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## **CL GROUP (HOLDINGS) LIMITED**

**昌利（控股）有限公司**

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

**(Stock code: 8098)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

#### **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors (the “Directors”) of CL Group (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## FINANCIAL HIGHLIGHT

- Recorded an unaudited revenue of approximately HK\$26.3 million for the six months ended 30 September 2021, representing an increase of approximately 23.0% over the same period of the previous year.
- Recorded an unaudited profit for the period attributable to owners of the Company of approximately HK\$13.7 million for the six months ended 30 September 2021. The decrease in profit for the period attributable to the owners of the Company as compared with the corresponding period in 2020, which were mainly attributed to the decrease in net changes in fair value of financial assets at fair value through profit or loss, and impairment loss of financial assets at fair value through other comprehensive income during the period.
- Basic and diluted earnings per share for the six months ended 30 September 2021 were HK0.62 cent (2020: basic earnings per share of HK1.00 cent) and HK0.62 cent (2020: diluted earnings per share of HK1.00 cent) respectively.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

The board of directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 September 2021 together with comparative unaudited figures for the corresponding period in 2020, as follows:

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

For the three months and six months ended 30 September 2021

	Notes	Three months ended 30 September		Six months ended 30 September	
		2021 (Unaudited) HK\$	2020 (Unaudited) HK\$	2021 (Unaudited) HK\$	2020 (Unaudited) HK\$
Revenue	3	<b>14,909,858</b>	10,954,292	<b>26,260,018</b>	21,356,586
Net gain on trading of financial assets at fair value through profit or loss		<b>2,808,870</b>	1,204,590	<b>2,808,870</b>	1,638,041
Net changes in fair value of financial assets at fair value through profit or loss		<b>(4,676,339)</b>	7,074,076	<b>2,224,831</b>	9,820,055
Net other income, gains and losses	4	<b>(5,716,406)</b>	393,875	<b>(5,672,187)</b>	677,307
Administrative expenses		<b>(4,889,359)</b>	(3,658,141)	<b>(9,245,306)</b>	(7,333,534)
Finance costs		<b>(208,108)</b>	(64,131)	<b>(378,326)</b>	(102,903)
Profit before tax		<b>2,228,516</b>	15,904,561	<b>15,997,900</b>	26,055,552
Income tax expenses	6	<b>(875,688)</b>	(2,579,428)	<b>(2,301,749)</b>	(3,946,436)
Profit for the period attributable to owners		<b><u>1,352,828</u></b>	<u>13,325,133</u>	<b><u>13,696,151</u></b>	<u>22,109,116</u>
<b>Other comprehensive income/(expenses) for the period, net of income tax</b>					
Items that may be reclassified subsequently to profit or loss:					
Fair value change in financial assets at fair value through other comprehensive income		<b><u>(2,111,231)</u></b>	294,075	<b><u>(2,139,863)</u></b>	<u>2,952,585</u>
Total comprehensive income/(expenses) for the period attributable to owners		<b><u>(758,403)</u></b>	<u>13,619,208</u>	<b><u>11,556,288</u></b>	<u>25,061,701</u>
<b>Earnings per share</b>					
— Basic	8	<b><u>0.06 cent</u></b>	0.60 cent	<b><u>0.62 cent</u></b>	<u>1.00 cent</u>
— Diluted	8	<b><u>0.06 cent</u></b>	0.60 cent	<b><u>0.62 cent</u></b>	<u>1.00 cent</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		<b>30 September 2021 (Unaudited) HK\$</b>	31 March 2021 (Audited) HK\$
	Notes		
<b>Non-current assets</b>			
Plant and equipment	9	<b>106,919</b>	196,537
Right-of-use assets		<b>579,562</b>	1,738,691
Other assets		<b>1,705,000</b>	1,705,000
Loans receivables	11	<b>22,265,890</b>	39,731,273
Financial asset at fair value through other comprehensive income		<b>4,607,017</b>	13,851,552
Deferred tax assets		<b>202,287</b>	194,719
		<b>29,466,675</b>	57,417,772
<b>Current assets</b>			
Trade receivables	10	<b>83,339,500</b>	49,662,276
Loan receivables	11	<b>82,464,297</b>	74,838,161
Other receivables, deposits and prepayments		<b>1,040,312</b>	755,113
Financial assets at fair value through profit or loss		<b>63,505,736</b>	50,875,559
Financial asset at fair value through other comprehensive income		<b>13,609,629</b>	10,999,015
Pledged bank deposit	12	<b>10,000,000</b>	10,000,000
Bank balances and cash — trust accounts	12	<b>22,079,854</b>	21,831,802
Bank balances and cash — general accounts	12	<b>1,028,198</b>	11,001,699
		<b>277,067,526</b>	229,963,625

		<b>30 September 2021 (Unaudited) HK\$</b>	31 March 2021 (Audited) HK\$
	Notes		
<b>Current liabilities</b>			
Trade payables	13	<b>23,881,271</b>	23,542,923
Other payables and accruals		<b>3,195,342</b>	4,219,769
Bank overdraft		<b>6,419,129</b>	—
Bank borrowing		<b>34,000,000</b>	22,000,000
Lease liabilities — due within one year		<b>612,897</b>	1,819,949
Income tax payables		<b>4,013,177</b>	1,550,303
		<u><b>72,121,816</b></u>	<u>53,132,944</u>
<b>Net current assets</b>		<u><b>204,945,710</b></u>	<u>176,830,681</u>
<b>Total assets less current liabilities</b>		<u><b>234,412,385</b></u>	<u>234,248,453</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u><b>1,070,318</b></u>	<u>1,462,674</u>
<b>Net assets</b>		<u><b>233,342,067</b></u>	<u>232,785,779</u>
<b>Capital and reserves</b>			
Share capital	14	<b>22,000,000</b>	22,000,000
Reserves		<u><b>211,342,067</b></u>	<u>210,785,779</u>
<b>Equity attributable to owners of the Company</b>		<u><b>233,342,067</b></u>	<u>232,785,779</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Share options reserve HK\$	Fair value through other comprehensive income reserve HK\$	Capital reserve HK\$	Retained profits HK\$	Attributable to owners of the Company HK\$
At 1 April 2021	22,000,000	130,931,993	32,500,000	8,275,000	857,160	(112,519)	38,334,145	232,785,779
Profit for the period	—	—	—	—	—	—	13,696,151	13,696,151
Fair value change in financial asset at fair value through other comprehensive income	—	—	—	—	(2,139,863)	—	—	(2,139,863)
Dividend	—	—	—	—	—	—	(11,000,000)	(11,000,000)
<b>At 30 September 2021</b>	<b>22,000,000</b>	<b>130,931,993</b>	<b>32,500,000</b>	<b>8,275,000</b>	<b>(1,282,703)</b>	<b>(112,519)</b>	<b>41,030,296</b>	<b>233,342,067</b>
At 1 April 2020	22,000,000	130,931,993	32,500,000	8,275,000	(2,251,684)	(112,519)	45,145,544	236,488,334
Profit for the period	—	—	—	—	—	—	22,109,116	22,109,116
Fair value change in financial asset at fair value through other comprehensive income	—	—	—	—	2,952,585	—	—	2,952,585
Dividend	—	—	—	—	—	—	(22,000,000)	(22,000,000)
<b>At 30 September 2020</b>	<b>22,000,000</b>	<b>130,931,993</b>	<b>32,500,000</b>	<b>8,275,000</b>	<b>700,901</b>	<b>(112,519)</b>	<b>45,254,660</b>	<b>239,550,035</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Net cash used in operating activities	<b>(7,096,952)</b>	(462,084)
Net cash used in from investing activities	<b>(8,728,872)</b>	(8,988,306)
Net cash used in from financing activities	<b>(562,428)</b>	(13,761,315)
<b>Net decrease in cash and cash equivalents</b>	<b>(16,388,252)</b>	(23,211,705)
<b>Cash and cash equivalents at beginning of period</b>	<b>11,001,700</b>	33,136,216
<b>Cash and cash equivalents at end of period</b>	<b><u>(5,386,552)</u></b>	<b><u>9,924,511</u></b>
<b>Analysis of the balance of cash and cash equivalents</b>		
Bank balances and cash — general accounts	<b>1,028,198</b>	9,924,511
Bank overdraft	<b>(6,414,750)</b>	—
	<b><u>(5,386,552)</u></b>	<b><u>9,924,511</u></b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 Corporate information

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

## 2 Basis of preparation and principal accounting policies

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

The accounting policies and method of computation used in preparing the unaudited condensed consolidated results are consistent with those used in the audited financial statements for the year ended 31 March 2021 except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements. The unaudited condensed consolidated interim results have not been reviewed by the Company's auditor, but have been reviewed by the Company's audit committee.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since 31 March 2021. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the HKFRSs.



The interim financial report is unaudited. The financial information relating to the financial year ended 31 March 2021 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. The statutory financial statements for the year ended 31 March 2021 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 24 June 2021.

### 3 Revenue

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

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
<b>Recognised at a point in time</b>				
Commission and brokerage fees from securities dealing on the Stock Exchange	<b>2,514,571</b>	1,651,730	<b>4,061,349</b>	3,218,197
Commission and brokerage fees from dealing in futures contracts	<b>134,682</b>	125,914	<b>218,709</b>	246,423
Other service income	—	—	—	259
Placing and underwriting commission	<b>2,367,514</b>	—	<b>2,367,514</b>	615,840
Clearing and settlement fee	<b>698,030</b>	201,502	<b>1,423,465</b>	346,632
Handling service and dividend collection fees	<b>131,161</b>	28,933	<b>139,810</b>	41,616
<b>Other sources income</b>				
Interest income from				
— cash and margin client	<b>2,405,153</b>	1,688,624	<b>4,106,952</b>	3,689,683
— loan client	<b>5,367,161</b>	6,052,808	<b>11,016,389</b>	11,087,368
— authorised financial institutions	<b>13,867</b>	52,733	<b>29,084</b>	141,987
— Financial asset at fair value through profit or loss	<b>657,704</b>	438,688	<b>1,557,553</b>	581,346
— Financial asset at fair value through other comprehensive income	<b>619,808</b>	705,413	<b>1,338,870</b>	1,375,726
— others	<b>207</b>	7,947	<b>323</b>	11,509
	<b><u>14,909,858</u></b>	<b><u>10,954,292</u></b>	<b><u>26,260,018</u></b>	<b><u>21,356,586</u></b>

## 4 Net other income, gains and losses

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Net exchange gain/(loss)	(11,962)	16,664	(16,238)	(56,321)
Government subsidies	—	306,342	—	662,684
Dividend income	95,217	60,584	143,712	60,584
Sundry income	10	10,285	10	10,360
Impairment loss on financial asset at fair value through other comprehensive income	(5,799,671)	—	(5,799,671)	—
	<u>(5,716,406)</u>	<u>393,875</u>	<u>(5,672,187)</u>	<u>677,307</u>

## 5 Business and geographical segments

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

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

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

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

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

## Business segments

### Segment revenues and results

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

	Six months ended 30 September 2021 (Unaudited)					Consolidated HK\$
	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	
Segment revenues						
— Recognised at a point in time	5,843,332	2,367,514	—	—	—	8,210,846
— Recognised over time	—	—	—	—	—	—
— Other sources income	4,237,302	—	10,910,980	—	2,900,890	18,049,172
	<u>10,080,634</u>	<u>2,367,514</u>	<u>10,910,980</u>	<u>—</u>	<u>2,900,890</u>	<u>26,260,018</u>
Segment results	<u>4,630,924</u>	<u>2,159,157</u>	<u>9,916,289</u>	<u>(90,419)</u>	<u>1,914,933</u>	18,530,884
Net other income, gains and losses						150
Unallocated other operating expenses						(2,154,808)
Finance costs						(378,326)
Profit before tax						15,997,900
Income tax expenses						(2,301,749)
Profit for the period						<u>13,696,151</u>

	Six months ended 30 September 2020 (Unaudited)					Consolidated HK\$
	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	
Segment revenues						
— Recognised at a point in time	3,852,868	615,840	—	—	259	4,468,967
— Recognised over time	—	—	—	—	—	—
— Other sources income	3,790,952	—	11,101,042	—	1,995,625	16,887,619
	<u>7,643,820</u>	<u>615,840</u>	<u>11,101,042</u>	<u>—</u>	<u>1,995,884</u>	<u>21,356,586</u>
Segment results	<u>3,133,344</u>	<u>411,138</u>	<u>10,018,179</u>	<u>(88,615)</u>	<u>13,335,882</u>	26,809,928
Net other income, gains and losses						616,722
Unallocated other operating expenses						(1,268,195)
Finance costs						(102,903)
Profit before tax						26,055,552
Income tax expenses						(3,946,436)
Profit for the period						<u>22,109,116</u>

Revenue reported above represents revenue generated from external customers. There was no inter-segment sale during the period (six months ended 30 September 2020: Nil).



## Other information

Six months ended 30 September 2021

(Unaudited)

	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan and financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	Unallocated HK\$	Consolidated HK\$
Additions to plant and equipment	—	—	—	—	—	—	—
Depreciation of plant and equipment	93,579	—	—	—	—	—	93,579
Depreciation of right-of-use assets	—	—	—	—	—	1,159,128	1,159,128

Six months ended 30 September 2020

(Unaudited)

	Securities, futures and options brokering and trading HK\$	Placing and underwriting HK\$	Loan and financing HK\$	Securities advisory services HK\$	Investment holdings HK\$	Unallocated HK\$	Consolidated HK\$
Additions to plant and equipment	15,570	—	—	—	—	—	15,570
Depreciation of plant and equipment	123,929	—	—	—	—	—	123,929
Depreciation of right-of-use assets	—	—	—	—	—	1,159,128	1,159,128

## Geographical information

All of the activities of the Group are carried out in Hong Kong and all of the Group's revenue for the three months and six months period ended 30 September 2021 and 2020 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

## Information on major customer

A major customer of the Group accounted for approximately 9% (2020: 13%) of the total revenue during the six months ended 30 September 2021.

## 6 Income tax expenses

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Hong Kong Profits Tax				
— current period	1,573,691	1,506,853	2,701,673	2,422,353
Deferred tax				
— current period	(698,003)	1,072,575	(399,924)	1,524,083
	<u>875,688</u>	<u>2,579,428</u>	<u>2,301,749</u>	<u>3,946,436</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000.

## 7 Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

## 8 Earnings per share

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

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Profit for the period attributable to owners	<u>7,152,499</u>	<u>13,325,133</u>	<u>19,495,822</u>	<u>22,109,116</u>
	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares in issue during the period	<u>2,200,000,000</u>	<u>2,200,000,000</u>	<u>2,200,000,000</u>	<u>2,200,000,000</u>
Weighted average number of ordinary shares and dilutive potential ordinary shares in issue during the period	<u>2,200,000,000</u>	<u>2,200,000,000</u>	<u>2,200,000,000</u>	<u>2,200,000,000</u>

No adjustment had been made to the basic earnings per share amounts presented for the three months and six months ended 30 September 2021 as the conversion of the outstanding share options during the period had an anti-dilutive effect on the basic earnings per share because the exercise price per share option was higher than the average share price of the Company for the period.

## 9 Plant and equipment

During the six months ended 30 September 2021, the Group did not acquired items of plant and equipment (six months ended 30 September 2020: HK\$15,570). During the six months ended 30 September 2021, the Group has not disposed items and write-off of plant and equipment (six months ended 30 September 2020: Nil).

## 10 Trade receivables

	<b>30 September 2021 (Unaudited) HK\$</b>	31 March 2021 (Audited) HK\$
Trade receivables from the business of dealing in securities:		
— Cash clients	<b>1,454,032</b>	3,946,506
— Margin clients	<b>71,501,334</b>	43,283,860
— Clearing houses and brokers	<b>9,091,213</b>	844,245
Trade receivables from the business of dealing in futures contracts:		
— Clearing houses	<b>1,292,921</b>	1,587,665
	<b><u>83,339,500</u></b>	<b><u>49,662,276</u></b>

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

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



Margin clients are required to pledge securities as collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 30 September 2021, the total market value of securities pledged as collateral in respect of all margin clients were HK\$368,629,745. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

The aging analysis of the trade receivables are as follows:

	<b>30 September 2021 (Unaudited) HK\$</b>	31 March 2021 (Audited) HK\$
Margin clients balances:		
No due date	71,501,334	43,283,860
Past due but not impaired	<u>—</u>	<u>—</u>
	<b><u>71,501,334</u></b>	<b><u>43,283,860</u></b>
Cash clients balances:		
No due date	1,454,032	555,059
Past due but not impaired	<u>—</u>	<u>3,391,447</u>
	<b><u>1,454,032</u></b>	<b><u>3,946,506</u></b>
Other balances:		
Not yet due (within 30 days)	10,384,134	2,431,910
Past due but not impaired	<u>—</u>	<u>—</u>
	<b><u>10,384,134</u></b>	<b><u>2,431,910</u></b>
	<b><u>83,339,500</u></b>	<b><u>49,662,276</u></b>

Provision of impairment loss on trade receivables:

	<b>30 September 2021 (Unaudited) HK\$</b>	31 March 2021 (Audited) HK\$
Balance at beginning of the period/year	<b>11,929,259</b>	13,809,298
Impairment loss under ECL Model for the period/year	—	—
Recovery of the period/year	—	(1,880,039)
	<u>—</u>	<u>(1,880,039)</u>
Balance at end of the period/year	<b><u>11,929,259</u></b>	<b><u>11,929,259</u></b>

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

	<b>30 September 2021 (Unaudited) HK\$</b>	31 March 2021 (Audited) HK\$
Cash client balance:		
Past due but not impaired 30–60 days	—	3,391,447
Margin clients balances:		
Past due but not impaired more than 180 days	—	—
	<u>—</u>	<u>—</u>

To minimise the Group's exposure to credit risk, the management is responsible for the evaluation of the customers' credit ratings, financial background and repayment abilities. Management has set up credit limit for each individual customer, which is subjected to regular review. Any extension of credit beyond the approved limit has to be approved by relevant level of management on an individual basis according to the amount exceeded. The Group has a policy for reviewing impairment of trade receivables which do not have sufficient collateral and those with default or delinquency in interest or principal payment. The assessment is based on an evaluation of the collectability and aging analysis of the accounts and on management's judgement, including current credit-worthiness, collateral's value and past collection history of each customer.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date when credit was initially granted up to the reporting date. The credit risk is considered limited due to the customer base being large and unrelated. The Directors believe that a HK\$11,929,259 (31 March 2021: HK\$11,929,259) allowance for impairment was sufficient as at 30 September 2021.

## 11 Loan receivables

	<b>30 September 2021 (Unaudited) HK\$</b>	31 March 2021 (Audited) HK\$
Loan advanced and interest receivables	<b><u>104,730,187</u></b>	<u>114,569,434</u>
Analysed as:		
Current	<b>82,464,297</b>	74,838,161
Non-current	<b><u>22,265,890</u></b>	<u>39,731,273</u>
	<b><u>104,730,187</u></b>	<u>114,569,434</u>

Loan receivables include current and non-current were measured at amortized cost using the effective interest method, less any impairment losses. In accordance with IFRS 9, these loan receivables will continue to be measured at amortized cost because the criteria of the Solely Payments of Principal and Interest test have been met.

Provision of impairment loss on loans receivables:

	<b>30 September 2021 (Unaudited) HK\$</b>	31 March 2021 (Audited) HK\$
Balance at beginning of period/year	<b>24,209,869</b>	6,353,364
Impairment loss under ECL model for the period/year	—	20,573,668
Recovery of loans receivables for the year	—	(2,618,550)
Written-off	—	(98,613)
	<b><u>24,209,869</u></b>	<u>24,209,869</u>

To minimise the Group's exposure to credit risk, the management is responsible for the evaluation of the customers' credit ratings, financial background and repayment abilities. Management has set up credit limit for each individual customer, which is subjected to regular review. Any extension of credit beyond the approved limit has to be approved by relevant level of management on an individual basis according to the amount exceeded. The Group has a policy for reviewing impairment of loan receivables which do not have sufficient collateral and those with default or delinquency in interest or principal payment. The assessment is based on an evaluation of the collectability and aging analysis of the accounts and on management's judgement, including current credit-worthiness, collateral's value and past collection history of each customer.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date when credit was initially granted up to the reporting date. The credit risk is considered limited due to the customer base being large and unrelated. The Directors believe that a HK\$20,573,668 (31 March 2021: HK\$20,573,668) allowance for impairment was necessary as at 30 September 2021.

## **12 Bank balances and cash/pledged bank deposit**

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

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

Pledge bank deposit represents deposit pledged to bank to secure bank facilities granted to the Group. Deposits amounting to HK\$10,000,000 (31 March 2021: HK\$10,000,000) have been pledged to secure bank overdrafts and bank loans is therefore classified as current assets.

### 13 Trade payables

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date, and trade payables arising from the business of dealing in futures contracts are one day after trade date. No aging analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the short period for payment.

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

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

### 14 Share capital

	Number of shares	HK\$
<b>Authorised:</b>		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021, ordinary shares of HK\$0.01 each	<u>5,000,000,000</u>	<u>50,000,000</u>
	Number of shares	HK\$
<b>Issued and fully paid:</b>		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021 ordinary shares of HK\$0.01 each	<u>2,200,000,000</u>	<u>22,000,000</u>

### 15 Contingent liabilities

At 30 September 2021, neither the Group nor the Company had any significant contingent liabilities (31 March 2021: Nil).

## 16 Capital commitment

At 30 September 2021, the Company did not have any significant commitments (31 March 2021: Nil).

## 17 Related party transactions

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

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

		Three months ended 30 September		Six months ended 30 September	
		2021	2020	2021	2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$	HK\$	HK\$	HK\$
Commission and brokerage income from securities trading:					
— Au Suet Ming Clarea (“Ms. Au”) and her associate	Substantial shareholder	1,325	5,055	6,576	7,072
— CAAL Capital Limited	Owned by Ms. Au	256,282	243,289	499,457	486,473
— Au Yik Fei	Associate of Ms. Au	—	—	200	—
— Au Yuk Kit	Associate of Ms. Au	200	1,785	700	5,105
— An Nim Bing	Associate of Ms. Au	—	447	—	547
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

		At 30 September 2021	At 31 March 2021
		(Unaudited)	(Audited)
		HK\$	HK\$
Trade receivables (payables)			
— Ms. Au	Substantial shareholder	(288,953)	330,149
— CAAL Capital Company Limited	Wholly-owned by Ms. Au	(270,908)	1,756,091
— China Merit International Holdings Limited	Wholly-owned by Ms. Au	(58,632)	(48,925)
— Au Yik Fei	Associate of Ms. Au	(320)	905,939
— Au Yuk Kit	Associate of Ms. Au	(5,345)	—
		<u>          </u>	<u>          </u>

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

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

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

	<b>Six months ended</b>	
	<b>30 September 2021 (Unaudited) HK\$</b>	<b>30 September 2020 (Unaudited) HK\$</b>
Short-term benefits	<b>1,122,927</b>	1,106,081
Post-employment benefits	—	—
Share based payment	—	—
	<u><b>1,122,927</b></u>	<u>1,106,081</u>

## **18 Comparative figures**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market Review

During the period under review, Hong Kong's economy remains on track for recovery. The real GDP increased 7.8%, year-on-year in the first half of this year. The unemployment rate decreased to 4.5% for the period between July and September 2021. The turnover of securities market in Hong Kong keeps improving. The average daily turnover for the first nine months of 2021 was \$180.3 billion, an increase of approximately 43% when compared with \$125.7 billion for the same period last year. As the PRC Government further tightens its oversight of domestic companies, the Hang Seng Index dropped by approximately 15.5% from 28,378 as at 31 March 2021 to 24,576 as at 30 September 2021.

## Business Review

### Turnover

The Group's total turnover and investment income for the six months ended 30 September 2021 was approximately HK\$31.3 million, as compared with the corresponding period in 2020 of approximately HK\$32.8 million, decreased by approximately 4.6% or approximately HK\$1.5 million.

### Securities and Futures Brokerage

Revenue from securities and futures brokerage represent commission and brokerage fee and other fees including interest derived from cash and margin securities or futures accounts and interest from IPO financing.

The commission and brokerage fees from securities dealing on the Stock Exchange increased by approximately 26.2% from approximately HK\$3.2 million for the six months ended 30 September 2020 to approximately HK\$4.1 million for the six months ended 30 September 2021. The total value of transactions for securities dealing increased by approximately 439.7% from approximately HK\$9,846.1 million for the six months ended 30 September 2020 to approximately HK\$53,138.1 million for the six months ended 30 September 2021.

The interest income derived from cash and margin securities accounts for the six months ended 30 September 2021 was approximately HK\$4.1 million represents an increase of approximately 13.2% from approximately HK\$3.6 million of the corresponding period in 2020.

### Loan and Financing

The Group holds Money Lenders Licence to engage in money lending business for providing loan and financing to customers. During the reporting period, CLC Finance Limited, the Company's wholly subsidiary, provides loan and financing service to customers. The interest income derived from providing loan and finance to customers for the six months ended 30 September 2021 was approximately HK\$11.0 million (For the six months ended 30 September 2020: approximately HK\$11.1 million).



## **Placing and Underwriting Business**

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

Placing and underwriting commission for the six months ended 30 September 2021 was approximately HK\$2.4 million (2020: approximately 0.6 million). As a result, income relating to clearing and settlement fee and handling service also increased by approximately 310.7% from approximately HK\$0.4 million for the six months ended 30 September 2020 to approximately HK\$1.4 million for the six months ended 30 September 2021.

## **Investment Holdings**

The Group maintained a portfolio investments included the holding of listed equity securities, structural products and bonds. The Group traded equity securities listed in Hong Kong and overseas. As at 30 September 2021, the total value of the Group investment portfolio was approximately HK\$81.7 million (31 March 2021: approximately HK\$75.7 million). The interest income from financial asset at fair value through other comprehensive income for the six months ended 30 September 2021 was approximately HK\$1.3 million (2020: approximately HK\$1.4 million). The interest income from financial asset at fair value through profit or loss for the six months ended 30 September 2021 was approximately HK\$1.6 million (2020: approximately HK\$0.6 million).

During the period under review, the net gain on trading of financial assets at fair value through profit or loss of approximately HK\$2.8 million (2020: approximately 1.6 million) and net gain in fair value of financial assets at fair value through profit or loss of approximately HK\$2.2 million (2020: approximately HK\$9.8 million).

## **Financial review**

The Group's revenue for the six months ended 30 September 2021 was approximately HK\$26.3 million, representing an increased of approximately 23.0% from approximately HK\$21.4 million of the corresponding period in 2020.

Administrative expenses for the six months ended 30 September 2021 were approximately HK\$9.3 million (approximately HK\$7.3 million for the six months ended 30 September 2020) representing an increase of approximately 26.3%. The increase of the administrative expenses due to the total value of transaction for securities dealing increased for the six months ended 30 September 2021, the related expenses such as CCASS charges and the payment of commission were increased for the six months ended 30 September 2021 compared with the corresponding period in 2020. Staff cost was slightly increased by approximately 2.3% from HK\$2.9 million for the six months ended 30 September 2020 to approximately HK\$2.9 million for the six months ended 30 September 2021.

Net losses of other income, gains and losses for six months ended 30 September 2021 were approximately HK\$5.7 million (2020: Net income of approximately HK\$0.7 million). The decrease in other income were mainly attributed to no government subsidiary was received during the period under review (2020: approximately HK\$0.7 million) and impairment loss of financial assets at fair value through other comprehensive income amounting approximately HK\$5.8 million during the period (2020: Nil).

Profit for the period attributable to owners of the Company amounted to approximately HK\$13.7 million for the six months ended 30 September 2021 (HK\$22.1 million for the six months ended 30 September 2020). The decrease in profit attributable to the owners of the Company was mainly attributed to the recognition of approximately HK\$2.2 million of net gain in fair value of financial asset at fair value through profit and loss (30 September 2020: approximately HK\$9.8 million) and impairment loss on financial asset of fair value through other comprehensive income amounting approximately HK\$5.8 million (30 September 2020: nil). Earnings per share attributable to owners of the Company was HK0.62 cent for the six months ended 30 September 2021 (HK1.0 cent for the six months ended 30 September 2020). Diluted earnings per share for the six months ended 30 September 2021 were HK0.62 cent (HK1.00 cent for the six months ended 30 September 2020).

## **Liquidity and financial resources and capital structure**

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

The Group maintained a financial position, with pledged bank deposit and bank balance and cash in general accounts amounting to approximately HK\$11.0 million at 30 September 2021 (approximately HK\$21.0 million at 31 March 2021). Most of the Group's cash and bank balances in general accounts were denominated in Hong Kong dollars.

At 30 September 2021, the Group had net current assets of approximately HK\$201.7 million (approximately HK\$176.8 million as at 31 March 2021). Current ratio of the Group as at 30 September 2021 was approximately 3.8 times (approximately 4.3 times at 31 March 2021).

At 30 September 2021, the Group had utilised HK\$40.4 million of secured loan (31 March 2021: approximately HK\$22.0 million).

The gearing ratio is calculated as total indebtedness divided by total capital. Total indebtedness is total bank borrowings (including current and non-current bank borrowings). Total capital is calculated as "equity", as shown in the statement of financial position. As at 30 September 2021, the group's gearing ratio is approximately 17.3% (at 31 March 2021: approximately 9.5%).

Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

## **Capital Commitments**

As at 30 September 2021, the Group did not have any significant capital commitments (31 March 2021: nil).

## **Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

## **Staff and remuneration policies**

The Group believes that staff is our most valuable asset, they are encouraged to pursue excellence at work and career development. We encourage staff to maintain healthy balance between work and life, and communicate with staff to enhance staff morale and their sense of belonging.

Remuneration is determined based on the individual's qualification, experience, position, job responsibility and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and options that may be granted under the share option scheme.

## **Charge on group assets and Guarantee**

As at 30 September 2021, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$10.0 million (31 March 2021: HK\$10.0 million) were pledged and corporate guarantee from the Company for securing overdraft and revolving loan facilities amounted to HK\$49.5 million (31 March 2021: HK\$49.5 million) issued by the banks to the Group. At 30 September 2021, the banking facilities granted by the banks, HK\$40.4 million has been utilised (31 March 2021: HK\$22.0 million).

## **Contingent liabilities**

At 30 September 2021, the Group had no material contingent liabilities (31 March 2021: Nil).

## **Foreign exchange exposure**

The Group's business is principally conducted in Hong Kong dollars, the Directors consider that potential foreign exchange exposure of the Group is limited.

## **Future plans for material investments or capital assets**

At 30 September 2021, the Group had no plans for material investments or acquisition of capital assets, but will actively pursue opportunities for investments to enhance the profitability of the Group in its ordinary course of business.

## **Outlook**

With the increasing of vaccination rate in various places around the world, it is anticipated that the impact of COVID-19 will be further diminishing and the economies keeps improving. The Group will leverage the knowledge and experience of our management team to seize opportunities as they arise. The Group will continue to put efforts on expanding the margin and loan financing business and securities advisory service and on satisfying the need of our customers.

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

## **RISK MANAGEMENT CREDIT RISK**

### **Credit Risk**

Credit risk exposure represents loans to customer, account receivables from brokers, clients and clearing houses which principally arise from our business activities. The Group has a credit policy in place and the credit risk is monitored on on-going basis.

For account receivables from clients, normally clients are required to settle the amount within 2 days (T+2). Responsible officers will regularly review the overdue balance. The credit risk arising from the account receivables from clients is considered as small.

For trade receivables from margin clients, normally the Group obtains securities and/ or cash deposits as collateral for providing margin financing to clients. Receivables from margin clients are repayable on demand. Market conditions and the adequacy of collateral of each margin clients are monitored by responsible officers on a daily basis. Margin calls and forced liquidation are required when necessary.

For trade receivables from brokers and clearing houses, the Group considered that credit risk is low as those brokers and clearing houses are registered with regulatory bodies.

In order to minimise the credit risk of loan receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue loan receivables, if any. In addition, the Group reviews the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's loan receivables credit risk is significantly reduced.

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

### **Liquidity Risk**

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

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

### **Foreign Exchange Risk**

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

## SHARE OPTION SCHEMES

The Company adopted the Share Option Scheme (the “Share Option Scheme”) on 22 February 2011, which was approved by the shareholders’ written resolutions, is valid and effective for a period of 10 years. The Share Option Scheme was terminated and the new share option scheme (the “New Share Option Scheme”) was adopted on 4 August 2020. The outstanding granted under the Share Option Scheme will remain valid and capable of being exercise after the termination of the Share Option Scheme. The purpose of the New Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group. Pursuant to the New Share Option Scheme, the Board may, at its discretion and on such terms as it may think fit, offer to grant an option to any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group. An offer for the grant of share options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

As at 30 September 2021, the total number of shares in respect of which share options may be granted under the New Share Option Scheme is not permitted to exceed 220,000,000 shares, representing 10% of the total number of shares of the Company as at 30 September 2021.

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

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

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

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

At 30 September 2021, details of the share options granted under the Share Option Scheme are as follows:

Grantees	Date of Grant (dd/mm/yyyy)	Exercise price <sup>#</sup> per share HK\$	Exercisable period (dd/mm/yyyy)	Balance at 1 April 2021	Changes during the period			Balance at 30 September 2021
					Granted	Exercised	Cancelled/ lapsed	
Kwok Kin Chung, Executive Director	09/04/2014	0.2275	09/04/2014–08/04/2023	20,000,000	—	—	—	20,000,000
Yu Linda, Executive Director	09/04/2014	0.2275	09/04/2014–08/04/2023	20,000,000	—	—	—	20,000,000
Lau Kin Hon, Executive Director	09/04/2014	0.2275	09/04/2014–08/04/2023	20,000,000	—	—	—	20,000,000
			<b>Sub-total</b>	<b>60,000,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>60,000,000</b>
Employees and Other Participants	09/04/2014	0.2275	09/04/2014–08/04/2023	40,000,000	—	—	—	40,000,000
			<b>Total</b>	<b>100,000,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>100,000,000</b>
Weighted average exercise price (HK\$)				0.2275	—	—	—	0.2275

## Fair value of share options and assumptions

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

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

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

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

At 30 September 2021, save for the interest of the Directors in share options as below, neither of the Directors nor the Chief Executive of the Company had interests and or short positions in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (“SFO”) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

### Long Position in the Shares and underlying shares of the Company

#### Share Option

At 30 September 2021, there were a total of 60,000,000 outstanding share options of the Company granted to the Directors, details of which are summarised in the following table:

Director	Date of grant (dd/mm/yyyy)	Options to Subscribe for Shares of the Company				Outstanding at 30 September 2021	Option exercise Period (dd/mm/yyyy)	Exercise price <sup>#</sup> per share	Approximate percentage of shareholding
		Outstanding at 1 April 2021	Granted during the period	Exercised during the period	Lapsed during the period				
Kwok Kin Chung	09/04/2014	20,000,000	—	—	—	20,000,000	09/04/2014 to 08/04/2023	HK\$0.2275	0.91%
Yu Linda	09/04/2014	20,000,000	—	—	—	20,000,000	09/04/2014 to 08/04/2023	HK\$0.2275	0.91%
Lau Kin Hon	09/04/2014	20,000,000	—	—	—	20,000,000	09/04/2014 to 08/04/2023	HK\$0.2275	0.91%
Total		<u>60,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,000,000</u>			<u>2.73%</u>

Save as disclosed above, none of the Directors or the Chief Executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 September 2021.

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

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

As at 30 September 2021, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and Chief Executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

### **Long position in shares of the Company**

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Approximate percentage holding</b>
Zillion Profit Limited	1,500,000,000	68.18%
Ms. Au Suet Ming Clarea ( <i>Note i</i> )	1,500,000,000	68.18%

*Note:*

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

Save as disclosed above, at 30 September 2021, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

## **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

For the six months ended 30 September 2021, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code of conduct for securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry to all the Directors and the Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 September 2021.



## **CORPORATE GOVERNANCE PRACTICES**

The Group is committed to promoting high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

Throughout the period of six months ended 30 September 2021, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except for the following deviation:

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

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

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

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

## **RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

## AUDIT COMMITTEE

The Company set up an audit committee (the “Committee”) with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors of the Company, namely Mr. Poon Wing Chuen, Mr. Wang Rongqian and Hu Chao. The unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2021 have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 10 November 2021

*As at the date of this announcement, the Company’s executive Directors are Mr. Kwok Kin Chung (Chief Executive Officer), Mr. Lau Kin Hon and Ms. Yu Linda, and the Company’s independent non-executive Directors are Mr. Poon Wing Chuen, Mr. Wang Rongqian and Mr. Hu Chao.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of the Company.*