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China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

Website: <http://www.290.com.hk>

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

The board (the “**Board**”) of directors (the “**Directors**”) of China Fortune Financial Group Limited (“**China Fortune**” or the “**Company**”) announces that the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2021 together with the comparative figures for the previous year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

		2021	2020
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	3,4	131,718	179,401
Net investment gains/(losses)	7	18,952	(13,384)
Cost of brokerage and other services		(29,256)	(21,057)
Other income	5	9,155	8,317
Reversal of expected credit losses (“ECL”)/(ECL) on loan and trade receivables, net		7,120	(5,409)
Staff costs	7	(66,252)	(89,742)
Other operating expenses	7	(55,799)	(59,583)
Finance costs	6	(23,223)	(58,326)
Share of losses of associates		(347)	(2,363)
Share of losses of joint ventures		(5)	(30)

		2021	2020
	Notes	HK\$'000	HK\$'000
Loss before tax	7	(7,937)	(62,176)
Income tax expense	8	(5,558)	(9,638)
Loss for the year		<u>(13,495)</u>	<u>(71,814)</u>
Other comprehensive income/(expense)			
<i>Items that may be reclassified</i>			
<i>subsequently to profit or loss:</i>			
Exchange differences arising			
on translation of foreign operations		6,581	(7,430)
Share of other comprehensive			
income/(expense) of associates		7,631	(4,903)
Share of other comprehensive			
income/(expense) of joint ventures		77	(65)
		<u>14,289</u>	<u>(12,398)</u>
Total comprehensive income/(expense)			
for the year		<u>794</u>	<u>(84,212)</u>
		<i>HK cents</i>	<i>HK cents</i>
			<i>(Restated)</i>
Loss per share for loss attributable to			
owners of the Company			
Basic	10	(1.47)	(7.85)
Diluted	10	(1.47)	(7.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current assets			
Property and equipment		22,131	22,373
Goodwill		3,994	3,994
Loan receivables	<i>11</i>	31,107	3,448
Other non-current assets		6,978	6,978
Interests in associates		102,450	95,166
Interests in joint ventures		1,064	992
		167,724	132,951
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		101,230	222,173
Loan and trade receivables	<i>11</i>	121,177	353,618
Contract assets		519	1,132
Other receivables, deposits and prepayments		27,534	27,159
Tax recoverable		5,991	—
Bank balances and cash — trust		267,419	114,565
Bank balances and cash — general		263,850	315,132
		787,720	1,033,779
Current liabilities			
Trade payables, other payables and accruals	<i>12</i>	293,910	333,679
Financial liabilities at FVTPL		420	—
Contract liabilities		380	110
Lease liabilities		7,696	14,006
Loan payables		161,318	252,600
Convertible bonds		21,604	61,937
Corporate bonds		78,955	43,064
Tax payable		3,322	8,929
		567,605	714,325
Net current assets		220,115	319,454
Total assets less current liabilities		387,839	452,405

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		11,194	1,269
Convertible bonds		—	19,300
Corporate bonds		52,337	108,322
		63,531	128,891
Net assets		324,308	323,514
Capital and reserves			
Share capital	13	91,531	91,531
Reserves		232,777	231,983
Total equity		324,308	323,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands and Units No. 4102-06, 41/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong respectively.

The Company is an investment holding and its subsidiaries are principally engaged in securities and insurance brokerage, asset management, corporate finance, margin financing and money lending services.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. Figures are rounded up to the nearest thousand unless otherwise specified.

These consolidated financial statements for the year ended 31 March 2021 were approved by the Board on 29 June 2021.

2. NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amended HKFRSs that are effective for annual periods beginning from 1 April 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning from 1 April 2020.

- Amendments to HKFRS 3 — *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8 — *Definition of Material*
- Amendment to HKFRS 16 — *COVID-19-Related Rent Concessions*

Except for the amendment to the HKFRS 16 “COVID-19-Related Rent Concessions”, the Group has not applied any new standard, amendments or interpretation that is not yet effective for the current year. Except for the impacts of early adoption of amendment to the HKFRS 16 as discussed below, the application of the above amended HKFRSs has no material impact on the amounts reported and/or disclosures set out in this announcement.

The amendment to HKFRS 16 which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The Group has elected to apply the practical expedient to all qualified COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been recognised in the profit or loss in the year in which the event or condition that trigger those payments occurred. There is no impact on the balances of equity at 1 April 2020.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

- | | |
|---|--|
| • HKFRS 17 | Insurance Contracts and related amendments ³ |
| • Amendments to HKFRS 3 | Reference to the Conceptual Framework ⁵ |
| • Amendments to HKFRS 9,
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 ¹ |
| • Amendments to HKFRS 10
and HKAS 28 | Sale or Contribution of Assets between an Investor
and its Associate or Joint Venture ⁴ |
| • Amendment to HKFRS 16 | COVID-19 — Related Rent Concessions beyond
30 June 2021 ⁶ |
| • Amendments to HKAS 1 and
HKFRS Practice Statement 2 | Disclosures of Accounting Policies ³ |
| • Amendments to HKAS 1 | Classification of Liabilities as Current
or Non-current and related amendments to
Hong Kong Interpretation 5 (2020) ³ |

- Amendments to HKAS 8 Definition of Accounting Estimates³
- Amendments to HKAS 12 Income Taxes — Recognition exemption³
- Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use²
- Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract²
- Amendments to HKFRSs Annual Improvements to HKFRS 2018-2020²
- Accounting Guideline 5 (Revised) Merger Accounting for Common Control Combination⁵

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective date not yet determined

⁵ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 April 2021

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first annual period beginning on or after the effective date of the pronouncement. The Directors expected that the adoption of these new and amended HKFRSs will not have a material impact on the Group's consolidated financial statements.

3. REVENUE

Revenue represents the net amounts received and receivable for services provided in the normal course of business. An analysis of the Group's revenue for the years ended 31 March 2021 and 2020 is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend income	191	1,151
Income from securities brokerage business	46,464	57,056
Interest income from money lending business	31,354	40,702
Income from insurance brokerage business	1,385	2,260
Income from asset management business	9,748	18,570
Margin interest income from securities brokerage business	4,369	7,705
Service income from corporate finance	38,207	51,957
	<u>131,718</u>	<u>179,401</u>

The Group derives revenue from the services over time and at a point in time in the following table.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Revenue from contracts with customers by timing of recognition		
<i>Overtime:</i>		
Service income from corporate finance	32,093	44,014
Income from asset management business	4,874	5,425
<i>At a point in time:</i>		
Service income from corporate finance	6,114	7,943
Income from securities brokerage business	46,464	57,056
Income from insurance brokerage business	1,385	2,260
Revenue from contracts with customers within the scope of HKFRS 15	<u>90,930</u>	<u>116,698</u>
Other information:		
Dividend income	191	1,151
Interest income from asset management business	4,874	13,145
Interest income from money lending business	31,354	40,702
Margin interest income from securities brokerage business	4,369	7,705
	<u>131,718</u>	<u>179,401</u>

Unsatisfied performance obligations

The unsatisfied performance obligations are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance is focus on the type of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- 1) The securities brokerage and margin financing segment engages in securities brokerage and margin financing in Hong Kong;
- 2) The corporate finance segment engages in the provision of corporate finance services;
- 3) The money lending segment engages in the provision of money lending services in Hong Kong;
- 4) The consultancy and insurance brokerage segment engages in the provision of consultancy service and insurance brokerage in Hong Kong; and
- 5) The asset management segment engages in the provision of asset management and advisory services to professional investors and the management of financial investments.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of central administration expenses, Directors' remunerations, and other operating income. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment. Inter-segment revenue are charged at prevailing market prices.

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 March 2021

	Securities brokerage and margin financing <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consultancy and insurance brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	50,869	38,207	31,354	1,385	9,852	51	—	131,718
Inter-segment revenue	145	—	—	102	—	—	(247)	—
Net investment gains	5,702	—	—	—	13,250	—	—	18,952
Total	<u>56,716</u>	<u>38,207</u>	<u>31,354</u>	<u>1,487</u>	<u>23,102</u>	<u>51</u>	<u>(247)</u>	<u>150,670</u>
Finance costs	(2,534)	—	(15,000)	—	(7,703)	(22,787)	24,801	(23,223)
Others	<u>(42,547)</u>	<u>(37,888)</u>	<u>(2,091)</u>	<u>(1,693)</u>	<u>(14,443)</u>	<u>(11,816)</u>	<u>(24,554)</u>	<u>(135,032)</u>
Segment results	<u>11,635</u>	<u>319</u>	<u>14,263</u>	<u>(206)</u>	<u>956</u>	<u>(34,552)</u>	<u>—</u>	<u>(7,585)</u>
Share of losses of associates								(347)
Share of losses of joint ventures								<u>(5)</u>
Loss before tax								(7,937)
Income tax expense								<u>(5,558)</u>
Loss for the year								<u><u>(13,495)</u></u>

For the year ended 31 March 2020

	Securities brokerage and margin financing <i>HK\$ '000</i>	Corporate finance <i>HK\$ '000</i>	Money lending <i>HK\$ '000</i>	Consultancy and insurance brokerage <i>HK\$ '000</i>	Asset management <i>HK\$ '000</i>	Unallocated <i>HK\$ '000</i>	Inter-segment elimination <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
Revenue	64,944	51,957	40,702	2,260	19,538	—	—	179,401
Inter-segment revenue	(7,313)	—	—	133	513	—	6,667	—
Net investment losses	(3,952)	(345)	—	—	(9,087)	—	—	(13,384)
Total	<u>53,679</u>	<u>51,612</u>	<u>40,702</u>	<u>2,393</u>	<u>10,964</u>	<u>—</u>	<u>6,667</u>	<u>166,017</u>
Finance costs	(26)	—	—	—	(2,201)	(56,099)	—	(58,326)
Others	(36,545)	(50,484)	(3,393)	(2,705)	(18,743)	(48,937)	(6,667)	(167,474)
Segment results	<u>17,108</u>	<u>1,128</u>	<u>37,309</u>	<u>(312)</u>	<u>(9,980)</u>	<u>(105,036)</u>	<u>—</u>	<u>(59,783)</u>
Share of losses of associates								(2,363)
Share of losses of joint ventures								<u>(30)</u>
Loss before tax								(62,176)
Income tax expense								<u>(9,638)</u>
Loss for the year								<u><u>(71,814)</u></u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2021 HK\$'000	2020 HK\$'000
Segment assets		
Securities brokerage and margin financing	389,324	250,805
Corporate finance	45,061	47,783
Money lending	102,685	289,948
Consultancy and insurance brokerage	1,837	720
Asset management	122,098	309,841
Total segment assets	661,005	899,097
Unallocated	294,439	267,633
Consolidated assets	955,444	1,166,730
Segment liabilities		
Securities brokerage and margin financing	272,437	115,588
Corporate finance	15,107	12,841
Money lending	2,640	4,996
Consultancy and insurance brokerage	466	149
Asset management	5,412	884
Total segment liabilities	296,062	134,458
Unallocated	335,074	708,758
Consolidated liabilities	631,136	843,216

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

- all assets are allocated to operating segments other than certain property and equipment for general operations, other non-current assets (excluded financial assets at fair value through other comprehensive income ("FVOCI")), interests in associates and joint ventures, certain other receivables, deposits and prepayments and certain bank balances and cash — general; and
- all liabilities are allocated to operating segments other than certain other payables and accruals, lease liabilities, liability component of convertible bonds, corporate bonds, loan and tax payable.

Other segment information

	Securities brokerage and margin financing						Consultancy and insurance brokerage								Asset management		Unallocated		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Amounts included in the measure of segment results or segment assets:																				
Additions to non-current assets (exclude financial assets)	—	9	—	—	—	—	—	—	—	—	696	4	22,235	697	22,931	710				
Bad debt written off on trade receivables	—	—	1,650	600	—	—	—	—	—	—	—	—	—	—	1,650	600				
Depreciation on property and equipment	89	93	9	9	—	—	—	—	—	—	—	4	6,305	10,300	6,403	10,406				
Depreciation on right-of-use assets	—	—	—	—	—	—	—	—	—	—	447	548	15,137	18,356	15,584	18,904				
(Reversal of ECL)/ECL on trade receivables, net	(9,541)	5,409	—	—	—	—	—	—	—	—	—	—	—	—	(9,541)	5,409				
ECL on loan receivables	—	—	—	—	2,421	—	—	—	—	—	—	—	—	—	2,421	—				
Loss/(gain) on disposal of property and equipment	—	2	—	—	—	—	—	—	—	—	—	—	1,186	—	1,186	2				

The amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets are not material for both years ended 31 March 2021 and 2020.

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue during the years ended 31 March 2021 and 2020 is as follows:

	2021 HK\$'000	2020 HK\$'000
Customer 1	18,901	19,399
Customer 2	N/A*	19,381
Customer 3	18,284	N/A*

Note: The revenue contributed from customer 1, 2 and 3 is derived from the money lending business, the securities brokerage business and the securities brokerage and corporate finance business, respectively.

* The corresponding revenue did not individually contribute over 10% of the Group's revenue or did not have any transactions in the respective years.

Geographical information

The Group's operations are mainly located and carried out in Hong Kong. Accordingly, no geographical information related to revenue has been presented. The following table sets out information about the Group's property and equipment, other non-current assets (excluded regulatory deposits and financial assets at FVOCI), goodwill, interests in associates and joint ventures ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment, the location of the operation to which they are allocated, in the case of goodwill, and the location of operations, in the case of interests in associates and joint ventures.

	2021 HK\$'000	2020 HK\$'000
Hong Kong	105,046	105,879
The People's Republic of China ("PRC")	31,203	23,256
	<u>136,249</u>	<u>129,135</u>

5. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Interest income from financial institutions	579	4,143
Sundry income (note)	8,576	4,174
	<u>9,155</u>	<u>8,317</u>

Note: During the year ended 31 March 2021, the Group recognised government grants of HK\$4,132,000 in respect of COVID-19-related subsidies in relation to Employment Support Scheme provided by the Hong Kong government.

6. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Finance charges on lease liabilities	304	643
Interests on bank and loan payables	5,320	11,222
Interests on other borrowings	821	—
Interests on corporate bonds	12,811	13,830
Interests on convertible bonds	3,967	32,631
	<u>23,223</u>	<u>58,326</u>

7. LOSS BEFORE TAX

Loss before tax is stated after charging/crediting:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net investment gains/(losses):		
Net gains/(losses) on financial assets and financial liabilities at FVTPL	18,952	(13,384)
Other operating expenses:		
Auditors' remuneration	1,300	900
Announcement and listing fee	452	791
Bad debt written-off on trade receivables	1,650	600
Bank charges	188	962
Computer expenses	1,299	1,142
Depreciation on:		
— Right-of-use assets	15,584	18,904
— Property and equipment	6,403	10,406
Entertainment	1,426	4,041
Exchange losses, net	2,953	5,405
Information and communication fee	2,174	2,556
Lease charges on short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	1,297	194
Legal and professional fee	10,439	3,507
Loss on disposal of property and equipment	1,186	2
Membership fee	872	664
Rates and building management fee	2,028	2,393
Telecommunication fee	677	956
Travelling expenses	735	3,227
Other expenses	5,136	2,933
Total	55,799	59,583

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Staff costs:		
— Directors' remunerations	17,032	20,531
— Salaries and allowance	72,789	77,354
— Retirement benefit scheme contributions (excluding Directors)	1,305	1,644
	<u>91,126</u>	<u>99,529</u>
Less: Staff costs included in cost of services	<u>(24,874)</u>	<u>(9,787)</u>
	<u><u>66,252</u></u>	<u><u>89,742</u></u>

8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision for Hong Kong profits tax		
— Current year	5,578	9,690
— Over provision in respect of prior years	(20)	(52)
	<u>5,558</u>	<u>9,638</u>
Total income tax expense	<u><u>5,558</u></u>	<u><u>9,638</u></u>

The provision for Hong Kong Profits Tax for the year ended 31 March 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2 million are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as (1) the assessable profits for one of the PRC’s subsidiaries for the years ended 31 March 2021 and 2020 have been fully absorbed by the tax loss brought forward from prior years; and (2) the other PRC subsidiaries did not have any assessable profits subject to PRC EIT Law for the year ended 31 March 2021 and 2020.

The tax charge for the years can be reconciled to the 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	(7,937)	(62,176)
Tax at domestic income tax rate of 16.5% (2020: 16.5%)	(1,309)	(10,259)
Tax effect of expenses not deductible for tax purpose	853	5,099
Tax effect of incomes not taxable for tax purpose	(1,929)	(3,249)
Tax effect of share of losses of associates	57	390
Tax effect of share of loss of joint ventures	1	5
Over provision in respect of prior years	(20)	(52)
Effect of different tax rates of PRC subsidiaries/branches and two-tiered profit tax rate	(329)	(487)
Utilisation of tax losses not recognised in previous years	(88)	(624)
Tax effect of tax losses not recognised	8,322	18,815
Tax for the year	5,558	9,638

At 31 March 2021, the Group had estimated unused tax losses of approximately HK\$734,229,000 (2020: HK\$686,121,000) available for offset against future profits, the tax losses are subject to the agreement by the Hong Kong Inland Revenue Department. No deferred tax asset has been recognised for the years ended 31 March 2021 and 2020.

As at 31 March 2021, tax losses of approximately HK\$18,777,000 (2020: HK\$17,647,000) attributable to certain subsidiaries in the PRC had an expiry period of five years. During the year, tax loss of approximately HK\$1,489,000 (2020: HK\$1,194,000) has been expired.

Under the New EIT Law, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries, associates and joint ventures from 1 January 2008 onwards (the “**Post-2008 Earnings**”). As at 31 March 2021 and 2020, deferred taxation has not been provided for in the consolidated financial statements as the Company’s subsidiaries and joint ventures did not have any unremitted earnings and the Group is able to control the timing of the reversal of the temporary difference of the associates.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting year (2020: nil).

10. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share	(13,495)	(71,814)
	2021 '000	2020 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic and diluted loss per share	915,308	915,308

The calculation of diluted loss per share for the years ended 31 March 2021 and 2020 does not assume the exercise of the Company's outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share. Therefore, the diluted loss per share is the same as the basic loss per share for the year.

The weighted average number of ordinary shares in issue has taken into account of the effect of share consolidation pursuant to the shareholders resolution passed on 16 October 2020 on the basis that every ten issued existing shares be consolidated into one consolidated share as if the consolidation had occurred at 1 April 2019, the beginning of the earliest period reported. Details of share consolidation are set out in note 13.

11. LOAN AND TRADE RECEIVABLES

Loan and trade receivables comprise i) trade receivables arising from securities brokerage business and other businesses and ii) loan receivables arising from money lending business.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
	<i>Notes</i>	
Trade receivables	(a) 58,994	72,469
Loan receivables — current	(b) 62,183	281,149
	121,177	353,618
Loan receivables — non current	(b) 31,107	3,448
	152,284	357,066

(a) Trade receivables

The followings are the balances of trade receivables, net of ECL:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Trade receivables from securities brokerage business		
— cash clients	6	44
— Hong Kong Securities Clearing Company Limited (“HKSCC”)	2,713	—
— margin clients	48,716	76,446
Trade receivables from other businesses	7,613	5,574
	59,048	82,064
Less: ECL	(54)	(9,595)
	58,994	72,469

The settlement terms of trade receivables from cash clients and HKSCC arising from securities brokerage business are two trading days after trade date. The Group allows an average credit period of 30 days to its customers from other businesses.

No aging analysis is disclosed for the Group’s margin clients as these margin clients were carried on an open account basis, and only fall due on conditions or on demand by the Group. The Directors consider that an aging analysis does not give additional value in the view of the nature of these receivables.

The following is an aging analysis of trade receivables (excluding margin clients), net of ECL, as at 31 March 2021 and 2020 based on the invoice date was as follows:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Less than 30 days	9,518	3,266
31 to 60 days	17	120
61 to 90 days	—	134
Over 90 days	797	2,098
	10,332	5,618

Trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of HK\$204,555,000 (2020: HK\$139,656,000) which could be realised at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The trade receivables from cash and margin clients are repayable on demand and bear interest at commercial rates. As at 31 March 2021, included in the total trade receivables, HK\$48,668,000 (2020: HK\$66,895,000) was interest bearing whereas HK\$10,326,000 (2020: HK\$5,574,000) was non-interest bearing. There is no re-pledge of the collateral from margin clients in both years.

The movement of ECL on trade receivables during the year is as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 April	9,595	4,186
(Reversal of ECL)/ECL recognised during the year, net	<u>(9,541)</u>	<u>5,409</u>
At 31 March	<u><u>54</u></u>	<u><u>9,595</u></u>

(b) Loan receivables

	2021 HK\$'000	2020 HK\$'000
Non-current portion		
Secured loan receivables	11,107	2,137
Unsecured loan receivables	<u>20,000</u>	<u>1,311</u>
	<u>31,107</u>	<u>3,448</u>
Current portion		
Secured loan receivables	5,185	185,801
Unsecured loan receivables	<u>59,419</u>	<u>95,348</u>
	<u>64,604</u>	<u>281,149</u>
Less: ECL	<u>(2,421)</u>	<u>—</u>
	<u><u>93,290</u></u>	<u><u>284,597</u></u>

As at 31 March 2021, the secured loan receivables are secured by all monies, deposits and equity shares of listed companies with fair value of HK\$5,736,000 (2020: HK\$534,807,000) in the securities account and second mortgage over certain property units and carried interest at a fixed interest rate at 13% to 15% (2020: 12% to 15%) per annum.

As at 31 March 2021, the unsecured loan receivables are guaranteed by the independent third parties, and carried interest at fixed interest rate at 12% to 15% (2020: 12% to 15%) per annum.

The following is an aging analysis, net of ECL, based on the loan drawdown date, of the loan receivables outstanding at reporting date:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Less than 30 days	387	2,440
31 to 60 days	107	1,922
61 to 90 days	—	9,462
Over 90 days	92,796	270,773
	93,290	284,597

The movement of gross balance of loan receivables is as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Total HK\$'000
At 1 April 2019	237,410	—	237,410
Amounts originated	124,816	—	124,816
Amounts recovered or repaid during the year	(77,629)	—	(77,629)
At 31 March 2020 and 1 April 2020	284,597	—	284,597
Transfer from Stage 1 to Stage 2	(4,482)	4,482	—
Amounts originated	62,492	661	63,153
Amounts recovered or repaid during the year	(251,839)	(200)	(252,039)
At 31 March 2021	90,768	4,943	95,711

The movement of ECL of loan receivables is as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Total HK\$'000
At 1 April 2019,			
31 March 2020 and 1 April 2020	—	—	—
ECL recognised during the year	—	2,421	2,421
At 31 March 2021	—	2,421	2,421

The loan receivables are due for settlement at the date specified in the respective loan agreements.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Trade payables from the securities brokerage business:		
— margin and cash clients	260,940	103,549
— HKSCC	—	8,283
Other payables and accruals	32,970	221,847
	293,910	333,679

The settlement terms of trade payable to HKSCC is two trading days after the trade dates.

No aging analysis is disclosed for the Group's trade payables to margin and cash clients as these clients were carried on an open account basis. The Directors consider that the aging analysis does not give additional value in the view of the nature of these payables.

As at 31 March 2020, the other payables and accruals mainly represent the outstanding principal of convertible bonds upon maturity. The amount was fully settled during the year ended 31 March 2021.

13. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount HK\$ '000
Authorised:			
Ordinary shares of HK\$0.01 each at 1 April 2019, 31 March 2020 and 1 April 2020		20,000,000	200,000
Share consolidation	(a)	(18,000,000)	—
Ordinary shares of HK\$0.10 each at 31 March 2021		2,000,000	200,000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each at 1 April 2019, 31 March 2020 and 1 April 2020		9,153,079	91,531
Share consolidation	(a)	(8,237,771)	—
Ordinary shares of HK\$0.10 each at 31 March 2021		915,308	91,531

(a) Share consolidation

On 8 September 2020, the Board proposed to implement the share consolidation on the basis that every ten issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value of HK\$0.10 each. On 16 October 2020, the ordinary resolution was duly passed by the shareholders of the Company (the “**Shareholders**”) and the share consolidation became effective on 20 October 2020.

14. COMMITMENTS

(a) Lease commitment

The Group as lessee

As at 31 March 2021 and 2020, the Group had commitments for short-term leases which fall due as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	<u>173</u>	<u>—</u>

(b) Capital commitment

The Group had the following capital commitment at reporting date:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted but not provided for:		
Investment in joint ventures	<u>5,610</u>	<u>5,053</u>

Other than the capital commitment of joint ventures as mentioned above, there was a subscription agreement dated 23 January 2017 entered into by the Group in relation to the establishment of a joint venture which was terminated on 9 November 2017 due to a change in the shareholding structure of the joint venture company. On 9 November 2017, the Group therefore entered into a new subscription agreement with independent third parties in relation to the establishment of the joint venture at total investment amount of RMB1,000 million and the Group shall contribute an aggregate amount of RMB300 million and hold 30% shareholding in the joint venture. The establishment of the joint venture is subject to approval by the China Securities Regulatory Commission. As at the date of this announcement, the approvals had yet to be obtained in this regard.

RESULTS

For the year ended 31 March 2021 (the “**Reporting Year**”), revenue and net investment gains of the Group amounted to approximately HK\$150,670,000 representing a decrease of approximately 9.24% from approximately HK\$166,017,000 for the year ended 31 March 2020. The decrease was mainly attributable to a certain decrease in the revenue of each segment of the Group.

The Group recorded a loss of approximately HK\$13,495,000 for the year ended 31 March 2021, as compared with the loss of approximately HK\$71,814,000 for the corresponding period in 2020. Net loss attributable to owners of the Company amounted to approximately HK\$13,495,000 for the Reporting Year, representing a significant reduction of approximately 81.21% comparing with the loss of approximately HK\$71,814,000 for the corresponding period in 2020. The overall performance of net loss attributable to owners of the Company was improved in the year ended 31 March 2021 mainly due to (i) a decrease in finance costs mainly attributable to redemption of convertible bonds upon their maturity; (ii) a decrease in staff costs; (iii) a net investment gain from investment in financial assets; and (iv) a reversal of the impairment loss on trade receivables.

The basic and diluted loss per share of the Company for the Reporting Year was approximately HK1.47 cents as compared with the basic and diluted loss per share of approximately HK7.85 cents (restated) for the corresponding period in 2020.

BUSINESS REVIEW

Securities brokerage and margin financing

The business of securities brokerage and margin financing is one of the main revenue streams of the Group. During the Reporting Year, the business of securities brokerage and margin financing recorded a revenue of approximately HK\$51,014,000, representing a decrease of approximately 11.48% as compared to the revenue of approximately HK\$57,631,000 for the corresponding period in 2020.

The net investment gains for the year ended 31 March 2021 amounted to approximately HK\$5,702,000, representing an increase of approximately 244.28% as compared to the net investment losses of approximately HK\$3,952,000 for the corresponding period in 2020.

The segment profit for the year ended 31 March 2021 amounted to approximately HK\$11,635,000 (2020: approximately HK\$17,108,000), representing a decrease in profit of approximately 31.99% as compared with the corresponding period in 2020.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our corporate finance business as well as wealth management business, in order to provide a one-stop integrated financial services to better serve our institutional and high net worth individual clients.

Corporate finance

The corporate finance market was under a keen competition during the Reporting Year. Segment revenue and net investment gains or losses from corporate finance business decreased by approximately 25.97% from approximately HK\$51,612,000 to approximately HK\$38,207,000 while the segment profit for the year ended 31 March 2021 amounted to approximately HK\$319,000 (2020: approximately HK\$1,128,000), representing a decrease in profit of approximately HK\$809,000, as compared with the corresponding period in 2020.

Money lending

During the Reporting Year, the money lending market was under intensive competition locally. The Group recorded an interest income from money lending of approximately HK\$31,354,000 (2020: approximately HK\$40,702,000), representing a decrease of approximately 22.97% as compared with the corresponding period in 2020.

Consultancy and insurance brokerage

During the Reporting Year, the Group recorded a segment revenue from consultancy services and insurance brokerage services of approximately HK\$1,487,000 (2020: approximately HK\$2,393,000), representing a reduction of approximately 37.86% as compared with the corresponding period in 2020.

Asset management

During the Reporting Year, the Group recorded a segment revenue and net investment gains from asset management of approximately HK\$23,102,000 (2020: segment revenue and net investment losses approximately HK\$10,964,000), representing a significant increase of approximately 110.71% as compared with the corresponding period in 2020. The increase in segment revenue was mainly attributable to the expansion of financial assets investment during the Reporting Year.

ISSUE OF CONVERTIBLE BONDS

On 22 November 2016, the Company (as the issuer) entered into each of the Cinda Subscription Agreement, the PAL Subscription Agreement and the Riverhead Capital Subscription Agreement (each as defined below) in relation to the issue of convertible bonds in an aggregate principal amount of HK\$570,000,000.

- (i) The Company entered into a subscription agreement (the “**Cinda Subscription Agreement**”) with Mankind Investment Limited (“**Mankind**”), pursuant to which, Mankind agreed to subscribe to the convertible bonds in the principal amount of HK\$110,754,000 (the “**Convertible Bonds to Mankind**”).
- (ii) On 21 September 2016, the Company entered into a subscription agreement with Pacific Alliance Limited (“**PAL**”), and subsequently a supplemental agreement on 22 November 2016 (the “**PAL Subscription Agreement**”), pursuant to which, PAL agreed to subscribe to the convertible bonds in the principal amount of HK\$153,585,000 (the “**Convertible Bonds to PAL**”). On 8 January 2018, PAL sold the Convertible Bonds to PAL to Value Convergence Holdings Limited.
- (iii) The Company entered into a subscription agreement (the “**Riverhead Capital Subscription Agreement**”) with Riverhead Capital (International) Management Co., Limited (“**Riverhead Capital**”), pursuant to which, Riverhead Capital agreed to subscribe to the convertible bonds in the aggregate principal amount of HK\$305,661,000 (the “**Convertible Bonds to Riverhead Capital**”) in 4 tranches.

Completion of subscriptions (i), (ii) and tranche 1 of subscription (iii) above (altogether, the “**Tranche 1 Convertible Bonds**”) took place on 30 March 2017. The convertible bonds to Mankind, PAL and Riverhead Capital all bear an interest rate of 2% and mature on the third (3rd) anniversary of the date of issue of the convertible bonds with both dates inclusive at the conversion price of HK\$0.06 per conversion share. Upon full conversion of the Tranche 1 Convertible Bonds by all subscribers at the conversion price of HK\$0.06, a total number of 6,500,000,000 conversion shares would be issued, subject to adjustments to the conversion price of HK\$0.06.

The net proceeds raised through the issue of the Tranche 1 Convertible Bonds were approximately HK\$385,000,000, in which (i) approximately HK\$180,000,000 was used for the injection of capital to a wholly-owned subsidiary of the Company and expanding its margin financing and underwriting business; (ii) approximately HK\$150,000,000 for expanding its money lending business; (iii) approximately HK\$12,000,000 for engaging in private equity investments; (iv) approximately HK\$9,000,000 for strengthening the capital base of its subsidiaries and (v) the remaining balance of approximately HK\$34,000,000 for the general working capital of the Group.

The Convertible Bonds to Mankind was exercised in approximately 51.74% of original principal amount, which was equivalent to the amount of HK\$57,300,000 at the conversion price of HK\$0.06 on 27 April 2017. After completion of conversion, 955,000,000 shares of the Company were issued on 28 April 2017. Furthermore, tranche 1 of the Convertible Bonds to Riverhead Capital was also exercised in full in the principal amount of HK\$125,661,000 at the conversion price of HK\$0.06 on 27 April 2017. After the completion of conversion, 2,094,350,000 shares of the Company were issued on 28 April 2017.

Following the exercise of tranche 1 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 2 took place on 28 June 2017. The net proceeds raised through the issue of tranche 2 of the Convertible Bonds to Riverhead Capital were HK\$60,000,000, in which approximately HK\$50,000,000 was used for further expanding its margin financing business and approximately HK\$10,000,000 for its underwriting business.

Following the completion of tranche 2 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 3 took place on 5 July 2018. The net proceeds raised through the issue of tranche 3 of the Convertible Bonds to Riverhead Capital were HK\$60,000,000, in which approximately HK\$36,000,000 was used for further strengthening the proprietary trading business, approximately HK\$12,000,000 was used for engagement in private equity investments such as pre-IPO investment, and approximately HK\$12,000,000 was used for the asset management business as seed money to the existing funds and/or new funds.

The tranche 3 of the Convertible Bonds to Riverhead Capital was exercised in 65% of original principal amount, which was equivalent to the amount of HK\$39,000,000 at the conversion price of HK\$0.06 on 11 January 2019. After the completion of conversion, the number of 650,000,000 shares of the Company were issued on 14 January 2019.

The tranche 4 of the Convertible Bonds to Riverhead Capital were not issued due to the non-satisfaction of the conditions precedent set out in the Riverhead Capital Subscription Agreement.

The Convertible Bonds to Mankind matured on 30 March 2020. Pursuant to the terms and conditions of the Convertible Bonds to Mankind, the outstanding principal amount of HK\$53,454,000 together with all accrued and unpaid interests was subsequently repaid on 3 April 2020.

The Convertible Bonds to PAL matured on 30 March 2020. Pursuant to the terms and conditions of the Convertible Bonds to PAL, the outstanding principal amount of HK\$153,585,000 together with all accrued and unpaid interests shall be paid by the Company to the current bondholders of the Convertible Bonds to PAL. As disclosed in the voluntary announcement of the Company dated 10 July 2020, the Company fully settled and repaid the balance of the outstanding principal and interest in relation to the Convertible Bonds to PAL.

The tranche 2 of the Convertible Bonds to Riverhead Capital was due on 28 June 2020. As disclosed in the announcement of the Company dated 8 July 2020 (the “**Amendment Deed Announcement**”), the Company and Riverhead Capital entered into an amendment deed (the “**Amendment Deed**”) on 8 July 2020 (after trading hours), pursuant to which, Riverhead Capital conditionally agreed to extend the maturity date of the tranche 2 of the Convertible Bonds to Riverhead Capital from the date falling on the third anniversary of the issue date of the tranche 2 of the Convertible Bonds to Riverhead Capital (i.e. 28 June 2020) to the fifth anniversary of the issue date of the tranche 2 of the Convertible Bonds to Riverhead Capital (i.e. 28 June 2022) (the “**CB Extension**”). Subject to fulfilment of the conditions precedent as disclosed in Amendment Deed Announcement, the Company shall execute a supplemental deed poll (the “**Supplemental Deed Poll**”) to effect the CB Extension. A circular containing, among others, further details of CB Extension and a notice for the extraordinary general meeting (“**EGM**”) was despatched to the Shareholders on 29 July 2020.

At the EGM held on 27 August 2020, the ordinary resolution approving the CB Extension contemplated under the Amendment Deed and the proposed grant of the specific mandate as set out in the EGM notice dated 29 July 2020 was not passed by the independent Shareholders by way of poll at the EGM. Pursuant to the terms and conditions of the Convertible Bonds to Riverhead Capital, the outstanding principal amount of HK\$60,000,000 together with all accrued and unpaid interests of the tranche 2 of the Convertible Bonds to Riverhead Capital were repaid on 4 September 2020.

For details of the Cinda Subscription Agreement, PAL Subscription Agreement and Riverhead Capital Subscription Agreement and the relevant transactions, please refer to the circulars of the Company dated 13 December 2016 and 29 July 2020, and announcements of the Company dated 21 September 2016, 22 November 2016, 5 January 2017, 30 March 2017, 28 April 2017, 5 July 2018, 14 January 2019, 30 March 2020, 14 April 2020, 8 July 2020, 10 July 2020 and 27 August 2020.

With reference made to the mentioned circulars and announcements, Tranche 1 Convertible Bonds, tranche 2 of the Convertible Bonds to Riverhead Capital and tranche 3 of the Convertible Bonds to Riverhead Capital were issued pursuant to the resolutions passed at the EGM held on 5 January 2017. The total funds raised from and the details of the use of proceeds of the said tranches are as follows:

Tranche 1 Convertible Bonds

	Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the year ended 31 March 2021	Unutilized proceeds as at 31 March 2021	Expected timeline for the use of unutilized proceeds and reasons for delay
a.	Expanding the margin financing and underwriting businesses	HK\$60,000,000	HK\$60,000,000	HK\$0	Not applicable
b.	Establishment of a joint venture company to be formed in the PRC (the “JV Company”) under the Closer Economic Partnership Arrangement	HK\$120,000,000	HK\$0	HK\$120,000,000	The proceeds is planned to be applied in accordance with the intended use as disclosed in the circular dated 13 December 2016. Documents to supplement the application made to China Securities Regulatory Commission for establishment of the JV Company was last made on 27 July 2018 while the timeframe is subject to the said regulator’s approval
c.	Expanding its money lending business	HK\$150,000,000	HK\$150,000,000	HK\$0	Not applicable
d.	Engaging in private equity investments	HK\$12,000,000	HK\$12,000,000	HK\$0	Not applicable
e.	Proprietary trading	HK\$5,000,000	HK\$5,000,000	HK\$0	Not applicable

	Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the year ended 31 March 2021	Unutilized proceeds as at 31 March 2021	Expected timeline for the use of unutilized proceeds and reasons for delay
f.	Strengthening the capital base of wealth management business	HK\$2,000,000	HK\$2,000,000	HK\$0	Not applicable
g.	Strengthening the capital base of corporate financing business	HK\$2,000,000	HK\$2,000,000	HK\$0	Not applicable
h.	General working capital	HK\$34,000,000	HK\$34,000,000	HK\$0	Not applicable

Tranche 2 of the Convertible Bonds to Riverhead Capital

	Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the year ended 31 March 2021	Unutilized proceeds as at 31 March 2021	Expected timeline for the use of unutilized proceeds
a.	Further expanding the margin financing business	HK\$50,000,000	HK\$50,000,000	HK\$0	Not applicable
b.	Further strengthening the underwriting business	HK\$10,000,000	HK\$10,000,000	HK\$0	Not applicable

Tranche 3 of the Convertible Bonds to Riverhead Capital

	Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the year ended 31 March 2021	Unutilized proceeds as at 31 March 2021	Expected timeline for the use of unutilized proceeds
a.	Further strengthening the proprietary trading business	HK\$36,000,000	HK\$36,000,000	HK\$0	Not applicable
b.	Further engagement in private equity investments	HK\$12,000,000	HK\$12,000,000	HK\$0	Not applicable
c.	For the asset management business to be used as seed money to the existing funds and/or new funds	HK\$12,000,000	HK\$12,000,000	HK\$0	Not applicable

Adjustment to the Convertible Bonds

As at 16 October 2020, which is the date for convening the EGM for the Shareholders' approval for the share consolidation of the Company, with details set out in note 13 to the announcement (the "**Share Consolidation**"), the outstanding convertible bonds of the Company were the tranche 3 of the Convertible Bonds to Riverhead Capital (the "**Outstanding Convertible Bonds**"), with an aggregate principal amount of HK\$21,000,000, which were convertible into 350,000,000 shares of par value of HK\$0.01 each in the share capital of the Company (the "**Existing Shares**") at the conversion price of HK\$0.06 per Existing Share. As a result of the Share Consolidation and in accordance with the terms and conditions of the convertible bonds of the Company, effective from the close of business on Monday, 19 October 2020, the following adjustment (the "**CB Adjustment**") was made to the conversion price of the Outstanding Convertible Bonds and the number of consolidated shares falling to be issued upon the exercise of the conversion rights attaching to the Outstanding Convertible Bonds:

Immediately before the CB Adjustment becoming effective		Immediately after the CB Adjustment becoming effective	
Number of Existing Shares to be issued upon full conversion of the Outstanding Convertible Bonds	Conversion price per Existing Share	Number of consolidated shares to be issued upon full conversion of the Outstanding Convertible Bonds	Conversion price per consolidated share
350,000,000	HK\$0.06	35,000,000	HK\$0.60

Grant Thornton Hong Kong Limited, Certified Public Accountants, reviewed the above adjustments and confirmed that the calculation of the CB Adjustment was made in accordance with the terms and conditions of the convertible bonds of the Company.

Save for the CB Adjustment, all the other terms and conditions of the convertible bonds of the Company remain unchanged.

SUPPLEMENTAL LOAN AGREEMENT RELATING TO THE EXTENSION OF REPAYMENT DATE OF LOAN

On 29 January 2019, Fortune Finance Limited, a wholly-owned subsidiary of the Company (the “**Lender**”), Shine Well Holdings Limited (the “**Borrower**”) and Mr. LAI Tse Ming, being a sole director and sole shareholder of the Borrower (the “**Guarantor**”) entered into the loan agreement (the “**Loan Agreement**”), pursuant to which, the Lender agreed to grant to the Borrower a loan in the principal amount of HK\$155,000,000 bearing an interest rate of 12% per annum for a period of 12 months (subject to extension) (the “**Loan**”) from and including the date of utilization of the Loan (the “**Drawdown Date**”).

On 13 May 2020, the Lender, the Borrower and the Guarantor entered into a supplemental loan agreement (the “**Supplemental Loan Agreement**”), pursuant to which, among other things, the Lender agreed to extend the repayment date of the Loan from 12 months after the Drawdown Date (i.e. 30 January 2020) to 21 months after the Drawdown Date (i.e. 31 October 2020) on the terms and subject to the conditions therein. Subject to the Lender’s prior written consent, the repayment date (the “**Repayment Date**”) could be further extended for a further 6 months to 30 April 2021.

The entering into of the Supplemental Loan Agreement, when aggregated with the interest income derived from the Loan since its drawdown constitutes a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and is therefore subject to the announcement and shareholders’ approval requirements under the Listing Rules.

At the EGM of the Company held on 27 August 2020, the ordinary resolution approving the Supplemental Loan Agreement and extension of Repayment Date of Loan as set out in the EGM notice dated 29 July 2020 was passed by the independent Shareholders by way of poll at the EGM held on 27 August 2020. Pursuant to the announcement of the Company dated 30 October 2020, at the request of the Borrower, the Lender has on 30 October 2020 agreed to further extend the Repayment Date to 30 April 2021. All the outstanding principal amount of the Loan, together with all the accrued and unpaid interests, were repaid by the Borrower on 10 February 2021.

For details of the Loan Agreement, Supplemental Loan Agreement and the extension of the Repayment Date, please refer to the circular of the Company dated 29 July 2020 and announcements of the Company dated 29 January 2019, 13 May 2020, 15 May 2020, 27 August 2020 and 30 October 2020.

OUTLOOK

In the foreseeable future, the global economy will inevitably be under the influence of the development of the pandemic. Meanwhile, as the settling down of the US election and the economic recovery of countries around the world at different paces, the bargain between China and the US would continue. Uncertainties would exist in the new international relationships in a post-COVID-19 world. However, we still firmly believe that we human beings will eventually overcome the virus, and the long-term growth of China's overall economy will continue. We have strong confidence in the Chinese market and invest a lot in it. Based in Hong Kong and possessing a global vision, we provide services to Chinese enterprises and help more Chinese enterprises enter the international capital market and meanwhile assist more international investors to explore the long-term value of Chinese market. China Fortune will adhere to its philosophy of “be steady, accurate, quick and decisive”, assessing market trends accurately, making decisions quickly to respond to the changing market. Under the principles of stringent risk and cost control, we will achieve further breakthroughs in our business and bring better rewards to the Shareholders.

CAPITAL STRUCTURE

As at 31 March 2021, the nominal value of the total issued share capital of the Company was approximately HK\$91,531,000 comprising 915,307,885 shares of the Company of HK\$0.10 each (the “**Shares**”).

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries of the Group, the Group ensures each of them maintains a liquid capital level that is adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Reporting Year, all the licensed subsidiaries of the Group complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes convertible bonds, corporate bonds, lease liabilities, loans, cash and cash equivalents and equity attributable to owners of the Company, which comprises issued share capital and reserves.

The Directors review the capital structure regularly. As part of the review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remains unchanged during the years ended 31 March 2021 and 2020.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission (the "SFC") of Hong Kong and are required to comply with certain minimum capital requirements according to the rules of SFC. Our management monitors, on a daily basis, the subsidiaries' liquid capital level to ensure they meet with the minimum liquid capital requirement in accordance with the Hong Kong Securities and Futures (Financial Resources) Rules. The range of liquid capital is from HK\$100,000 to HK\$3,000,000 or 5% of their total adjusted liabilities, whichever is higher.

One of the subsidiaries of the Group is a licensed insurance intermediary under the Insurance Ordinance and is required to maintain a minimum net asset value of HK\$100,000 at all times.

There is no non-compliance of the capital requirements of the Group members imposed by the respective regulators during the years ended 31 March 2021 and 2020.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

During the Reporting Year, the Group mainly financed its operations by cash generated from operating activities, loans and issuance of the corporate bond.

As at 31 March 2021, the Group's current assets and current liabilities were approximately HK\$787,720,000 (2020: approximately HK\$1,033,779,000) and approximately HK\$567,605,000 (2020: approximately HK\$714,325,000) respectively, while the current ratio was about 1.39 times (2020: 1.45 times).

As at 31 March 2021, the Group's aggregate cash and cash equivalents amounted to approximately HK\$263,850,000 (2020: approximately HK\$315,132,000), of which approximately 73.29% was denominated in Hong Kong dollars ("HK\$") (2020: approximately 35.38%), approximately 24.57% was denominated in United States dollars ("USD") (2020: approximately 38.45%), and approximately 2.14% was denominated in Renminbi ("RMB") (2020: approximately 26.17%), representing approximately 33.50% (2020: approximately 30.48%) of total current assets. As at 31 March 2021, the Group had bank loans with accrued interest in approximately HK\$161,318,000 (2020: approximately HK\$252,600,000).

During the Reporting Year, no financial instruments were used for hedging purposes. As at 31 March 2021, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 102.71% (2020: approximately 154.71%). The decrease in ratio was mainly due to the decrease in bank loan payables during the Reporting Year. The debt ratio, defined as total debts over total assets, was approximately 66.06% (2020: approximately 72.27%).

During the year ended 31 March 2021, the Group has issued 1 year corporate bond with face value of HK\$10,000,000 to an independent third party, which will be matured in December 2021 and carry fixed interest rate at 6% per annum with interest payable on the maturity date of the corporate bond (both dates exclusive). The abovementioned corporate bond has been early redeemed on 9 April 2021.

SIGNIFICANT INVESTMENT

As at 31 March 2021, the Group held financial assets and financial liabilities at fair value through profit or loss of approximately HK\$101,230,000 and approximately HK\$420,000, respectively (2020: approximately HK\$222,173,000 and approximately HK\$nil, respectively), with net gain on these financial instruments at approximately HK\$18,952,000 (2020: net loss of approximately HK\$13,384,000).

INVESTMENT PRODUCTS

The Company had and would continue to seek opportunities to make proper use of idle funds within the Group and, where appropriate, facilities from bank(s) or other financial institution, to invest on medium or low risk investment products, including but not limited to stocks, bonds, derivatives and structural products.

Bonds issued by Lv'an Chuangxing Limited

References are made to the announcement and further announcement dated 11 April 2019 and 12 April 2019 respectively with regards to a subscription of bonds. On 11 April 2019, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, placed an order, through a broker, to subscribe bonds issued by Lv'an Chuangxing Limited, an offshore financing vehicle and a wholly-owned subsidiary of Greenland Holdings Corporation Limited (stock code: 600606.SH, a state-controlled enterprise group headquartered in Shanghai, with its main business in real estate, energy and finance), at the investment costs of approximately HK\$86,477,600 in total (including transaction cost). The principal amount of such subscription was USD11,000,000 (approximately HK\$86,477,600) in compare with the aggregate principal amount of USD200,000,000 of the same bonds. The interest rate of the bonds was 6.38% per annum. The bonds was matured on 15 April 2020. During the Reporting Year, an amount of USD27,000 (approximately HK\$210,000) was recognised as interest income from the investment.

Senior Notes issued by E-house (China) Enterprise Holdings Limited

References are made to the announcement and further announcement dated 9 May 2019 and 10 May 2019 respectively with regards to a subscription of new senior notes. On 9 May 2019, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, subscribed senior notes issued by E-house (China) Enterprise Holdings Limited (stock code: 2048.HK) which offers, with its subsidiaries, a wide range of services to the real estate industry, including real estate agency services in the primary market, real estate data and consulting services, and real estate brokerage network services in the PRC, at the investment costs of approximately HK\$65,891,000 in total (including transaction cost). The principal amount of such subscription was initially USD8,447,000 (approximately HK\$65,891,000) in compare with the aggregate principal amount of USD300,000,000 of the same senior notes. Interest in the investment worth approximately USD5,063,000 (approximately HK\$39,488,000) was disposed in the year ended 31 March 2020 with a gain of USD130,000 (approximately HK\$1,018,000). And the remaining interest in the investment worth approximately USD3,473,000 (approximately HK\$27,086,000) was disposed in the Reporting Year with a gain of USD16,000 (approximately HK\$123,000). An interest income of USD79,000 (approximately HK\$619,000) was recognised from the investment during the Reporting Year.

Notes issued by Ease Trade Global Limited

Reference is made to the announcement dated 18 March 2020 with regards to an acquisition of notes. On 18 March 2020, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, acquired notes issued by Ease Trade Global Limited in the principal amount of USD10,000,000 (equivalent to approximately HK\$78,000,000) at a total consideration of approximately USD9,820,000 (equivalent to approximately HK\$76,596,000). Ease Trade Global Limited has carried on no business other than entering into arrangements for the issue of the notes and lending of the net proceeds thereof. Ease Trade Global Limited is a direct, wholly-owned subsidiary of Poly Property Group Co., Limited (stock code: 0119.HK, guarantor of the notes), which in turn is a subsidiary of China Poly Group Corporation Limited (Keepwell Provider of the notes, a central state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council). The fair value of the investment as at 31 March 2021 was USD10,027,000 (approximately HK\$77,670,000, representing about 8.13% of the Group's total assets as at 31 March 2021). The interest rate of the bonds is 5.20% per annum and as a future prospect, it is expected that the bonds will continue to generate a stable income to the Company based on this interest rate until maturity on 10 April 2021. During the Reporting Year, an amount of USD518,000 (approximately HK\$4,045,000) was recognised as interest income from the investment.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of the Group during the Reporting Year.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group had no material contingent liabilities (as at 31 March 2020: nil).

CHARGE ON THE GROUP'S ASSET

As at 31 March 2021, the debt securities of approximately HK\$77,670,000 and the entire share of a wholly-owned subsidiary of the Company, Marvel Champion Investment Limited, have been charged as the secured assets for the banking facilities (as at 31 March 2020: the debt securities of approximately HK\$185,357,000 and the entire share of a wholly-owned subsidiary of the Company, Marvel Champion Investment Limited).

RISK MANAGEMENT

The Group has properly put in place credit management policies which cover the examination of the approval of client's trading and credit limits, regular review of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

FOREIGN CURRENCY FLUCTUATION

During the Reporting Year, the Group mainly used Hong Kong dollars in its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

HUMAN RESOURCES

As at 31 March 2021, the Group had 81 employees in total (2020: 86 employees). The related employees' costs for the Reporting Year (excluding Directors' remunerations) amounted to approximately HK\$74,094,000 (2020: approximately HK\$78,998,000). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities throughout the Reporting Year.

EVENTS AFTER THE REPORTING YEAR

As at the date of this announcement, the Group has no significant events occurred after the Reporting Year which requires additional disclosures or adjustments.

CORPORATE GOVERNANCE

The Company's commitment to the highest standards of corporate governance is driven by the Board which, led by the chairman of the Company, assume overall responsibility for the governance of the Company, taking into account the interests of the Shareholders, the development of its business and the changing external environment.

The Company believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its Shareholders.

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the Reporting Year, the Company has complied with all code provisions and, where appropriate, met the recommended best practices of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transaction. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Reporting Year.

RECORD DATE FOR ANNUAL GENERAL MEETING

In order to determine the eligibility of the Shareholders to attend and vote at the annual general meeting (the “**AGM**”) of the Company which is scheduled to be held on Thursday, 2 September 2021, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on Friday, 27 August 2021. Shareholders whose names are recorded in the register of members of the Company on Friday, 27 August 2021 are entitled to attend and vote at the AGM.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the “**Audit Committee**”) comprises four independent non-executive Directors, namely Mr. CHIU Kung Chik (chairman of the Audit Committee), Mr. CHAN Kin Sang, Mr. LI Gaofeng and Mr. LIU Xin. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the Reporting Year.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Year as set out in this announcement have been agreed by the Group’s auditor, Grant Thornton Hong Kong Limited (“**Grant Thornton**”), to the amounts set out in the Group’s audited consolidated financial statements for the Reporting Year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on this announcement.

PUBLICATION OF THE ANNUAL REPORT

The 2021 annual report of the Company will be dispatched to the Shareholders and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.290.com.hk in July 2021.

By order of the Board of
China Fortune Financial Group Limited
ZHU Yi
*Chief Executive Officer
and Executive Director*

Hong Kong, 29 June 2021

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. XIE Zhichun (Chairman), Mr. ZHU Yi and Ms. SUN Qing; three non-executive Directors, namely Mr. HAN Hanting, Mr. CHEN Zhiwei and Mr. WU Ling; and four independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. CHIU Kung Chik, Mr. LI Gaofeng and Mr. LIU Xin.