granted the Waiver by the Stock Exchange for the period from 28 October 2020 to 8 January 2021.

The Company was informed by the Offeror that on 5 January 2021, the Offeror and its Concert Parties had completed to place down a total number of 264,880,000 Shares to independent third parties (the “**Placing**”). Upon completion of the Placing, the interest of the Offeror and its Concert Parties was reduced to 75%. Accordingly, upon completion of the Placing, a total of 500,000,000 Shares, representing 25% of the issued share capital of the Company, are being held by the public in compliance with the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules.

Details of the Sale and Purchase Agreement and the Offer are set out in the Company’s announcements dated 6 May 2020, 5 June 2020, 3 July 2020, 4 August 2020, 3 September 2020, 4 September 2020, 7 September 2020, 7 October 2020, 28 October 2020, 4 November 2020, 20 November 2020, 14 December 2020, 24 December 2020, 5 January 2021 and the Composite Document dated 20 November 2020.

# REPORT OF THE DIRECTORS

## RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are disclosed in note 35 to the consolidated financial statements.

Save as the continuing connected transactions disclosed in the paragraph headed "CONNECTED TRANSACTIONS" below, all other connected transactions disclosed in note 35 to the consolidated financial statements are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20.74 of the GEM Listing Rules.

The Company has complied with the requirements under Chapter 20 of the GEM Listing Rules in respect of the connected transactions carried out by the Group as disclosed in this report.

## CONNECTED TRANSACTIONS

### Continuing Connected Transactions

During the year ended 31 March 2021, the Group conducted the following continuing connected transactions (the "CCTs"):

#### 1. Lo's Group Connected Service Agreement

On 7 December 2016, PFSL entered into a service agreement with Mr. B Lo and Mr. C Lo (who are siblings), both were former executive Directors and former controlling shareholders of the Company, in relation to the provision of the brokerage, margin financing and placing services (the "Services") to them and their respective associates (as defined in the GEM Listing Rules) (collectively, the "Lo's Group") under their respective securities accounts with PFSL (the "2016 Lo's Group Connected Service Agreement"). The 2016 Lo's Group Connected Service Agreement was effective for a period of 3 years from the Listing Date.

Upon the expiration of the 2016 Lo's Group Connected Service Agreement, on 23 July 2018, PFSL entered into a new service agreement with Mr. B Lo and Mr. C Lo in relation to, among others, the continued provision of the Services by PFSL to the Lo's Group under their respective securities accounts with PFSL (the "2018 Lo's Group Connected Service Agreement") and the termination of the 2016 Lo's Group Connected Service Agreement. The 2018 Lo's Group Connected Service Agreement was effective from 18 September 2018 to 31 March 2021 (both days inclusive).

# REPORT OF THE DIRECTORS

Details of the continuing connected transactions conducted under the 2018 Lo's Group Connected Service Agreement for the year ended 31 March 2021 were as follows:

Connected parties	Annual caps	Annual cap	Maximum daily
		amounts for the year ended 31 March 2021 HK\$'000	outstanding amount/ revenue amount for the year ended 31 March 2021 HK\$'000 (Approximately)
Lo's Group	Lo's Group Outstanding Annual Cap (Note 1)	90,000	26,991
	Lo's Group Revenue Annual Cap (Note 2)	3,600	781 (Note 3)

Notes:

1. Lo's Group Outstanding Annual Cap is the annual aggregated cap for the total maximum daily outstanding amount of margin financing to be provided to the Lo's Group.
2. Lo's Group Revenue Annual Cap is the annual aggregated cap for the total revenue from the Services to be provided to the Lo's Group.
3. The amount comprised revenue from brokerage, margin financing and placing services provided to the Lo's Group during the year ended 31 March 2021 of approximately HK\$70,000, HK\$711,000 and nil respectively.

Please refer to the related announcement and circular issued by the Company on 24 July 2018 and 23 August 2018 respectively for more details.



# REPORT OF THE DIRECTORS

## Auditor's Letter on Continuing Connected Transactions

The Company has engaged the Company's auditor, ZHONGHUI ANDA CPA Limited ("**Zhonghui Anda**") to report on the CCT in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Zhonghui Anda has reviewed the CCTs and, pursuant to Rule 20.54 of the GEM Listing Rules, confirmed to the Board that nothing has come to their attention that causes them to believe that:

- (i) the CCTs have not been approved by the Board;
- (ii) the CCTs were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) the CCTs were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) the CCTs have exceeded the annual cap as set by the Company.

## Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better for the Group; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) held by the Directors and chief executives of the Company (the "Chief Executives") which have been 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

### Long position in ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. Fok Yuk Tong ("Mr. Fok") (Note 1)	Interest in controlled corporation	1,199,640,000	59.98
Ms. Hsieh Ching Chun ("Ms. Hsieh") (Note 1)	Interest in controlled corporation	1,199,640,000	59.98
Dr. Lee Chun Pong Bruce ("Dr. Lee") (Note 2)	Interest in controlled corporation	300,000,000	15.00
Ms. Fok Kit Yee	Beneficial interest	360,000	0.02

Notes:

- The issued share capital of CWIL is beneficially owned as to 30% by Mr. Fok and 70% by Ms. Hsieh respectively. Mr. Fok is the spouse of Ms. Hsieh. Therefore, Mr. Fok and Ms. Hsieh are deemed to be interested in the 1,199,640,000 shares of the Company held by CWIL by virtue of the SFO.
- Mega Wise Group Limited ("MWGL") is wholly-owned by Dr. Lee. Therefore, Dr. Lee is deemed to be interested in the 300,000,000 shares of the Company held by MWGL by virtue of the SFO.

Save as disclosed above, as at 31 March 2021, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the Chief Executives are aware, as at 31 March 2021, other than the Directors and the Chief Executives, the following person/corporation had or was deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

### Long position in ordinary shares of HK\$0.01 each of the Company

Name	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
CWIL (Note 1)	Beneficial interest	1,199,640,000	59.98
MWGL (Notes 2 & 3)	Beneficial interest	300,000,000	15.00
Ms. Chow Nim Pui ("Ms. Chow") (Notes 2 & 3)	Interest in spouse	300,000,000	15.00

#### Notes:

1. The issued share capital of CWIL is beneficially owned as to 30% by Mr. Fok and 70% by Ms. Hsieh respectively. Mr. Fok is the spouse of Ms. Hsieh. Therefore, Mr. Fok and Ms. Hsieh are deemed to be interested in the 1,199,640,000 shares of the Company held by CWIL by virtue of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO").
2. MWGL is wholly-owned by Dr. Lee. Therefore, Dr. Lee is deemed to be interested in the 300,000,000 shares of the Company held by MWGL by virtue of the SFO.
3. Ms. Chow is the spouse of Dr. Lee. Therefore, Ms. Chow is deemed to be interested in the 300,000,000 shares of the Company held by Dr. Lee through MWGL under the SFO.

# REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the paragraphs headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" and "SHARE OPTION SCHEME" in this annual report, at no time during the year ended 31 March 2021 was the Company, or any of its subsidiaries or its parent company a party to any arrangements to enable the Directors and Chief Executives (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

## **INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS**

Save for those disclosed under the section headed "CONNECTED TRANSACTIONS" above and those disclosed in note 35 to the consolidated financial statements, there was no transaction, arrangement or contract of significance in relation to the Group's business which subsisted during or at the end of the year ended 31 March 2021 to which the Company, or any of its subsidiaries or its parent company was a party and in which a Director or a connected entity of that Director has or had, directly or indirectly, a material interest.

Save as disclosed herein, during the Year, there was no contract of significance entered into between the Company, or any of its subsidiaries, and any of the controlling shareholders (as defined in the GEM Listing Rules) of the Company or any of their subsidiaries.

## **MANAGEMENT CONTRACTS**

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the year ended 31 March 2021.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the best of the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

# REPORT OF THE DIRECTORS

## AUDITORS

Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the Company's auditor on 29 April 2019. HLB Hodgson Impey Cheng Limited ("**HLB**") was appointed as the Company's auditor on 30 April 2019 to fill the casual vacancy following the resignation of Deloitte. HLB was re-appointed as the Company's auditor in the annual general meetings of the Company held on 29 August 2019 and 10 August 2020 respectively.

On 14 April 2021, HLB resigned as the auditor of the Company. Following the resignation of HLB, the Board appointed Zhonghui Anda as the new auditor of the Company with effect from 14 April 2021 to fill the casual vacancy.

The consolidated financial statements of the Group for the year ended 31 March 2021 were audited by Zhonghui Anda and a resolution will be proposed at 2021 AGM to re-appoint Zhonghui Anda as the auditor of the Company.

Save as disclosed above, there has been no change in the auditor of the Company during the past three years.

## 2021 AGM

Details of the 2021 AGM will be included in the 2021 AGM circular and a notice of the 2021 AGM will be published and despatched in due course.

On behalf of the Board

**Dr. Lee Chun Pong Bruce**

*Chairman*

Hong Kong, 30 June 2021

# INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF PF GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of PF Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 48 to 99, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## ACCOUNTS RECEIVABLE

Refer to note 25 to the consolidated financial statements

The Group tested the amount of accounts receivable for impairment. This impairment test is significant to our audit because the balance of accounts receivable of HK\$52,846,000 as at 31 March 2021 is material to the consolidated financial statements. In addition, the Group’s impairment test involves application of judgement and is based on estimates.

# INDEPENDENT AUDITOR'S REPORT

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers;
- Assessing the value of the collateral for the debts; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for accounts receivable is supported by the available evidence.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

# INDEPENDENT AUDITOR'S REPORT

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Yeung Hong Chun**

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 30 June 2021



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>			
Commission income from securities dealing and brokerage services		7,837	6,956
Fee and commission income from placing and underwriting activities	8	508	10,986
Interest income from margin and loan financing services		5,036	8,506
Fee income from asset management services		1,567	662
Others	9	1,500	3,795
<b>Total revenue</b>	7	<b>16,448</b>	30,905
Bank interest income		256	346
Other gains	10	2,379	739
		<b>19,083</b>	31,990
Commission expenses	11	(2,850)	(8,717)
Depreciation expenses for property and equipment		(250)	(251)
Depreciation expenses for right-of-use assets		(4,727)	(3,545)
Staff costs	12	(15,967)	(15,023)
Other operating expenses		(11,220)	(10,396)
Finance costs	13	(129)	(274)
<b>Loss before tax</b>	14	<b>(16,060)</b>	(6,216)
Income tax expense	15	–	–
<b>Loss for the year attributable to owners of the Company</b>		<b>(16,060)</b>	(6,216)
<b>Other comprehensive loss:</b>			
Items that may be reclassified to profit or loss:			
Fair value changes of debt investments at fair value through other comprehensive income		33	(47)
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<b>(16,027)</b>	(6,263)
		<b>HK cents</b>	HK cents
<b>Loss per share</b>			
Basic and diluted	18	(0.80)	(0.31)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property and equipment	20	830	430
Right-of-use assets	21	1,182	5,909
Debt investments at fair value through other comprehensive income	22	–	1,505
Deposits placed with stock exchange and clearing house	23	630	630
Prepayment for acquisition of property and equipment		6,198	–
		<b>8,840</b>	<b>8,474</b>
<b>Current assets</b>			
Accounts receivable	25	52,846	125,518
Rental and utility deposits	24	2,449	1,420
Prepayments and other receivables		1,418	1,619
Debt investments at fair value through other comprehensive income	22	1,538	–
Tax recoverables		4,757	4,757
Cash and bank balances:			
Bank balance – house accounts	26	115,900	107,466
Pledged bank deposits	26	–	5,000
Cash held on behalf of customers	26	39,126	45,650
		<b>218,034</b>	<b>291,430</b>
<b>Current liabilities</b>			
Accounts payable	27	43,375	45,592
Contract liabilities	28	–	1,500
Other payables and accruals	29	4,153	2,668
Lease liabilities	30	1,221	4,771
		<b>48,749</b>	<b>54,531</b>
<b>Net current assets</b>		<b>169,285</b>	<b>236,899</b>
<b>Total assets less current liabilities</b>		<b>178,125</b>	<b>245,373</b>
<b>Non-current liabilities</b>			
Lease liabilities	30	–	1,221
<b>NET ASSETS</b>		<b>178,125</b>	<b>244,152</b>
<b>Equity</b>			
Share capital	31	20,000	20,000
Reserves	33	158,125	224,152
<b>TOTAL EQUITY</b>		<b>178,125</b>	<b>244,152</b>

Approved and authorised for issue by the Board of Directors on 30 June 2021 and signed on its behalf by:

**Fok Yuk Tong**  
Director

**Hsieh Ching Chun**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Equity attributable to owners of the Company					
	Share capital	Share premium	Other reserves	Fair value through other comprehensive income reserves	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 31)	(Note 33(a))	(Note 33(b))	(Note 33(c))		
At 1 April 2019	20,000	48,229	9,762	–	202,424	280,415
Loss and total comprehensive loss for the year	–	–	–	(47)	(6,216)	(6,263)
Dividends declared and payable (Note 19)	–	–	–	–	(30,000)	(30,000)
At 31 March 2020	20,000	48,229	9,762	(47)	166,208	244,152
At 1 April 2020	<b>20,000</b>	<b>48,229</b>	<b>9,762</b>	<b>(47)</b>	<b>166,208</b>	<b>244,152</b>
Loss and total comprehensive loss for the year	–	–	–	33	(16,060)	(16,027)
Dividends declared and payable (Note 19)	–	–	–	–	(50,000)	(50,000)
At 31 March 2021	<b>20,000</b>	<b>48,229</b>	<b>9,762</b>	<b>(14)</b>	<b>100,148</b>	<b>178,125</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(16,060)	(6,216)
Adjustments for:		
Bank interest income	(256)	(346)
Lease interest expenses	129	214
Interest expense	–	60
Depreciation of property and equipment	250	251
Depreciation of right-of-use assets	4,727	3,545
Operating loss before working capital change	(11,210)	(2,492)
Change in bank balances – client accounts	6,524	27,791
Change in rental and utility deposits	(1,029)	(225)
Change in accounts receivable	72,672	(22,502)
Change in prepayments and other receivables	(5,997)	(319)
Change in accounts payable	(2,217)	(46,444)
Change in contract liabilities	(1,500)	–
Change in other payables and accruals	1,438	(226)
Cash generated from/(used in) operating activities	58,681	(44,417)
Interest paid	–	(60)
Income tax paid	–	(2,752)
Bank interest received	256	346
<b>Net cash generated from/(used in) operating activities</b>	<b>58,937</b>	<b>(46,883)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in pledged bank deposits	5,000	–
Proceeds from disposal of intangible asset	–	5,000
Purchases of financial assets at fair value through profit or loss	–	(1,552)
Purchases of property and equipment	(650)	(37)
<b>Net cash generated from investing activities</b>	<b>4,350</b>	<b>3,411</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(49,953)	(29,971)
Repayment of bank borrowings	–	(5,000)
Repayment of lease liabilities	(4,900)	(3,676)
<b>Net cash used in financing activities</b>	<b>(54,853)</b>	<b>(38,647)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,434</b>	<b>(82,119)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>107,466</b>	<b>189,585</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>115,900</b>	<b>107,466</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank balance – house accounts	115,900	107,466

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1. GENERAL INFORMATION

PF Group Holdings Limited (the “**Company**”) was incorporated in Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 4409, 44/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong. The Company’s shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 January 2017.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

#### (b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a nonmonetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currency translation (Continued)

#### (c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Shorter of 20% and over the lease terms
Furniture and equipment	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

#### *The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	over the lease term of 1 year to 2 years
--------------------	--

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000 (equivalent to approximately HK\$39,000).

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost; and
- Debt investments at fair value through other comprehensive income

#### (i) *Financial assets at amortised cost*

Financial assets (including accounts and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

#### (ii) *Debt investments at fair value through other comprehensive income*

- the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling assets; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at fair value. Interest income calculated using the effective interest method is recognised in profit or loss.

The assets are treated as monetary items. A foreign currency asset is treated as an asset measured at amortised cost in the foreign currency. Exchange differences on the amortised cost are recognised in profit or loss.

Other gains or losses are recognised in other comprehensive income and accumulated in the debt investments revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the debt investment revaluation reserve are reclassified to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### (ii) *Debt investments at fair value through other comprehensive income (Continued)*

The loss allowance for expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount of the assets.

### Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and debt investments at fair value through other comprehensive income. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for accounts receivable, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than accounts receivable) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### Accounts and other payables

Accounts and other payables are initially stated at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Contracts with multiple performance obligations

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

### Commission income from securities dealing and brokerage services

Securities brokerage commission income is recognised on trade date basis when the relevant sale or purchase of securities transactions is executed.

### Fee and commission income from placing and underwriting services, referral income, professional service fee income and agent fee income

Placing and underwriting commission, referral income, professional service fee income and agent fee income are recognised in accordance with the terms of the underlying agreement or deal mandate when the relevant significant act has been completed.

### Fee income from handling, settlement and loan commitment

Handling, settlement and loan commitment fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

### Fee income from asset management services

Fee income from asset management services is recognised as income in accordance with the terms of the agreements on the valuation date. Asset management fee income are charged at a fixed amount and a fixed percentage per month of the net asset value of the managed accounts under management of the Group. Investment advisory fee income is charged at a fixed amount per month for managing the investment portfolio of each client.

### Other revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Employee benefits

#### (a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (b) *Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("**MPF Scheme**") in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### (c) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government subsidies

A government subsidy is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties (Continued)

(b) (Continued)

- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

### Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets except investments and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### (a) Property and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### (b) Impairment of property and equipment and right-to-use assets

Property and equipment and right-to-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

### (c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the accounts receivable, deposits and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the accounts receivable, deposits and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets:</b>		
Debt investments at fair value through other comprehensive income	1,538	1,505
Financial assets at amortised cost (including cash and cash equivalents)	211,410	286,230
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	44,843	51,785

### Financial risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Group's operating performance, and maximise the benefits of the shareholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyse the various risks the Group is exposed to, and to establish an appropriate tolerance for risk management practice, so as to monitor, notify and respond to the risks regularly and effectively and to control risks at an acceptable level.

The risks the Group is exposed to in its daily operating activities mainly include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk policies and internal control process. The Group also manages risks with information system on a continuous monitoring basis.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. FINANCIAL INSTRUMENTS (Continued)

### Market risk

#### Interest rate risk

At the end of the reporting period, the cash flow interest rate risk mainly arises from the Group's bank balances (house account), which are financial instruments carried at variable interest rates. Based on the year end interest bearing bank balances (house account), if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax for the financial year ended 31 March 2021 would decrease/increase by approximately HK\$580,000 (2020: approximately HK\$538,000).

#### Currency risk

Currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to foreign currency deposits with banks and debt investments at fair value through other comprehensive income. The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

Foreign currency	2021 HK\$'000	2020 HK\$'000
Debt investments at fair value through other comprehensive income	USD 1,538	1,505
Bank balances	USD 16,933 RMB 24,630	17,020 24,577

As USD is pegged to HK\$, the Group does not expect any significant movement in the USD/HK\$ exchange rate. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's loss before tax.

#### As at 31 March 2021

	Decrease/increase in loss before tax HK\$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	1,232

#### As at 31 March 2020

	Decrease/increase in loss before tax HK\$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	1,229

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. FINANCIAL INSTRUMENTS (Continued)

### Market risk (Continued)

#### *Credit risk and impairment assessment*

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of accounts receivable, other receivables, cash and bank balances and debt investments at fair value through other comprehensive income as stated in the consolidated statement of financial position. As at 31 March 2021, the Group has concentration of credit risk on accounts receivable as 78% (2020: 74%) of the total accounts receivable was due from top five largest customers and 5.94% (2020: 0.34%) of the total accounts receivable was due from a clearing house.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit losses provision for all accounts receivable relate to revenue from contracts with customers under HKFRS 15. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses. It considers available reasonable and supportive forwarding-looking macroeconomic data (for example, the economic growth rates which reflect the general economic conditions of the industry in which debtors operate). At 31 March 2021 and 2020, account receivable from contracts with customers amounted to approximately HK\$44,000 and HK\$641,000 respectively. As at 31 March 2021 and 2020, no allowance for expected credit losses is recognised on accounts receivable under HKFRS 15.

In order to minimise the credit risk, the Group makes periodic assessment on the recoverability of the accounts receivables by measurement of expected credit losses. The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to all clients including cash and margin clients. This ensure that follow-up action is taken to recover overdue debts. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transaction. Receivables due from cash clients are normally due within two trading days after the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the accounts receivable from cash clients is considered insignificant. In addition, the Group holds collateral to cover its credit risks associated with its accounts receivable from margin clients and loan financing clients as mentioned in Note 25 and reviews the recoverable amount of each individual accounts receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group assesses the credit losses of its margin clients and loan financing clients using the general approach and assessment individually. The Group assesses whether the credit risk of the accounts receivable from margin clients and loan financing clients have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their expected credit losses, the management assesses impairment loss using the risk parameter modelling approach that incorporates key measurement parameters, including probability of default, loss given default and exposure at default, with the consideration of forward-looking information. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Generally, accounts receivable are written off if past due for more than two years. Other than concentration of credit risk on accounts receivable, the Group does not have any other significant concentration of credit risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. FINANCIAL INSTRUMENTS (Continued)

### Market risk (Continued)

#### *Credit risk and impairment assessment (Continued)*

Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from accounts receivable are disclosed in Note 25 to the consolidated financial statements.

The credit risks of debt investments at fair value through other comprehensive income are managed through an internal process. The credit quality of each issuer is investigated before an investment is made. The Group reviews and monitors the credit concentration of investments on a regular basis. For the year ended 31 March 2021, the Group performed impairment assessment on debt investments at fair value through other comprehensive income at 12-month expected credit losses by reference to information published by external credit rating agencies relating to average loss rates of respective credit rating grades and concluded that the expected credit losses on these balances are insignificant.

As at 31 March 2021 and 2020, the carrying amounts of other receivables and deposits were approximately of HK\$3,538,000 (2020: approximately of HK\$2,596,000). The credit risks on these balances are low because the counterparties have a low risk of default and do not have any past-due amounts and concluded the expected credit losses on these balances are insignificant at 12-month expected credit losses for both years.

As at 31 March 2021 and 2020, the Group limits its exposure to credit risk by placing deposits with several banks with high credit rating. The credit risk on liquid funds and accounts receivable from clearing house is limited because the counterparties are bank and a clearing house with high credit ratings assigned by international credit rating agencies. Other than concentration of credit risk on liquid funds and accounts receivable, the Group does not have any other significant concentration of credit risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 5. FINANCIAL INSTRUMENTS (Continued)

### Market risk (Continued)

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The tables below present the cash flows payable by the Group within the remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2021</b>					
Other payables	–	171	–	171	171
Dividends payables	–	76	–	76	76
Accounts payable arising from the business of dealing in securities:					
– Cash clients	–	35,566	–	35,566	35,566
– Margin clients	–	7,809	–	7,809	7,809
Lease liabilities	3.84	1,225	–	1,225	1,221
		<b>44,847</b>	–	<b>44,847</b>	<b>44,843</b>
<b>At 31 March 2020</b>					
Other payables	–	172	–	172	172
Dividends payables	–	29	–	29	29
Accounts payable arising from the business of dealing in securities:					
– Clearing house	–	109	–	109	109
– Cash clients	–	41,004	–	41,004	41,004
– Margin clients	–	4,457	–	4,457	4,457
Accounts payable arising from the placing and underwriting business	–	22	–	22	22
Lease liabilities	3.84	4,900	1,225	6,125	5,992
		<b>50,693</b>	<b>1,225</b>	<b>51,918</b>	<b>51,785</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- (i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- (ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input; and
- (iii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following tables, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### As at 31 March 2021

	Level 1 HK\$'000
<b>Financial assets</b>	
Debt investments at fair value through other comprehensive income	1,538

### As at 31 March 2020

	Level 1 HK\$'000
<b>Financial assets</b>	
Debt investments at fair value through other comprehensive income	1,505

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 6. FAIR VALUE MEASUREMENTS (Continued)

There were no transfers between Level 1, 2 and 3 during the years.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 March 2021 HK\$'000	31 March 2020 HK\$'000		
(1) Bonds presented as debt investments at fair value through other comprehensive income (Note 22)	1,538	1,505	Level 1	Indicative market prices provided by financial institution

Except as disclosed as above, the directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximates to their fair values.

## 7. REVENUE AND SEGMENT INFORMATION

The chief operating decision maker ("CODM") of the Group, being the executive directors and senior management of the Group, regularly review revenue analysis by major services to make decisions about resource allocation. No discrete financial information other than revenue is regularly provided to the CODM. The management assesses the performance of the Group based on the revenue and profit as presented in the consolidated statement of profit or loss and other comprehensive income.

No segment assets or liabilities is presented as the CODM does not review segment assets and liabilities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

### Revenue from major services

The Group provides five types of services:

- (a) securities dealing and brokerage services, which primarily generate commission on securities dealing;
- (b) placing and underwriting services, which primarily generate fee and commission from equity and debt securities placing and underwriting;
- (c) financing services, including securities and IPO margin financing and loan financing, which generate interest income from margin and loan financing clients;
- (d) asset management services, which primarily generate management fee and performance fee; and
- (e) other services, which primarily generate fee income (such as agency fee, professional service fee, loan commitment fees and referral fees) from other services provided.

Revenue represents the aggregate of the amounts received and receivable from third parties, income from securities dealing and brokerage services, placing and underwriting services and asset management services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 7. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue recognised during the years are as followings:

### Disaggregation of revenue from contracts with customers:

	2021 HK\$'000	2020 HK\$'000
Securities dealing and brokerage services	7,837	6,956
Placing and underwriting services (Note 8)	508	10,986
Asset management services	1,567	662
Other services (Note 9)	1,500	3,795
Revenue from contracts with customers	11,412	22,399
<b>Revenue from other sources</b>		
Interest income from margin financing services	3,966	6,324
Interest income from loan financing	1,070	2,182
	5,036	8,506
	16,448	30,905
<b>Timing of revenue recognition:</b>		
A point in time	9,845	21,921
Over time	1,567	478
	11,412	22,399

### Geographical information

The Group's non-current assets are located in Hong Kong. The Group operates in Hong Kong and its revenue is derived from its operations in Hong Kong.

### Information about major customers

Revenue from major customers contributing over 10% of the total revenue of the Group are as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A	–	5,468
Customer B	1,070*	3,149
Customer C	4,092	3,940

\* Revenue from customers did not exceed 10% of the total revenue during the year. The amounts were shown for comparative purpose.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 8. FEE AND COMMISSION INCOME FROM PLACING AND UNDERWRITING ACTIVITIES

	2021 HK\$'000	2020 HK\$'000
Fee and commission income from selling shareholders/issuers/ brokers	489	8,042
Commission income from subscribers	19	2,944
	<b>508</b>	10,986

## 9. OTHER REVENUE

	2021 HK\$'000	2020 HK\$'000
Handling and agency fee income	–	873
Professional service fee income	1,500	1,850
Loan commitment fee income	–	1,072
	<b>1,500</b>	3,795

## 10. OTHER GAINS

	2021 HK\$'000	2020 HK\$'000
Government subsidies (note)	902	–
Interest on loan financing	671	406
Interest on debt investments at fair value through other comprehensive income	216	61
Settlement and handling fee	575	230
Sundry income	15	42
	<b>2,379</b>	739

Note:

Government subsidies represent the gross amount received from Employment Support Scheme provided by the government of Hong Kong Special Administrative Region.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 11. COMMISSION EXPENSES

	2021 HK\$'000	2020 HK\$'000
Commission to account executives	2,653	2,954
Commission to sub-placing agents and sub-underwriters	197	5,183
Commission to others	–	580
	<b>2,850</b>	<b>8,717</b>

## 12. STAFF COSTS

	2021 HK\$'000	2020 HK\$'000
Salaries and bonus	7,155	7,163
Contributions to Mandatory Provident Fund	222	309
Allowances	–	219
Directors' emoluments (Note 16)		
– Fees	1,513	396
– Salaries	2,051	2,760
– Bonus	5,000	4,140
– Contributions to Mandatory Provident Fund	26	36
	<b>15,967</b>	<b>15,023</b>

Staff and directors' bonus are discretionary and determined with reference to the Group's and individuals' performance.

The Group participates in a Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance for all qualified employees. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

## 13. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on bank borrowings	–	60
Interest on lease liabilities	129	214
	<b>129</b>	<b>274</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 14. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2021 HK\$'000	2020 HK\$'000
Net foreign exchange losses	14	66
Expense relating to short-term lease	–	1,003
Auditor's remuneration		
– Audit services	580	700
Depreciation of property and equipment	250	251
Depreciation of right-of-use assets	4,727	3,545

## 15. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax:		
Hong Kong Profits Tax	–	–

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year.

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

	2021 HK\$'000	2020 HK\$'000
Loss before tax	(16,060)	(6,216)
Tax at the Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	(2,650)	(1,026)
Tax effect of expenses not deductible for tax purpose	945	405
Tax effect of income not taxable for tax purpose	(191)	(57)
Tax effect of temporary differences not recognised	19	22
Tax effect of tax losses not recognised	1,877	656
Tax expenses for the years	–	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 15. INCOME TAX EXPENSE (Continued)

As at 31 March 2021 and 2020, the Group had no material deferred tax assets or liabilities arising from deductible or taxable temporary differences.

At the end of the reporting period, the Group has estimated tax losses of approximately HK\$15,352,000 available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining HK\$2,533,000 (2020: HK\$655,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

## 16. DIRECTORS' EMOLUMENTS

For the year ended 31 March 2021

Name	Director fees HK\$'000	Salaries HK\$'000	Contributions to Mandatory Provident		Total HK\$'000
			Fund HK\$'000	Bonus HK\$'000	
<b>Executive director:</b>					
Mr. Lo Tak Wing Benson (Note i)	8	1,192	14	3,000	4,214
Mr. Lo Shiu Wing Chester (Note ii)	8	859	12	2,000	2,879
Mr. Fok Yuk Tong (Note iii)	131	–	–	–	131
Ms. Hsieh Ching Chun (Note iv)	131	–	–	–	131
Dr. Lee Chun Pong Bruce (Note v)	617	–	–	–	617
Mr. Zhong Chu Jian (Note vi)	110	–	–	–	110
Ms. Fok Kit Yee (Note vii)	74	–	–	–	74
<b>Non-executive director:</b>					
Mr. Khoo Ken Wee (Note viii)	8	–	–	–	8
Ms. Fong Man Julisa (Note ix)	74	–	–	–	74
<b>Independent non-executive director:</b>					
Mr. Ma Wai Hung Vincent (Note x)	83	–	–	–	83
Mr. Mok Kwai Pui Bill (Note xi)	83	–	–	–	83
Mr. Ng Shu Bun Andrew (Note xii)	83	–	–	–	83
Mr. Wong Che Man Eddy (Note xiii)	37	–	–	–	37
Mr. Tang Yiu Wing (Note xiv)	9	–	–	–	9
Ms. Chan Hoi Wuen Katherine (Note xv)	37	–	–	–	37
Mr. Cho Chun Man (Note xvi)	20	–	–	–	20
<b>Total for 2021</b>	<b>1,513</b>	<b>2,051</b>	<b>26</b>	<b>5,000</b>	<b>8,590</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 16. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31 March 2020

Name	Director fees HK\$'000	Salaries HK\$'000	Contributions to Mandatory Provident Fund HK\$'000	Bonus HK\$'000	Total HK\$'000
<b>Executive director:</b>					
Mr. Lo Tak Wing Benson (Note i)	12	1,560	18	2,340	3,930
Mr. Lo Shiu Wing Chester (Note ii)	12	1,200	18	1,800	3,030
<b>Non-executive director:</b>					
Mr. Khoo Ken Wee (Note viii)	12	–	–	–	12
<b>Independent non-executive director:</b>					
Mr. Ma Wai Hung Vincent (Note x)	120	–	–	–	120
Mr. Mok Kwai Pui Bill (Note xi)	120	–	–	–	120
Mr. Ng Shu Bun Andrew (Note xii)	120	–	–	–	120
<b>Total for 2020</b>	<b>396</b>	<b>2,760</b>	<b>36</b>	<b>4,140</b>	<b>7,332</b>

Notes:

- (i) Mr. Lo Tak Wing Benson was resigned as an executive director on 11 December 2020.
- (ii) Mr. Lo Shiu Wing Chester was resigned as an executive director on 11 December 2020.
- (iii) Mr. Fok Yuk Tong was appointed as an executive director on 20 November 2020.
- (iv) Ms. Hsieh Ching Chun was appointed as an executive director on 20 November 2020.
- (v) Dr. Lee Chun Pong Bruce was appointed as an executive director on 11 December 2020.
- (vi) Mr. Zhong Chu Jian was appointed as an executive director on 11 December 2020.
- (vii) Ms. Fok Kit Yee was appointed as an executive director on 11 December 2020.
- (viii) Mr. Khoo Ken Wee was resigned as a non-executive director on 11 December 2020.
- (ix) Ms. Fong Man Julisa was appointed as a non-executive director on 11 December 2020.
- (x) Mr. Ma Wai Hung Vincent was resigned as an independent non-executive director on 11 December 2020.
- (xi) Mr. Mok Kwai Pui Bill was resigned as an independent non-executive director on 11 December 2020.
- (xii) Mr. Ng Shu Bun Andrew was resigned as an independent non-executive director on 11 December 2020.
- (xiii) Mr. Wong Che Man Eddy was appointed as an independent non-executive director on 11 December 2020.
- (xiv) Mr. Tang Yiu Wing was appointed as an independent non-executive director on 11 December 2020 and resigned on 8 January 2021.
- (xv) Ms. Chan Hoi Wuen Katherine was appointed as an independent non-executive director on 11 December 2020.
- (xvi) Mr. Cho Chun Man was appointed as an independent non-executive director on 8 January 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 16. DIRECTORS' EMOLUMENTS (Continued)

The directors' emoluments shown above were for their services as directors of the Company and subsidiaries undertaking of the Company.

The bonuses are discretionary and determined with reference to the Group's and the individuals' performance.

During the year ended 31 March 2021, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2020: nil).

## 17. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (2020: two) out of the five individuals were directors of the Company whose emoluments are included in the disclosures in Note 16 above. The emolument of the remaining two (2020: three) individuals were as follows:

	2021 HK\$'000	2020 HK\$'000
Basic salaries and allowances	1,115	1,898
Bonuses	–	190
Contribution to retirement benefit schemes	26	54
	<b>1,141</b>	<b>2,142</b>

The number of the highest paid individuals (excluding directors) whose emoluments were within the following band:

	Number of employees	
	2021	2020
Nil to HK\$1,000,000	2	3

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 18. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2021 HK\$'000	2020 HK\$'000
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share:		
Loss for the year attributable to owners of the Company	(16,060)	(6,216)
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	2,000,000	2,000,000

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$16,060,000 (2020: approximately HK\$6,216,000) and the weighted average number of 2,000,000,000 ordinary shares in issue for both years.

Diluted loss per share were same as the basic loss per share as there were no potential dilutive ordinary shares in existences during the years ended 31 March 2021 and 2020.

## 19. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Dividends for ordinary shareholders for the Company recognised as distribution during the year:		
– Dividends	50,000	30,000

A final dividends in respect of the year ended 31 March 2020 of HK\$2.5 cents per ordinary share, in aggregate amount of HK\$50,000,000 has been declared and approved on annual general meeting at 10 August 2020 and payable to the ordinary shareholders of the Company.

A special dividend in respect of the year ended 31 March 2020 of HK\$1.5 cents per ordinary share, in aggregate amount of HK\$30,000,000 has been declared and payable to the ordinary shareholders of the Company during the year ended 31 March 2020.

The Board does not recommend the payment of a final dividend to shareholders of the Company for the year ended 31 March 2021 (2020: HK\$0.025).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 20. PROPERTY AND EQUIPMENT

	Furniture and equipment HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
<b>Cost</b>			
At 1 April 2019	2,294	52	2,346
Additions	37	–	37
At 31 March 2020 and 1 April 2020	2,331	52	2,383
Additions	650	–	650
At 31 March 2021	2,981	52	3,033
<b>Accumulated depreciation</b>			
At 1 April 2019	1,650	52	1,702
Provided for the year	251	–	251
At 31 March 2020 and 1 April 2020	1,901	52	1,953
Provided for the year	250	–	250
At 31 March 2021	2,151	52	2,203
<b>Carrying amount</b>			
<b>At 31 March 2021</b>	<b>830</b>	<b>–</b>	<b>830</b>
At 31 March 2020	430	–	430

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 21. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2021 HK\$'000	2020 HK\$'000
<b>At 31 March:</b>		
Right-of-use assets		
– Land and buildings	1,182	5,909
Lease commitments of leases not yet commenced (other than short-term leases)	7,419	–
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	1,225	4,900
– Between 1 and 2 years	–	1,225
	1,225	6,125
<b>Year ended 31 March:</b>		
Depreciation charge of right-of-use assets		
– Land and buildings	4,727	3,545
Expenses related to short-term leases	–	1,003
Lease interest expenses	129	214
Total cash outflow for leases	4,900	3,676

The Group leases land and buildings. Lease agreements are typically made for fixed period of 1-2 years (2020: 1-2 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	2020 HK\$'000
Bonds	1,538	1,505
Analysed for reporting purposes as:		
Non-current assets	–	1,505
Current assets	1,538	–
	<b>1,538</b>	<b>1,505</b>

As at 31 March 2021, the carrying amount of bonds was approximately HK\$1,538,000 (2020: approximately HK\$1,505,000) and will mature on 19 December 2021.

The bonds denominated in United States Dollars carry at fixed rate 14% per annum of which notional amount was US\$200,000. The bonds are stated at fair values at the end of the reporting period and their fair values are determined by reference to market bid prices quoted by financial institutions and brokers.

During the year ended 31 March 2021, a surplus (2020: deficit) arising on change in fair value of approximately HK\$33,000 (2020: approximately HK\$47,000) was recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserves.

Details of impairment assessment of debt investments at fair value through other comprehensive income for the year ended 31 March 2021 are set out in Note 5 to the consolidated financial statements.

## 23. DEPOSITS PLACED WITH STOCK EXCHANGE AND CLEARING HOUSE

	2021 HK\$'000	2020 HK\$'000
Deposits with Hong Kong Stock Exchange	300	300
Stamp duty with Hong Kong Stock Exchange	30	30
Deposits with Hong Kong Securities Clearing Company Limited:		
Admission fee	150	150
Guarantee fund	150	150
	<b>630</b>	<b>630</b>

Details of impairment assessment of deposits placed with Stock Exchange and clearing house for the year ended 31 March 2021 are set out in Note 5 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 24. RENTAL AND UTILITY DEPOSITS

	2021 HK\$'000	2020 HK\$'000
Rental deposits	2,416	1,391
Utility deposits	33	29
	<b>2,449</b>	1,420

## 25. ACCOUNTS RECEIVABLE

	2021 HK\$'000	2020 HK\$'000
Accounts receivable arising from the business of dealing in securities:		
– Clearing house	3,140	429
– Cash clients	8,822	7,789
– Margin clients	26,752	103,641
Accounts receivable arising from loan financing	14,088	13,018
Accounts receivable arising from the placing and underwriting business	–	340
Accounts receivable arising from asset management services	44	266
Accounts receivable arising from other services	–	35
	<b>52,846</b>	125,518

Accounts receivable from clearing house and cash clients represent trades pending settlement arising from business of dealing in securities transactions which are normally due within two trading days after the trade date. All accounts receivable from clearing house and cash clients are included in “neither past due nor impaired” category. The management believes that no impairment allowance is necessary in respect of these balances as the balances are considered fully recoverable.

Accounts receivable from margin clients are recoverable on demand or according to agreed repayment schedules, and bearing interest at rates ranged from 5.38% to 13.00% as at 31 March 2021 (2020: 5.38% to 13.00%). The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. A margin call may occur when the balances of the accounts receivable from margin clients exceed the permitted margin loan limit, or when the discounted market value of the collateral security is less than the balances of the accounts receivable from margin clients.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 25. ACCOUNTS RECEIVABLE (Continued)

Accounts receivable from margin clients as at 31 March 2021 and 2020 were secured by securities or debt instrument, which were pledged to Pacific Foundation Securities Limited ("PFSL"), the Company's subsidiary, as collaterals. The securities had a fair value of approximately HK\$279,310,000 as at 31 March 2021 (2020: HK\$497,959,000). The Group is not prohibited to sell the collaterals upon customers' default or repledge the collaterals upon receiving customers' authorisation.

As at 31 March 2021, the Group held securities and debt instrument as collaterals over these balances. As at 31 March 2021, 100% (2020: 100%) of the accounts receivable from margin clients were secured by sufficient collaterals on an individual basis. The management of the Group has assessed the market value of the pledged securities of each individual customer as at the end of each reporting period and considered that no impairment allowance is necessary taking into consideration of client's credit quality, collaterals provided and subsequent repayment of monies. Except as described above, all accounts receivable from margin clients are included in "neither past due nor impaired" category.

As at 31 March 2021, accounts receivable from margin clients include accounts receivable from directors of the Company of approximately nil (2020: HK\$1,161,000), accounts receivable from a family member of a director of the Company of approximately nil (2020: HK\$23,828,000) and accounts receivable from an entity controlled by the directors of the Company of approximately nil (2020: HK\$1,009,000). All these amounts represented continuing connected transactions.

Except for the ageing of accounts receivable from margin clients which are past due but not impaired, no ageing analysis is disclosed for accounts receivable arising from the business of dealing in securities as, in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of broking business.

Accounts receivable arising from loan financing are denominated in Hong Kong dollars with interest rate of 8% (2020: 14%) per annum. The loan amount with 5 months period term was lent to an independent third party and secured by the underlying listed shares and personal guarantee provided by the shareholder of the borrower. Before approving any loan to its clients in the business of securities dealing and brokerage services, the Group has assessed the potential client's credit quality and defined credit limits individually. The Group has policy for impairment allowance which is based on the evaluation of collectability of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client. The management believes that no impairment allowance is necessarily taking into consideration of the collateral.

Accounts receivable arising from the placing and underwriting services, asset management services and other services are recoverable in accordance with the contract terms.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 25. ACCOUNTS RECEIVABLE (Continued)

The following is an ageing analysis of accounts receivable arising from the placing and underwriting services, asset management services and other services presented based on the date of rendering services:

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	–	215
31 to 60 days	9	51
Over 90 days	35	375
	<b>44</b>	<b>641</b>

The management believes that no impairment allowance is necessary in respect of all accounts receivable arising from the placing and underwriting services, asset management services and other services because these debtors are of good credit.

Details of impairment assessment of accounts receivable for the years ended 31 March 2021 and 2020 are set out in Note 5 to the consolidated financial statements.

## 26. CASH AND BANK BALANCES

Bank balances represent demand deposits at bank which bear interest at the prevailing market rates.

The Group maintains segregated bank accounts to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in accounts payable. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

### Segregated accounts

From the Group's ordinary business in provision of securities brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognised the corresponding accounts payables to respective clients. At 31 March 2021, the segregated accounts with authorised institutions in securities relation to its brokerage business totaled HK\$39,126,000 (2020: HK\$45,650,000).

### House accounts

Cash and bank balances comprise cash held by the Group and bank deposits at variable interest rate with original maturity of three months or less.

As at 31 March 2021, the Group has no banking facilities. As at 31 March 2020, the Group has pledged deposits at bank of HK\$5,000,000 to secure banking facilities granted to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 27. ACCOUNTS PAYABLE

	2021 HK\$'000	2020 HK\$'000
Accounts payable arising from the business of dealing in securities:		
– Clearing house	–	109
– Cash clients	<b>35,566</b>	41,004
– Margin clients	<b>7,809</b>	4,457
Accounts payable arising from the placing and underwriting business	–	22
	<b>43,375</b>	45,592

Accounts payable to clearing house represent trades pending settlement arising from business of dealing in securities transactions which are normally due within two trading days after the trade date.

The accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent trades pending settlement or deposits received from clients for their trading activities under the normal course of business. Only the amounts in excess of the required deposits are repayable on demand.

Accounts payable to cash clients include amounts payable to directors of the Company of approximately HK\$318,000 as at 31 March 2021 (2020: HK\$78,000).

Accounts payable arising from the business of dealing in securities are interest-bearing, except for amounts representing pending trades payable to the clearing house, cash clients and margin clients.

No ageing analysis is disclosed for accounts payable arising from the business of dealing in securities as, in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of broking business.

Accounts payable arising from the placing and underwriting services are payable in accordance with the contract terms.

The following is an ageing analysis of accounts payable arising from the placing and underwriting business presented based on the date of rendering services:

	2021 HK\$'000	2020 HK\$'000
0 to 60 days	–	22



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 28. CONTRACT LIABILITIES

Disclosures of revenue-related item:

	<b>As at 31 March 2021 HK\$'000</b>	As at 31 March 2020 HK\$'000	As at 1 April 2019 HK\$'000
Contract liabilities	–	1,500	1,350
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– year ended 31 March 2021	<b>N/A</b>	1,500	

<b>Year ended 31 March</b>	<b>2021 HK\$'000</b>	2020 HK\$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	<b>1,500</b>	1,350

Significant changes in contract liabilities during the year:

	<b>2021 HK\$'000</b>	2020 HK\$'000
Increase due to operations in the year	<b>1,000</b>	2,000
Transfer of contract liabilities to revenue	<b>(2,500)</b>	(1,850)

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 29. OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Accruals	3,906	2,467
Dividends payables	76	29
Other payables	171	172
	<b>4,153</b>	<b>2,668</b>

## 30. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Within one year	1,225	4,900	1,221	4,771
Over one year but within five years	–	1,225	–	1,221
	<b>1,225</b>	<b>6,125</b>	<b>1,221</b>	<b>5,992</b>
Less: Future finance charges	(4)	(133)	–	–
Present value of lease obligations	<b>1,221</b>	<b>5,992</b>	<b>1,221</b>	<b>5,992</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<b>(1,221)</b>	<b>(4,771)</b>
Amount due for settlement after 12 months			–	1,221

At 31 March 2021, the average effective borrowing rate was 3.48% (2020: 3.48%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 31. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 (2020: HK\$0.01) each		
Authorised:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	8,000,000	80,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	2,000,000	20,000

### Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the reporting periods.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company.

Pacific Foundation Securities Limited ("PFSL") is registered with the Hong Kong Securities and Futures Commission ("SFC") for the business in which it operates and is subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). Under the SF(FR)R, it is required to maintain liquid capital in excess of HK\$3 million or 5% of the total adjusted liabilities, whichever is higher. PFSL had complied with the capital requirements imposed by the SF(FR)R throughout the reporting periods.

Other than PFSL, the Group is not subject to any externally imposed capital requirements.

### Gearing ratio

The management of the Group reviews the capital structure on an ongoing basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of each reporting periods are as follows:

	Note	2021 HK\$'000	2020 HK\$'000
Debts	(a)	1,221	5,992
Equity	(b)	178,125	244,152
Debt to equity ratio		0.7%	2.5%

Notes:

- (a) Debts represent the lease liabilities as set out in Note 30 to the consolidated financial statements.
- (b) Equity includes all capital and reserves.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property and equipment		594	–
Prepayment for acquisition of property and equipment		6,198	–
Investment in a subsidiary		–*	–*
		<b>6,792</b>	–
<b>Current assets</b>			
Prepayments		736	973
Amounts due from subsidiaries		61,893	37,163
Bank balances		1,471	34,273
		<b>64,100</b>	72,409
<b>Current liabilities</b>			
Other payables and accruals		1,703	601
<b>Net current assets</b>		<b>62,397</b>	71,808
<b>Net assets</b>		<b>69,189</b>	71,808
<b>Equity</b>			
Share capital	31	20,000	20,000
Reserves	33	49,189	51,808
<b>TOTAL EQUITY</b>		<b>69,189</b>	71,808

\* The balances represent amount less than HK\$1,000.

Approved and authorised for issue by the Board of Directors on 30 June 2021 and signed on its behalf by:

**Fok Yuk Tong**  
Director

**Hsieh Ching Chun**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 33. RESERVES

### (a) Share premium

Share premium is the net amount of (i) excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares; and (ii) capitalisation issue of shares.

### (b) Other reserves

Other reserves represent (i) deemed capital contribution of approximately HK\$3,640,000 from Mr. Lo Tak Wing Benson arising from the disposal of a subsidiary during the year ended 31 March 2016; and (ii) the amount due to Mr. Lo Tak Wing Benson of approximately HK\$6,122,000 which was capitalised during the year ended 31 March 2017.

### (c) Fair value through other comprehensive income reserves

Debt investments at fair value through other comprehensive income reserves represent cumulative gains and losses on revaluation of debt investments at fair value through other comprehensive income recognised in other comprehensive income less those cumulative gains and losses recycled and transfers amounts from this reserve to accumulated losses upon derecognition of fair value through other comprehensive income.

A summary of the Company's reserves is as follows:

	Share premium HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2019	48,229	(19,406)	28,823
Profit and total comprehensive profit for the year	–	52,985	52,985
Dividends declared and payable	–	(30,000)	(30,000)
At 31 March 2020 and 1 April 2020	<b>48,229</b>	<b>3,579</b>	<b>51,808</b>
Profit and total comprehensive profit for the year	–	<b>47,381</b>	<b>47,381</b>
Dividends declared and payable	–	<b>(50,000)</b>	<b>(50,000)</b>
At 31 March 2021	<b>48,229</b>	<b>960</b>	<b>49,189</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total liabilities from financing activities HK\$'000
At 31 March 2019	5,000	–	5,000
Changes in cash flows	(5,060)	(3,676)	(8,736)
Non-cash changes			
– interest charged	60	214	274
– initial application of HKFRS 16	–	9,454	9,454
At 31 March 2020 and 1 April 2020	–	5,992	5,992
Changes in cash flows	–	(4,900)	(4,900)
Non-cash changes	–		
– interest charged	–	129	129
At 31 March 2021	–	1,221	1,221

## 35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties, which also constitute connected party transactions:

	2021 HK\$'000	2020 HK\$'000
<b>Commission income from securities dealing and brokerage services received or receivable from:</b>		
Directors of the Company	11	15
Family member of a director of the Company	–	10
Entity controlled by the directors of the Company	2	22
<b>Interest income from margin financing received or receivable from:</b>		
Directors of the Company	17	70
Family member of a director of the Company	711	1,371
Entity controlled by the directors of the Company	–	68

The balances with related parties have been disclosed in Notes 25 and 27 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 35. RELATED PARTY TRANSACTIONS (Continued)

For the transactions constitute non-exempted connected transactions under the GEM Listing Rules, please refer to the section "Connected Transactions" and "Continuing Connected Transactions" under the Report of the Directors.

### Compensation of key management personnel

Key management includes directors and senior management of the Group. The remuneration of key management, other than directors as disclosed in Note 16 to the consolidated financial statement, are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	9,679	9,059
Retirement benefit scheme contributions	52	80
	<b>9,731</b>	<b>9,139</b>

The remuneration of senior management who are not the directors of the Company whose emoluments fell within the following band:

	Number of individuals	
	2021	2020
Nil to HK\$1,000,000	2	3

## 36. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since it currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the selected customers, money obligations receivable and payable with the same customers on the same settlement date are settled on net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 36. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

### Financial assets and financial liabilities subject to offsetting

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position are as follows:

As at 31 March 2021

Type of financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position		Net amounts of financial assets presented in the consolidated statement of financial position		Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognised financial assets HK\$'000	off in the consolidated statement of financial position HK\$'000	of financial assets presented in the consolidated statement of financial position HK\$'000	of financial assets presented in the consolidated statement of financial position HK\$'000	Financial instruments HK\$'000	Financial collateral received HK\$'000	
Deposits placed with stock exchange and clearing house	630	–	630	–	–	–	630
Accounts receivable arising from the business of dealing in securities:							
– Clearing house	4,123	(983)	3,140	–	–	–	3,140
– Cash clients	9,763	(941)	8,822	–	–	–	8,822
– Margin clients	27,032	(280)	26,752	–	(26,752)	–	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 36. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

### Financial assets and financial liabilities subject to offsetting (Continued)

As at 31 March 2021 (Continued)

Type of financial liabilities	Gross	Gross	Net amounts	Related amounts not set		Net amount
	amounts of financial liabilities recognised in the consolidated statement of financial position	amounts of financial assets set off in the consolidated statement of financial position	of financial liabilities presented in the consolidated statement of financial position	off in the consolidated statement of financial position	off in the consolidated statement of financial position	
	HK\$'000	HK\$'000	HK\$'000	Financial instruments	Financial collateral pledged	HK\$'000
Accounts payable arising from the business of dealing in securities:						
– Clearing house	983	(983)	–	–	–	–
– Cash clients	36,507	(941)	35,566	–	–	35,566
– Margin clients	8,089	(280)	7,809	–	–	7,809

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 36. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

### Financial assets and financial liabilities subject to offsetting (Continued)

As at 31 March 2020

Type of financial assets	Gross	Gross	Net amounts	Related amounts not set		Net amount
	amounts of	amounts of	of financial	off in the consolidated	off in the consolidated	
	financial	financial	assets	statement of financial	statement of financial	
	assets	liabilities set	presented	position	position	
	HK\$'000	off in the	in the	Financial	Financial	Financial
		consolidated	consolidated	instruments	collateral	received
		statement	statement	HK\$'000	received	Net amount
		of financial	of financial		HK\$'000	HK\$'000
		position	position			
		HK\$'000	HK\$'000			
Deposits placed with stock exchange and clearing house	630	–	630	–	–	630
Accounts receivable arising from the business of dealing in securities:						
– Clearing house	5,305	(4,876)	429	(109)	–	320
– Cash clients	8,177	(388)	7,789	–	–	7,789
– Margin clients	104,386	(745)	103,641	–	(103,641)	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 36. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

### Financial assets and financial liabilities subject to offsetting (Continued)

As at 31 March 2020 (Continued)

Type of financial liabilities	Gross amounts of financial liabilities HK\$'000	Gross amounts of financial assets set off in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position	Financial instruments HK\$'000	Financial collateral pledged HK\$'000	Net amount HK\$'000
Accounts payable arising from the business of dealing in securities:							
– Clearing house	4,985	(4,876)	109	(109)	–	–	–
– Cash clients	41,392	(388)	41,004	–	–	–	41,004
– Margin clients	5,202	(745)	4,457	–	–	–	4,457

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation	Place of operation	Date of incorporation	Issued and paid up capital	Equity attributable to the Group At		Principal activities
					31 March 2021	2020	
<b>Direct</b>							
Dynamic Express Global Limited	British Virgin Islands	Hong Kong	1 June 2015	US\$1	100%	100%	Investment holding
<b>Indirect</b>							
Pacific Foundation Holdings Limited	Hong Kong	Hong Kong	7 October 1993	HK\$7	100%	100%	Investment holding
Pacific Foundation Securities Limited	Hong Kong	Hong Kong	17 June 1987	HK\$10,000,000	100%	100%	Provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and IPO margin financing; and (iv) asset management services

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Group, which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive lengths.

## 38. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 June 2021.

# FIVE-YEAR FINANCIAL SUMMARY

## RESULTS

	For the year ended 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue					
Commission income from securities dealing and brokerage services	7,837	6,956	6,800	9,934	5,184
Fee and commission income from placing and underwriting activities	508	10,986	49,028	60,101	44,988
Interest income from margin and loan financing	5,036	8,506	6,462	6,536	5,901
Fee income from asset management services	1,567	662	1,446	1,638	3,997
Others	1,500	3,795	3,860	4,836	11,192
<b>Total revenue</b>	<b>16,448</b>	<b>30,905</b>	<b>67,596</b>	<b>83,045</b>	<b>71,262</b>
Bank interest income	256	346	77	22	11
Gain on disposal of property and equipment	–	–	–	8	–
Other gains and losses	2,379	739	717	1,736	545
	<b>19,083</b>	<b>31,990</b>	<b>68,390</b>	<b>84,811</b>	<b>71,818</b>
Commission expenses	(2,850)	(8,717)	(14,323)	(8,620)	(4,888)
Depreciation expenses for property and equipment	(250)	(251)	(270)	(254)	(145)
Depreciation expenses for right-of-use assets	(4,727)	(3,545)	–	–	–
Staff costs	(15,967)	(15,023)	(12,134)	(18,548)	(15,263)
Other operating expenses	(11,220)	(10,396)	(15,112)	(15,150)	(12,131)
Finance costs	(129)	(274)	(12)	–	(139)
Listing expenses	–	–	–	–	(6,966)
(Loss)/profit before tax	(16,060)	(6,216)	26,539	42,239	32,286
Income tax expense	–	–	(4,511)	(7,133)	(6,713)
(Loss)/profit for the year	(16,060)	(6,216)	22,028	35,106	25,573

## ASSETS AND LIABILITIES

	For the year ended 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	226,874	299,904	381,816	406,130	327,954
Total liabilities	(48,749)	(55,752)	(101,401)	(147,743)	(104,673)
Net assets	178,125	244,152	280,415	258,387	223,281