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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 2022

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 2022 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 2022

	<i>Notes</i>	2022 HK\$’000	2021 HK\$’000
Revenue	3,4	58,487	131,718
Net investment (losses)/gains	7	(3,151)	18,952
Cost of brokerage and other services		(24,942)	(29,256)
Other income	5	2,146	9,155
(Expected credit losses) (“ ECL ”)/reversal of ECL on loan and trade receivables, net		(5,425)	7,120
Impairment loss		(17,586)	—
Staff costs	7	(51,702)	(66,252)
Other operating expenses	7	(25,770)	(55,799)
Finance costs	6	(11,570)	(23,223)
Share of losses of associates		(9)	(347)
Share of losses of joint ventures		(12)	(5)

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before tax	7	(79,534)	(7,937)
Income tax credit/(expense)	8	225	(5,558)
Loss for the year		(79,309)	(13,495)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		144	6,581
Share of other comprehensive income of associates		2,605	7,631
Share of other comprehensive income of joint ventures		43	77
Release of share of other comprehensive income of joint ventures upon disposal		68	—
		2,860	14,289
Total comprehensive (expense)/income for the year		(76,449)	794
		<i>HK cents</i>	<i>HK cents</i>
Loss per share for loss attributable to owners of the Company			
Basic	<i>10</i>	(8.66)	(1.47)
Diluted	<i>10</i>	(8.66)	(1.47)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property and equipment		—	22,131
Goodwill		—	3,994
Loan receivables	<i>11</i>	—	31,107
Other non-current assets		6,978	6,978
Interests in associates		105,046	102,450
Interests in joint ventures		—	1,064
		<hr/> 112,024 <hr/>	<hr/> 167,724 <hr/>
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		5,391	101,230
Loan and trade receivables	<i>11</i>	98,264	121,177
Contract assets		—	519
Other receivables, deposits and prepayments		21,006	27,534
Tax recoverable		2,171	5,991
Bank balances and cash — trust		175,336	267,419
Bank balances and cash — general		190,418	263,850
		<hr/> 492,586 <hr/>	<hr/> 787,720 <hr/>
Current liabilities			
Trade payables, other payables and accruals	<i>12</i>	179,461	293,910
Financial liabilities at FVTPL		—	420
Contract liabilities		419	380
Lease liabilities		6,790	7,696
Loan payables		100,458	161,318
Convertible bonds		—	21,604
Corporate bonds		33,007	78,955
Tax payable		1,266	3,322
		<hr/> 321,401 <hr/>	<hr/> 567,605 <hr/>
Net current assets		<hr/> 171,185 <hr/>	<hr/> 220,115 <hr/>
Total assets less current liabilities		<hr/> 283,209 <hr/>	<hr/> 387,839 <hr/>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		4,831	11,194
Corporate bonds		30,519	52,337
		<u>35,350</u>	<u>63,531</u>
Net assets		247,859	324,308
		<u>247,859</u>	<u>324,308</u>
Capital and reserves			
Share capital	<i>13</i>	91,531	91,531
Reserves		156,328	232,777
		<u>247,859</u>	<u>324,308</u>
Total equity		247,859	324,308
		<u>247,859</u>	<u>324,308</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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 Company 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 2022 were approved by the Board on 29 June 2022.

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

Amended HKFRSs that are effective for annual periods beginning from 1 April 2021

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 2021.

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 — *Interest Rate Benchmark Reform — Phase 2*
- Amendments to HKFRS 16 — *COVID-19-Related Rent Concessions beyond 30 June 2021*

The Group has not applied any new standard, amendments or interpretation that is not yet effective for the current year. The application of the above amended HKFRSs has no material impact on the amounts reported and/or disclosures set out in this announcement.

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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts ³

Annual Improvements to HKFRSs 2018-2020¹

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

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

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

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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 2022 and 2021 is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividend income	229	191
Income from securities brokerage business	32,455	46,464
Interest income from money lending business	8,348	31,354
Income from insurance brokerage business	1,160	1,385
Income from asset management business	4,696	9,748
Margin interest income from securities brokerage business	4,755	4,369
Service income from corporate finance	6,844	38,207
	<u>58,487</u>	<u>131,718</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers by timing of recognition		
<i>Overtime:</i>		
Service income from corporate finance	1,100	32,093
Income from asset management business	4,583	4,874
<i>At a point in time:</i>		
Service income from corporate finance	5,744	6,114
Income from securities brokerage business	32,455	46,464
Income from insurance brokerage business	1,160	1,385
Revenue from contracts with customers within the scope of HKFRS 15	45,042	90,930
Other information:		
Dividend income	229	191
Interest income from asset management business	113	4,874
Interest income from money lending business	8,348	31,354
Margin interest income from securities brokerage business	4,755	4,369
	<u>58,487</u>	<u>131,718</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 2022

	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	37,210	6,844	8,348	1,160	4,925	—	—	58,487
Inter-segment revenue	12	—	—	82	—	—	(94)	—
Net investment losses	—	—	—	—	(3,151)	—	—	(3,151)
Total	<u>37,222</u>	<u>6,844</u>	<u>8,348</u>	<u>1,242</u>	<u>1,774</u>	<u>—</u>	<u>(94)</u>	<u>55,336</u>
Finance costs	(13)	—	(1,273)	—	(5,463)	(11,554)	6,733	(11,570)
Impairment loss	—	—	—	—	—	(17,586)	—	(17,586)
Others	<u>(37,685)</u>	<u>(18,496)</u>	<u>(5,248)</u>	<u>(1,452)</u>	<u>(9,346)</u>	<u>(26,827)</u>	<u>(6,639)</u>	<u>(105,693)</u>
Segment results	<u>(476)</u>	<u>(11,652)</u>	<u>1,827</u>	<u>(210)</u>	<u>(13,035)</u>	<u>(55,967)</u>	<u>—</u>	<u>(79,513)</u>
Share of losses of associates								(9)
Share of losses of joint ventures								<u>(12)</u>
Loss before tax								(79,534)
Income tax credit								<u>225</u>
Loss for the year								<u><u>(79,309)</u></u>

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	9,903	—	—	131,718
Inter-segment revenue	145	—	—	102	—	—	(247)	—
Net investment gains	5,702	—	—	—	13,250	—	—	18,952
Total	56,716	38,207	31,354	1,487	23,153	—	(247)	150,670
Finance costs	(2,534)	—	(15,000)	—	(7,703)	(22,787)	24,801	(23,223)
Others	(42,547)	(37,888)	(2,091)	(1,693)	(16,349)	(9,910)	(24,554)	(135,032)
Segment results	11,635	319	14,263	(206)	(899)	(32,697)	—	(7,585)
Share of losses of associates								(347)
Share of losses of joint ventures								(5)
Loss before tax								(7,937)
Income tax expense								(5,558)
Loss for the year								(13,495)

Segment assets and liabilities

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment assets		
Securities brokerage and margin financing	297,397	389,324
Corporate finance	28,379	45,061
Money lending	59,536	102,685
Consultancy and insurance brokerage	1,252	1,837
Asset management	37,289	122,098
	<hr/>	<hr/>
Total segment assets	423,853	661,005
Unallocated	180,757	294,439
	<hr/>	<hr/>
Consolidated assets	604,610	955,444
	<hr/>	<hr/>
Segment liabilities		
Securities brokerage and margin financing	175,219	272,437
Corporate finance	1,232	15,107
Money lending	141	2,640
Consultancy and insurance brokerage	84	466
Asset management	5,685	5,412
	<hr/>	<hr/>
Total segment liabilities	182,361	296,062
Unallocated	174,390	335,074
	<hr/>	<hr/>
Consolidated liabilities	356,751	631,136
	<hr/> <hr/>	<hr/> <hr/>

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				Corporate finance				Money lending		Consultancy and insurance brokerage		Asset management		Unallocated		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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)	—	—	—	—	—	—	—	—	—	—	960	696	130	22,235	1,090	22,931		
Bad debt written off on trade receivables	—	—	570	1,650	—	—	—	—	—	—	—	—	—	—	570	1,650		
Depreciation on property and equipment	89	89	4	9	—	—	—	—	—	—	—	—	1,763	6,305	1,856	6,403		
Depreciation on right-of-use assets	—	—	—	—	—	—	—	—	—	—	503	447	7,270	15,137	7,773	15,584		
ECL/(Reversal of ECL) on trade receivables, net	2,057	(9,541)	682	—	—	—	—	—	—	—	—	—	—	—	2,739	(9,541)		
ECL on loan receivables	—	—	—	—	2,686	2,421	—	—	—	—	—	—	—	—	2,686	2,421		
Loss on disposal of property and equipment	—	—	—	—	—	—	—	—	—	—	—	—	—	1,186	—	1,186		

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 2022 and 2021.

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue during the years ended 31 March 2022 and 2021 is as follows:

	2022 HK\$'000	2021 HK\$'000
Customer 1	25,524	N/A*
Customer 2	N/A*	18,901
Customer 3	N/A*	18,284

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	78,169	105,046
The People's Republic of China ("PRC")	33,487	31,203
	<u>111,656</u>	<u>136,249</u>

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from financial institutions	239	579
Exchange gain, net	736	—
Sundry income (<i>note</i>)	1,171	8,576
	<u>2,146</u>	<u>9,155</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance charges on lease liabilities	393	304
Interests on bank and loan payables	2,755	5,320
Interests on other borrowings	2	821
Interests on corporate bonds	7,764	12,811
Interests on convertible bonds	656	3,967
	<u>11,570</u>	<u>23,223</u>

7. LOSS BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net investment (losses)/gains:		
Net (losses)/gains on financial assets and financial liabilities at FVTPL	<u>(3,151)</u>	<u>18,952</u>
Other operating expenses:		
Auditors' remuneration	1,180	1,300
Announcement and listing fee	450	452
Bad debt written-off on trade receivables	570	1,650
Bank charges	102	188
Computer expenses	1,180	1,299
Depreciation on:		
— Right-of-use assets	7,773	15,584
— Property and equipment	1,856	6,403
Entertainment	1,790	1,426
Exchange losses, net	—	2,953
Information and communication fee	1,624	2,174
Lease charges on short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	328	1,297
Legal and professional fee	2,431	10,439
Loss on disposal of property and equipment	—	1,186
Membership fee	68	872
Office refurbishment	813	1,270
Rates and building management fee	994	2,028
Telecommunication fee	415	677
Travelling expenses	1,506	735
Other expenses	2,690	3,866
Total	<u>25,770</u>	<u>55,799</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs:		
— Directors' remunerations	10,409	17,032
— Salaries and allowance	42,619	72,789
— Retirement benefit scheme contributions (excluding Directors)	1,368	1,305
	54,396	91,126
Less: Staff costs included in cost of services	(2,694)	(24,874)
	51,702	66,252

8. INCOME TAX (CREDIT) EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision for Hong Kong profits tax		
— Current year	174	5,578
— Over provision in respect of prior years	(399)	(20)
Total income tax (credit) expense	(225)	5,558

The provision for Hong Kong Profits Tax for the year ended 31 March 2022 is calculated at 16.5% (2021: 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 2021.

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 2022 and 2021 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 2022 and 2021.

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:

	2022	2021
	HK\$'000	HK\$'000
Loss before tax	(79,534)	(7,937)
Tax at domestic income tax rate of 16.5% (2021: 16.5%)	(13,123)	(1,309)
Tax effect of expenses not deductible for tax purpose	1,818	853
Tax effect of incomes not taxable for tax purpose	(767)	(1,929)
Tax effect of share of losses of associates	1	57
Tax effect of share of losses of joint ventures	2	1
Over provision in respect of prior years	(399)	(20)
Effect of different tax rates of PRC subsidiaries/branches and two-tiered profit tax rate	(409)	(329)
Utilisation of tax losses not recognised in previous years	(2)	(88)
Tax effect of tax losses not recognised	12,654	8,322
	<hr/>	<hr/>
Tax (credit)/ expense for the year	(225)	5,558
	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2022, the Group had estimated unused tax losses of approximately HK\$806,970,000 (2021: HK\$734,229,000) 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 2022 and 2021.

As at 31 March 2022, tax losses of approximately HK\$21,441,000 (2021: HK\$18,777,000) attributable to certain subsidiaries in the PRC had an expiry period of five years. During the year, tax loss of approximately HK\$705,000 (2021: HK\$1,489,000) 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 2022 and 2021, deferred taxation has not been provided for in the consolidated financial statements as the Company’s subsidiaries, associates 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 2022, nor has any dividend been proposed since the end of the reporting year (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share	<u>(79,309)</u>	<u>(13,495)</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>915,308</u>	<u>915,308</u>

The calculation of diluted loss per share for the years ended 31 March 2022 and 2021 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 2020, the beginning of the earliest period reported. Details of share consolidation are set out in note 13.

11. LOAN AND TRADE RECEIVABLES

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<i>(a)</i>	47,537	58,994
Loan receivables — current	<i>(b)</i>	<u>50,727</u>	<u>62,183</u>
		98,264	121,177
Loan receivables — non current	<i>(b)</i>	<u>—</u>	<u>31,107</u>
		<u>98,264</u>	<u>152,284</u>

(a) Trade receivables

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from securities brokerage business		
— cash clients	24	6
— Hong Kong Securities Clearing Company Limited (“HKSCC”)	410	2,713
— margin clients	48,257	48,716
Trade receivables from other businesses	1,639	7,613
	<hr/>	<hr/>
	50,330	59,048
Less: ECL	(2,793)	(54)
	<hr/>	<hr/>
	47,537	58,994
	<hr/> <hr/>	<hr/> <hr/>

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 2022 and 2021 based on the invoice date was as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	493	9,518
31 to 60 days	342	17
61 to 90 days	—	—
Over 90 days	556	797
	<hr/>	<hr/>
	1,391	10,332
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of HK\$560,284,000 (2021: HK\$204,555,000) 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 2022, included in the total trade receivables, HK\$46,170,000 (2021: HK\$48,668,000) was interest bearing whereas HK\$1,367,000 (2021: HK\$10,326,000) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	54	9,595
ECL/(Reversal of ECL) recognised during the year, net	<u>2,739</u>	<u>(9,541)</u>
At the end of the year	<u><u>2,793</u></u>	<u><u>54</u></u>

(b) Loan receivables

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current portion		
Secured loan receivables	—	11,107
Unsecured loan receivables	—	20,000
	<u>—</u>	<u>31,107</u>
Current portion		
Secured loan receivables	14,139	5,185
Unsecured loan receivables	36,588	59,419
	<u>50,727</u>	<u>64,604</u>
Less: ECL	—	(2,421)
	<u><u>50,727</u></u>	<u><u>93,290</u></u>

The Group has provided money lending and mortgage services in Hong Kong during the year. Our customers are mainly individuals. Our Group recorded an interest income from money lending of approximately HK\$8,348,000 (2021: approximately HK\$31,354,000), representing a decrease of approximately 73.38% as compared with the corresponding period in 2021.

As at 31 March 2022, the secured loan receivables are secured by all monies, deposits and equity shares of listed companies with fair value of HK\$2,567,000 (2021: HK\$5,736,000) in the securities account and second mortgage over certain property units and carried interest at a fixed interest rate at 12% to 13% (2021: 13% to 15%) per annum.

As at 31 March 2022, the unsecured loan receivables are guaranteed by the independent third parties, and carried interest at fixed interest rate at 12% to 15% (2021: 12% to 15%) per annum.

The amount of loans receivables due from the largest borrower and the five largest borrowers are approximately HK\$22,519,000 (2021: approximately HK\$22,519,000, approximately 24% of total loan receivable) and approximately HK\$50,727,000 (2021: approximately HK\$83,562,000, approximately 87% of total loan receivable) respectively.

The Group has certain concentration risk on loan receivables as it has five (2021: eight) customers with outstanding balances of approximately HK\$50,727,000 (2021: approximately HK\$93,290,000) as at 31 March 2022.

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	227	387
31 to 60 days	—	107
61 to 90 days	—	—
Over 90 days	50,500	92,796
	50,727	93,290

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 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 and 1 April 2021	90,768	4,943	95,711
Amounts originated	11,928	420	12,348
Amounts recovered or repaid during the year	(51,969)	(256)	(52,225)
Amounts written off as uncollectible	—	(5,107)	(5,107)
At 31 March 2022	<u>50,727</u>	<u>—</u>	<u>50,727</u>

The movement of ECL of loan receivables is as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Total HK\$'000
At 1 April 2020	—	—	—
ECL recognised during the year	—	2,421	2,421
At 31 March 2021 and 1 April 2021	—	2,421	2,421
ECL recognised during the year	—	2,686	2,686
Amounts written off as uncollectible	—	(5,107)	(5,107)
At 31 March 2022	<u>—</u>	<u>—</u>	<u>—</u>

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

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables from the securities brokerage business:		
— margin and cash clients	172,364	260,940
Other payables and accruals	7,097	32,970
	<u>179,461</u>	<u>293,910</u>

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 2022 and 2021, the other payables and accruals mainly represent accrued bonus and commission to the staff.

13. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount <i>HK\$'000</i>
Authorised:			
Ordinary shares of HK\$0.01 each at 1 April 2020		20,000,000	200,000
Share consolidation	<i>(a)</i>	<u>(18,000,000)</u>	<u>—</u>
Ordinary shares of HK\$0.10 each at 31 March 2021, 1 April 2021 and 31 March 2022		<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each at 1 April 2020		9,153,079	91,531
Share consolidation	<i>(a)</i>	<u>(8,237,771)</u>	<u>—</u>
Ordinary shares of HK\$0.10 each at 31 March 2021, 1 April 2021 and 31 March 2022		<u>915,308</u>	<u>91,531</u>

(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 2022 and 2021, the Group had commitments for short-term leases which fall due as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	<u>5</u>	<u>173</u>

(b) Capital commitment

The Group had the following capital commitment at reporting date:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted but not provided for:		
Investment in joint ventures	<u>—</u>	<u>5,610</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 2022 (the “**Reporting Year**”), revenue and net investment losses of the Group amounted to approximately HK\$55,336,000 representing a decrease of approximately 63.27% from approximately HK\$150,670,000 for the year ended 31 March 2021. The decrease was mainly attributable to a certain decrease in the revenue of each segment of the Group and a net investment loss from investment in financial assets.

The Group recorded a loss of approximately HK\$79,309,000 for the year ended 31 March 2022, as compared with the loss of approximately HK\$13,495,000 for the corresponding period in 2021. Net loss attributable to owners of the Company amounted to approximately HK\$79,309,000 for the Reporting Year, representing an increase of approximately 487.69% comparing with the loss of approximately HK\$13,495,000 for the corresponding period in 2021. The overall performance of net loss attributable to owners of the Company was increased in the year ended 31 March 2022 mainly due to (i) a decrease in revenue; (ii) a net investment losses from investment in financial assets; (iii) expected credit losses on loan and trade receivables; and (iv) impairment loss.

The basic and diluted loss per share of the Company for the Reporting Year was approximately HK8.66 cents as compared with the basic and diluted loss per share of approximately HK1.47 cents for the corresponding period in 2021.

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\$37,222,000, representing a decrease of approximately 27.04% as compared to the revenue of approximately HK\$51,014,000 for the corresponding period in 2021.

No net investment gain was recorded for the year ended 31 March 2022 (2021: approximately HK\$5,702,000).

The segment loss for the year ended 31 March 2022 amounted to approximately HK\$476,000 (2021: segment profit approximately HK\$11,635,000), representing a decrease in profit of approximately 104.09% as compared with the corresponding period in 2021.

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 from corporate finance business decreased by approximately 82.09% from approximately HK\$38,207,000 to approximately HK\$6,844,000 while the segment loss for the year ended 31 March 2022 amounted to approximately HK\$11,652,000 (2021: segment profit approximately HK\$319,000).

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\$8,348,000 (2021: approximately HK\$31,354,000), representing a decrease of approximately 73.38% as compared with the corresponding period in 2021.

The Group applies general approach in measuring loss allowance for expected credit losses on loans receivable.

The Group granted loans to borrowers with different period of time. As the term loans are normally repaid monthly in instalment amount, they would be past due during the loan period and thus, past due day information is meaningful in assessing if there is significant increase in credit risk during the loan period.

In assessing default risk of loan receivables, management considered the following factors:

- collateral ratio (if any);
- amount of actual shortfall;
- delay in repayment;
- responsive to the Group's request in repayment after maturity of loan;
- an actual or expected downgrade of the external or internal credit rating of the borrower;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower’s ability to meet its debt obligation;
- significant changes in external market indicators of credit risk for a particular financial asset or similar financial assets with similar characteristics; and
- significant changes in the value of the collateral supporting the obligation or credit enhancement, if applicable.

Management classify loan receivables based on the following:

Stage 1: For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.

Stage 2: For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired. Below are indicators of significant increase in credit risks: Repayment of loan is delayed by borrower; Collateral Ratio (if any) is 60% or higher; and Responsive to the Group’s request.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Below are events indicating that the balance is credit-impaired:

- (a) The Group makes liquidation call to borrowers to liquidate their securities collateral (if any) to settle the outstanding balances;
- (b) The borrower is not responsive to the Group’s request; and
- (b) The Group loses contact with the borrowers.

In assessing default risk of loan receivables, management would make reference to the default rates studies conducted by certain external credit rating agency. In addition, management would incorporate forward looking economic information through the use of industry trend and experienced credit judgment to reflect qualitative factors.

Consultancy and insurance brokerage

During the Reporting Year, the Group recorded a segment revenue from consultancy services and insurance brokerage services of approximately HK\$1,242,000 (2021: approximately HK\$1,487,000), representing a reduction of approximately 16.48% as compared with the corresponding period in 2021.

Asset management

During the Reporting Year, the Group recorded a segment revenue and net investment loss from asset management of approximately HK\$1,774,000 (2021: segment revenue and net investment gains approximately HK\$23,153,000), representing a decrease in segment revenue of approximately 92.34% as compared with the corresponding period in 2021. The increase in segment loss was mainly attributable to a net investment loss from investment in financial assets and reduction 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 in to 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 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.

The tranche 3 of the Convertible Bonds to Riverhead Capital matured on 5 July 2021. Pursuant to the terms and conditions of the Convertible Bonds to Riverhead Capital, the outstanding principal amount of HK\$21,000,000 together with all accrued and unpaid interests was repaid on 5 July 2021.

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 2022	Unutilized proceeds as at 31 March 2022	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

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 2022	Unutilized proceeds as at 31 March 2022	Expected timeline for the use of unutilized proceeds and reasons for delay
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
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 2022	Unutilized proceeds as at 31 March 2022	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 2022	Unutilized proceeds as at 31 March 2022	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 consolidated financial statements (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 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.

OUTLOOK

In the future, it is foreseeable that the global economy will continue to undergo a bunch of challenges including uncertain trend of geopolitical crisis, distinct economic cycles in various countries due to the fact that Federal Reserve has accelerated tightening monetary policy, and disruption of China's economic growth as a result of the recurrent pandemic. Despite many uncertainties in the future, China Fortune still maintains a firm belief to stay grounded in Hong Kong with a global view. In the changing market environment, we will size up the situation, keenly grasp the market trend, stick to the bottom line of risk and compliance in the turbulent market, and keep growing in a steady flow.

CAPITAL STRUCTURE

As at 31 March 2022, 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 2022 and 2021.

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 2022 and 2021.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

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

As at 31 March 2022, the Group’s current assets and current liabilities were approximately HK\$492,586,000 (2021: approximately HK\$787,720,000) and approximately HK\$321,401,000 (2021: approximately HK\$567,605,000) respectively, while the current ratio was about 1.53 times (2021: 1.39 times).

As at 31 March 2022, the Group’s aggregate cash and cash equivalents amounted to approximately HK\$190,418,000 (2021: approximately HK\$263,850,000), of which approximately 57.09% was denominated in Hong Kong dollars (“HK\$”) (2021: approximately 73.29%), approximately 39.90% was denominated in United States dollars (“USD”) (2021: approximately 24.57%), and approximately 3.01% was denominated in Renminbi (“RMB”) (2021: approximately 2.14%), representing approximately 38.66% (2021: approximately 33.50%) of total current assets. As at 31 March 2022, the Group had bank loans with accrued interest in approximately HK\$100,458,000 (2021: approximately HK\$161,318,000).

During the Reporting Year, no financial instruments were used for hedging purposes. As at 31 March 2022, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 70.85% (2021: approximately 102.71%). The decrease in ratio was mainly due to the decrease in bank loan payables and corporate bonds during the Reporting Year. The debt ratio, defined as total debts over total assets, was approximately 59.01% (2021: approximately 66.06%).

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 2022, the Group held financial assets and financial liabilities at fair value through profit or loss of approximately HK\$5,391,000 and approximately HK\$nil respectively (2021: approximately HK\$101,230,000 and approximately HK\$420,000 respectively), with net loss on these financial instruments at approximately HK\$3,151,000 (2021: net gain of approximately HK\$18,952,000).

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.

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. The bonds matured on 10 April 2021. During the Reporting Year, an amount of USD14,000 (approximately HK\$112,000) 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 2022, the Group had no material contingent liabilities (as at 31 March 2021: nil).

CHARGE ON THE GROUP'S ASSET

As at 31 March 2022, the debt securities of approximately HK\$nil 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 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).

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 2022, the Group had 69 employees in total (2021:81 employees). The related employees' costs for the Reporting Year (excluding Directors' remunerations) amounted to approximately HK\$43,987,000 (2021: approximately HK\$74,094,000). 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 Tuesday, 27 September 2022, 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 Wednesday, 21 September 2022. Shareholders whose names are recorded in the register of members of the Company on Wednesday, 21 September 2022 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 BDO LIMITED

The Company changed its auditor on 2 September 2021.

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, BDO Limited (“**BDO**”), to the amounts set out in the Group’s audited consolidated financial statements for the Reporting Year. The work performed by BDO 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 BDO on this announcement.

PUBLICATION OF THE ANNUAL REPORT

The 2022 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 2022.

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

Hong Kong, 29 June 2022

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.