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PF Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8221)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020

The board (the "**Board**") of directors (the "**Directors**") of PF Group Holdings Limited (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020. This announcement, containing the full text of the Annual Report 2020 of the Company (the "**Annual Report 2020**"), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcement of the annual results. Printed version of the Annual Report 2020 containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course.

By order of the Board
PF Group Holdings Limited
Lo Tak Wing Benson
Chairman and Executive Director

Hong Kong, 30 June 2020

As at the date of this announcement, the executive Directors are Mr. Lo Tak Wing Benson and Mr. Lo Shiu Wing Chester; the non-executive Director is Mr. Khoo Ken Wee; and the independent non-executive Directors are Mr. Ma Wai Hung Vincent, Mr. Mok Kwai Pui Bill and Mr. Ng Shu Bun Andrew.

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.pfs.com.hk.

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Tak Wing Benson *(Chairman)*
Mr. Lo Shiu Wing Chester *(Chief Executive Officer)*

Non-executive Director

Mr. Khoo Ken Wee

Independent Non-executive Directors

Mr. Ma Wai Hung Vincent
Mr. Mok Kwai Pui Bill
Mr. Ng Shu Bun Andrew

AUDIT COMMITTEE

Mr. Mok Kwai Pui Bill *(Chairman)*
Mr. Ma Wai Hung Vincent
Mr. Ng Shu Bun Andrew

REMUNERATION COMMITTEE

Mr. Ng Shu Bun Andrew *(Chairman)*
Mr. Ma Wai Hung Vincent
Mr. Mok Kwai Pui Bill
Mr. Lo Tak Wing Benson

NOMINATION COMMITTEE

Mr. Ma Wai Hung Vincent *(Chairman)*
Mr. Mok Kwai Pui Bill
Mr. Ng Shu Bun Andrew
Mr. Lo Shiu Wing Chester

COMPLIANCE OFFICER

Mr. Lo Shiu Wing Chester

COMPANY SECRETARY

Ms. Wong Po Ling, Pauline

AUTHORISED REPRESENTATIVES

Mr. Lo Tak Wing Benson
Ms. Wong Po Ling, Pauline

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F, New World Tower, Tower II
16–18 Queen's Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central, Hong Kong

COMPLIANCE ADVISER

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central, Hong Kong

PRINCIPAL BANKER

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

STOCK CODE

8221

COMPANY WEBSITE

www.pfs.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am delighted to present to you the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020 (the "**Year**" or "**2020**").

BUSINESS REVIEW

During the year under review, the Hong Kong economy entered into recession in the fourth quarter of last year, being the first annual decline since the great recession in 2009. Weighed down by often violent anti-government protests and the protracted trade war between the United States and China.

The economy shrank by a seasonally adjusted 0.4% between October and December from the previous quarter, versus a revised 3% contraction from July to September. On an annual basis, Hong Kong's economy shrank by 2.9% in the fourth quarter, compared with a revised 2.8% contraction in the third quarter. These uncertainties have also affected the overall performance of the Hong Kong stock market.

The Group's commission income from securities dealing and brokerage services slightly increased by 2.9% from approximately HK$6.8 million in 2019 to approximately HK$7.0 million in 2020.

The Group's fee and commission income from placing and underwriting activities decreased by 77.6% from approximately HK$49.0 million in 2019 to approximately HK$11.0 million in 2020, which was mainly attributable to the decrease in the number of placing and underwriting engagements participated by the Group and the total transaction value decreased by approximately HK$0.7 billion.

Interest income mainly represents the interest income generated from the provision of margin and loan financing services for customers to purchase securities listed in the Stock Exchange on a margin basis. During the year, the interest income from margin and loan clients increased by 30.8% from approximately HK$6.5 million in 2019 to approximately HK$8.5 million in 2020.

On the other hand, the Group's fee income from asset management services decreased by 50.0% from approximately HK$1.4 million in 2019 to approximately HK$0.7 million in 2020, which was mainly attributable to the decrease in the total net assets value managed by the Group.

Other revenue mainly represents the professional service fee income and loan commitment fee income. During the year, other revenue slightly decreased by 2.6% from approximately HK$3.9 million in 2019 to approximately HK$3.8 million in 2020.

Overall, total revenue for the year ended 31 March 2020 decreased by approximately 54.3% or HK$36.7 million as compared to the year ended 31 March 2019 mainly as a result of the decrease in fee and commission income from placing and underwriting activities under the challenging business environment during the year.

CHAIRMAN'S STATEMENT

OUTLOOK

Entering into 2020, the rapid spread of the Coronavirus disease 2019 (the "**COVID-19**") has dealt a severe blow to economic activities and sentiment in Hong Kong. The management of the Group would review and adjust business strategies on a regular basis with a prudent and balanced risk management approach so as to cope with the current unpredictable economic situation. Looking forward, the Group will primarily focus on securities dealing and brokerage services, placing and underwriting services, financial services including but not limited to securities and initial public offering margin financing and asset management service.

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

APPRECIATION

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

On behalf of the Board,

Lo Tak Wing Benson
Chairman and Executive Director

Hong Kong, 30 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Since 6 January 2017, the shares of the Company have been listed on GEM of the Stock Exchange (the "**Listing**") by way of placing at the placing price of HK$0.15 per share (the "**Placing**").

Securities Dealing and Brokerage Services

The Group provides securities and brokerage services to customers for trading in securities listed on the Stock Exchange which comprise of corporate and individual customers. For the year ended 31 March 2020, the Group had 393 active securities trading accounts (2019: 480), the total transaction value in 2020 was approximately HK$3.2 billion (2019: approximately HK$3.4 billion). The Group's commission income from securities dealing and brokerage services slightly increased by approximately 2.9% from approximately HK$6.8 million in 2019 to approximately HK$7.0 million in 2020. The increase was mainly attributable to one particular fund's transaction value are three times higher than in 2019 and the corresponding commission income rate are relatively higher than other funds.

Placing and Underwriting Services

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

Placing and underwriting fee and commission income is principally affected by the number of engagements participated by the Group, the size of engagements and the commission rates. For the year ended 31 March 2020, the Group completed 8 placing and underwriting engagements with a total transaction value of approximately HK$0.1 billion (2019: 24 placing and underwriting engagements with a total transaction value of approximately HK$0.8 billion). The Group generated fee and commission income from placing and underwriting activities decreased by approximately 77.6% from approximately HK$49.0 million in 2019 to approximately HK$11.0 million in 2020. The decrease was mainly attributable to the decrease in number of engagement participated by the Group and the total transaction value decreased by approximately HK$0.7 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Margin and Loan Financing Services

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

The Group's interest income from margin and loan financing services increased by 30.8% from approximately HK$6.5 million in 2019 to approximately HK$8.5 million in 2020. The increase was attributable to the loan interest received from the general offer loan of approximately HK$2.2 million during the Year.

Asset Management Services

As at 31 March 2020, the Group had six (2019: five) asset management clients and the total net assets value managed by the Group amounted to approximately HK$4.3 billion (2019: approximately HK$5.2 billion). Pursuant to the relevant asset management agreements with these clients, the Group acts as an investment manager and provides asset management services to them on a discretionary basis pursuant to each client's investment requirements, objectives and restrictions, and is entitled to (i) management fees on a fixed fee basis or on a percentage basis ranging from 1.0% per annum to 1.5% per annum; (ii) performance fees on a percentage basis ranging from 10% to 20%; and (iii) discretionary bonus. Total fee income from asset management services in 2020 was approximately HK$0.7 million, representing a decrease of approximately 50% as compared to that of approximately HK$1.4 million in 2019, which was mainly due to the decrease in the total net assets value managed by the Group.

Other Services

In addition to the above business activities, the Group may on a case by case basis come across other projects, the fee income from which is recorded as other revenue. The other revenue in 2020 was approximately HK$3.8 million, representing a slight decrease of approximately 2.6% as compared to the other revenue of approximately HK$3.9 million in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Financial Data

	As at/Year ended 31 March 2020	2019	Approximate percentage change
Results of operation (HK$'000)			
Revenue	30,905	67,596	(54.3%)
(Loss)/profit before tax	(6,216)	26,539	(123.4%)
Total comprehensive (loss)/income for the year attributable to owners of the Company	(6,263)	22,028	(128.4%)
Financial position (HK$'000)			
Current assets	291,430	375,542	(22.4%)
Current liabilities	54,531	101,401	(46.2%)
Net assets	244,152	280,415	(12.9%)
Key financial ratios			
Net profit margin	(20.1%)	32.6%	
Return on equity	(2.5%)	7.9%	
Return on total assets	(2.1%)	5.8%	
Current ratio	5.3 times	3.7 times	
Net debt to equity ratio	Net Cash Position	1.8	
Gearing ratio	Nil	1.8	

Revenue

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

	2020 HK$'000	2019 HK$'000
Securities dealing and brokerage service	6,956	6,800
Placing and underwriting services	10,986	49,028
Asset management services	662	1,446
Other services	3,795	3,860
Revenue from contracts with customers	22,399	61,134
Revenue from other sources		
Interest income from margin financing services	6,324	6,462
Interest income from loan financing services	2,182	–
	8,506	6,462
	30,905	67,596
Timing of revenue recognition:		
A point in time	21,921	60,134
Over time	478	1,000
	22,399	61,134

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Revenue (continued)

The Group recorded a total revenue for the year ended 31 March 2020 of approximately HK$30.9 million, representing a decrease of approximately 54.3% from approximately HK$67.6 million for the year ended 31 March 2019. Details are stated as below:

(i) an increase in commission income from securities dealing and brokerage services by approximately HK$0.2 million. The increase was mainly due to the one particular fund's transaction value are three times higher than in 2019 and the corresponding commission income rate are relatively higher than other funds;

(ii) a decrease in revenue generated from the placing and underwriting services by approximately HK$38.0 million mainly as a result of the decrease in number of placing and underwriting engagements participated by the Group and the total transaction value decreased by approximately HK$0.9 billion;

(iii) an increase in interest income from margin and loan financing by approximately HK$2.0 million which was mainly attributable to the loan interest received from the general offer loan of approximately HK$2.2 million during the year;

(iv) a decrease in fee income from asset management services by approximately HK$0.7 million which was mainly due to the decrease in the total net assets value managed by the Group; and

(v) a slight decrease in income from other services by approximately HK$0.1 million from approximately HK$3.9 million in 2019 to approximately HK$3.8 million in 2020.

Other Gains and Losses

Other gains and losses mainly consist of interest charged on overdue accounts receivable (at 5% plus prime rate) and settlement and handling fee income. The total other gains and losses for the year ended 31 March 2020 was approximately HK$0.7 million (2019: approximately HK$0.7 million).

Commission Expenses

Commission expenses represent commission paid to the Group's accounts executives (including in-house and self-employed accounts executives) and commission paid to sub-placing agents or sub-underwriters engaged by the Group for the fund raising exercises participated by the Group. Total commission expenses decreased by approximately 39.2% from approximately HK$14.3 million in 2019 to approximately HK$8.7 million in 2020 which was mainly due to the decrease in commission paid to sub-placing agents or sub-underwriters by approximately HK$7.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Depreciation expenses for right-of-use assets

Upon implementation of HKFRS 16 effective from 1 January 2019, if the Group enters into any lease transaction as a lessee, it should recognise the right-of-use asset and will be regarded as an acquisition of asset under the GEM Listing Rules. Depreciation expenses for right-of-use assets represent the leasing period from the head office in Hong Kong. The depreciation expenses for the year ended 31 March 2020 was approximately HK$3.5 million.

Staff Costs

Staff costs include Directors' emoluments, staff salaries, bonus, allowances and contribution to Mandatory Provident Fund. As at 31 March 2020, the Group had a total of 25 employees including Directors (2019: 28). Staff costs is one of the largest expense in the Group which accounted for approximately 39.3% of the total expenses of the Group in 2020 (2019: approximately 26.2%). Total staff costs in 2020 was approximately HK$15.0 million, representing an increase of approximately 24.0% from approximately HK$12.1 million in 2019. Such increase was mainly attributable to the bonus distribution during the year.

Other Operating Expenses

Other operating expenses primarily consist of donations, entertainment expenses, legal and professional fees, office rent and rates, software and stock information expenses and various miscellaneous office expenses. Total other operating expenses decreased by 31.1% from approximately HK$15.1 million in 2019 to approximately HK$10.4 million in 2020, which was mainly attributable to the application of HKFRS 16 as mentioned above. Office rent and rates decreased by 71.4% while the depreciation expenses for right-of-use assets and finance cost increased.

Loss/profit for the Year

Loss for the year 2020 was approximately HK$6.2 million, as compared with a profit for the year of approximately HK$22.0 million in 2019. Basic loss per share in 2020 was approximately 0.31 HK cents, as compared with earnings per share of approximately 1.10 HK cents in 2019. The net loss was mainly attributable to the challenging business environment during the year, which posed significant negative impact on the financial market.

Dividend

Special Dividend

On 14 January 2020, the Board resolved the declaration and payment of a special dividend of HK$0.015 (2019: HK$nil) per ordinary share of the Company (the "**Special Dividend**"), in aggregate amounting to HK$30,000,000 (2019: HK$nil). The Special Dividend was paid in cash on or around Wednesday, 12 February 2020.

Final Dividend

The Board recommends the payment of a final dividend in respect of the year ended 31 March 2020 of HK$0.025 (2019: HK$nil) per ordinary share of the Company, in aggregate amounting to HK$50,000,000 (2019: HK$nil), subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

The details of the dividends are set out in note 14 to the consolidated financial statements and the 2020 AGM circular of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 March 2020, the Group mainly financed its operations, capital expenditure and other capital requirements by internal resources and net proceeds raised from the Placing.

As at 31 March 2020, the net current assets of the Group amounted to approximately HK$236.9 million (2019: approximately HK$274.1 million), including cash and cash equivalents of approximately HK$107.5 million excluding pledged bank deposit and cash held on behalf of customers (2019: approximately HK$189.6 million). The current ratio of the Group, being the ratio of current assets to current liabilities, was approximately 5.3 times (2019: 3.7 times).

As at 31 March 2020, the Group had no bank borrowings outstanding (31 March 2019: HK$5.0 million).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK$244.2 million as at 31 March 2020 (31 March 2019: approximately HK$280.4 million).

OUTLOOK

Entering into 2020, the rapid spread of the COVID-19 has dealt a severe blow to economic activities and sentiment in Hong Kong. The management of the Group would review and adjust business strategies on a regular basis with a prudent and balanced risk management approach so as to cope with the current unpredictable economic situation. Looking forward, the Group will primarily focus on securities dealing and brokerage services, placing and underwriting services, financial services including but not limited to securities and initial public offering margin financing and asset management service.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had a total of 25 employees including Directors (2019: 28). Total staff costs (including Directors' emoluments, staff salaries, bonus, allowances and contribution to Mandatory Provident Fund) for the year ended 31 March 2020 were approximately HK$15.0 million (2019: approximately HK$12.1 million). Employees' remuneration was determined based on the employees' qualification, experience, position and seniority. The remuneration packages comprise mainly monthly fixed salaries and discretionary bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

PLEDGE OF THE GROUP'S ASSETS

As at 31 March 2020, the Group had pledged its bank deposit amounting to HK$5.0 million (2019: HK$5.0 million) for banking facilities granted by a bank in Hong Kong to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments during the year ended 31 March 2020 (2019: nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 March 2020.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2020 (2019: nil).

EVENT AFTER THE REPORTING PERIOD

Possible Change of Controlling Shareholder of the Company

The Company was informed by Thoughtful Mind Limited, a company incorporated in British Virgin Islands with limited liability and is owned as to 57.1% by Mr. Lo Tak Wing Benson and as to 42.9% by Mr. Lo Shiu Wing Chester (together with Mr. Lo Tak Wing Benson, the "**Warrantors**"), as a vendor (the "**Vendor**") and the Warrantors that on 28 April 2020 (after trading hours), they had entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**") with Chance Wise Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned as to 70% by Ms. Hsieh Ching Chun and as to 30% by Mr. Fok Yuk Tong ("**Mr. Fok**"), as a purchaser and offeror (the "**Offeror**") and Mr. Fok, as the guarantor to the Offeror, pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase the sale shares, being 1,500,000,000 ordinary shares of the Company (the "**Sale Shares**"), for a total consideration of HK$120,000,000, equivalent to HK$0.08 per Sale Share, which was agreed between the Vendor and the Offeror after arm's length negotiations. The Sale Shares represent 75% of the entire issued share capital of the Company. Completion will be subject to the satisfaction or waiver (as applicable) of the conditions precedent to the completion (the "**Completion**") of the Sale and Purchase Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Possible Mandatory Unconditional Cash Offer by RSI Securities Limited for and on behalf of Chance Wise Investments Limited to Acquire all the Issued Shares (other than Those Already Owned or Agreed to be Acquired by Chance Wise Investments Limited and Parties Acting in Concert with it) of the Company

Immediately following the Completion, the Offeror and parties acting in concert with it will be interested in an aggregate of 1,500,360,000 shares, representing 75.018% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, the Offeror is required to make a mandatory unconditional general offer (the "**Offer**") in cash for all the issued shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it upon Completion.

Details of the Sale and Purchase Agreement and the Offer are set out in the Company's announcements dated 6 May 2020 and 5 June 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Credit Risk

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

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

Liquidity Risk

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

The Group also has other monitoring systems to monitor and maintain a level of cash and cash equivalents deems adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, as at 31 March 2020, the Group had available banking facilities of HK$35.0 million (2019: HK$55.0 million) to meet any contingency in its operations.

Operational Risk

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Tak Wing Benson ("**Mr. B Lo**"), aged 57, is the chairman of the Board and an executive Director. Mr. B Lo is the brother of Mr. Lo Shiu Wing Chester, another executive Director. He was appointed as a Director on 3 August 2015 and was designated as an executive Director and the Chairman of the Board on 1 February 2016. Mr. B Lo joined the Group in September 1990 as a director of PFSL, a subsidiary of the Group. He is also a director of several subsidiaries of the Group. He is responsible for the formulation of corporate strategy, overall management, business development and customer referrals.

Mr. B Lo has attained more than 29 years of experience in the financial services industry. Mr. B Lo is a responsible officer ("**Responsible Officer**"), being a person that is approved under section 126 of the SFO to supervise one or more regulated activities of a licensed corporation, of PFSL for Type 1 and Type 9 regulated activities under the SFO. He is currently a director and senior fellow member of the Hong Kong Securities and Investment Institute. Mr. B Lo is also currently a director of the Ebenezer School & Home for the Visually Impaired Limited.

Mr. Lo Shiu Wing Chester ("**Mr. C Lo**"), aged 54, was appointed as a Director on 3 August 2015 and was designated as the chief executive officer, executive Director and compliance officer of the Company on 1 February 2016. Mr. C Lo is Mr. B Lo's brother. He joined the Group as a director of PFSL in January 1999 and became the managing director of PFSL in February 2008. He is also a director of several subsidiaries of the Group. He is responsible for the administration of the information technology and trading system, handling litigation and enquiries from the Securities and Futures Commission of Hong Kong and the Stock Exchange, internal business control and credit control, the general administration, human resources, business operations and compliance of the Group.

From July 1992 to February 1993, Mr. C Lo was trained in the International Banking Division of Hang Seng Bank Limited and in February 1993, he was transferred to the Organisation and Methods Department and worked as an operations and management officer with Hang Seng Bank Limited until June 1993. Prior to joining the Group, Mr. C Lo worked as an accountant in the Corporate Control Department of Philips Hong Kong Limited from July 1994 and was promoted to senior accountant from January 1996 to December 1998.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Khoo Ken Wee ("**Mr. Khoo**"), aged 55, was appointed as a non-executive Director on 1 February 2016. Since August 2002, Mr. Khoo has been acting as a director of Pacific Innovest Corporate Finance Limited ("**PICFL**"), a former subsidiary of the Group which was disposed of in March 2016, and he is responsible for the supervision, management and direction of the business operation of PICFL.

In 1988, Mr. Khoo worked for six months with Merrill Lynch's Consumer Markets Department. From January 1989 to May 1989, Mr. Khoo worked at the Office of City Policy Analysis for the City of San Jose, United States of America. He analysed the operating budget of the City of San Jose, United States of America. Prior to joining the Group, Mr. Khoo worked as a manager with Peregrine Capital Limited from May 1990 to March 1994 and he was responsible for corporate finance work, including initial public offerings, rights issues, placements and financial advisory work in Hong Kong, Mainland China and overseas. From May 1994 to January 1998, Mr. Khoo worked with Yamaichi International (H.K.) Limited as the head of Investment Banking Department, Capital Markets Group where he was responsible for establishing corporate finance business and executing corporate finance transactions.

From March 1998 to June 2002, Mr. Khoo was the managing director of Celestial Asia Securities Holdings Limited (stock code: 1049) ("**CASH**"). During the appointment, Mr. Khoo contributed to CASH and its group's business development, particularly in the online financial services and various technology development projects. He was also appointed as directors of the subsidiaries of the CASH group, including Pricerite Group Limited (stock code: 996). From August 2000 to June 2002, Mr. Khoo was also an executive director and chief executive officer of Cash Financial Services Group Limited (formerly known as Cash On-line Limited) ("**COL**") which was listed on GEM with stock code number 8122 in December 2000. In March 2008, COL's listing was transferred to the Main Board of the Stock Exchange ("**Main Board**") under a new stock code 510.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Shu Bun Andrew ("**Mr. Ng**"), aged 58, was appointed as an independent non-executive Director on 5 December 2016, which took effect on 6 January 2017 (the "**Listing Date**").

Mr. Ng has over 23 years' experience in accounting practice industry and he has held senior positions in a number of blue-chip fast moving consumer goods multi-national organisations. Mr. Ng worked for a number of companies among others, Trebor Bassett Ltd., Cadbury Beverages Limited, Cadbury Schweppes Pty Ltd. and Coca Cola China Limited during the period between June 1990 and December 1999 and he was responsible for various senior finance and general management roles with the respective company's business units in the United Kingdom, Hong Kong and Mainland China. From June 2001 to October 2007, Mr. Ng worked for A.S. Watson & Co., Ltd. as finance director and he was responsible for managing the finance and treasury functions of A.S. Watson Group's Greater China beverage operations. Mr. Ng joined T.C. NG & Company CPA Limited in November 2007. Further, Mr. Ng became a shareholder and director of T.C. Ng & Company CPA Limited in February 2009. In November 2007, Mr. Ng, through TCN Consulting Services Limited, started to provide consulting and finance outsourcing services.

Mr. Ng was admitted as an associate member to the Institute of Chartered Accountants in England and Wales in June 1990 and became a fellow of the institute in July 2004. Mr. Ng is also currently a practicing member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Mr. Ng became a member of the Hong Kong Securities and Investment Institute in April 2013.

Mr. Mok Kwai Pui Bill ("**Mr. Mok**"), aged 59, was appointed as an independent non-executive Director on 5 December 2016, which took effect on the Listing Date.

Mr. Mok has accumulated approximately 31 years of experience in auditing, accounting and finance, and has held various management positions in companies listed on the Stock Exchange and the United Kingdom. Mr. Mok began his career in public accounting in the United States. After returning to Hong Kong in 1988, he joined Price Waterhouse (currently known as PricewaterhouseCoopers) as a staff accountant and then was promoted to deputy manager from 1988 to 1993. From 1993 to 1995, he was acting in the position as a finance and administration manager for a publication company. Mr. Mok then served as a finance manager of China projects in Hong Kong and China Gas Company Limited, a company listed on the Main Board (stock code: 0003) from 1995 to 1996. Mr. Mok joined the investment industry where he worked as an analyst in financial services companies from 1996 to 1999. From 1999 to 2003, Mr. Mok acted as a vice president in equity research in the investment arm of an insurance group. Mr. Mok then joined the property and hotel industry where he acted as the chief financial officer of Far East Consortium International Limited ("**FEC**") from 2004 to 2010, a company listed on the Main Board (stock code: 0035). After FEC's hotel division was spun-off to form Kosmopolito Hotels International Limited (subsequently known as Dorsett Hospitality International Limited; a company formerly listed on the Main Board and was privatised and voluntarily delisted in 2015) in 2010 to become a company separately listed on the Main Board, Mr. Mok was appointed as the president, an executive director, and a member of the remuneration committee of Kosmopolito Hotel International Limited from 2010 to 2011. In October 2011, Mr. Mok resigned as the president and an executive director of Kosmopolito Hotels International Limited and remained as a non-executive director till August 2012. From November 2011 to May 2017, Mr. Mok has been serving as the chief financial officer of Fortune Oil plc, a company that was previously listed on the London Stock Exchange (stock code on the London Stock Exchange: FTO). Since 2013, Mr. Mok has also been serving as an independent non-executive Director of Grand Ming Group Holdings Limited, a company listed on the Main Board (stock code: 1271). Since May and August 2017, Mr. Mok has been appointed as the chief financial officer and company secretary, respectively, of China Education Group Holdings Limited, a company listed on the Stock Exchange since 15 December 2017 (stock code: 0839).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Mok is a member of the American Institute of Certified Public Accountants since July 1993 and a member of the HKICPA since September 1994.

Mr. Ma Wai Hung Vincent ("**Mr. Ma**"), aged 55, was appointed as an independent non-executive Director on 5 December 2016, which took effect on the Listing Date.

Mr. Ma is currently the managing director of Soma International Limited, a Hong Kong based company engaged in the toys trading business and other business investment, where he is responsible for the overall management of the company. Mr. Ma possesses over 28 years of experience in the toy industry. Mr. Ma was the vice chairman and executive director of Aptus Holdings Limited (stock code: 8212) (currently known as Celebrate International Holdings Limited and formerly known as Hong Kong Life Group Holdings Limited) ("**Aptus**") from April 2002 to June 2003. From June 2003 to September 2004, Mr. Ma acted as a non-executive director of Aptus. Mr. Ma was responsible for the overall business development of the Aptus group of companies.

Mr. Ma is the vice-chairman of the Hong Kong Exporters' Association and he is also a general committee member of the Toys Manufacturers' Association of Hong Kong.

SENIOR MANAGEMENT

Ms. Tam Kit Chun ("**Ms. Tam**"), aged 65, is one of the Responsible Officers for the Group's Type 1 regulated activity under the SFO and was appointed as the senior dealing officer of PFSL on 5 December 2016. Ms. Tam joined the Group in 1992 and she has been with the Group since then. Ms. Tam is, together with other Responsible Officers of the Group, responsible for, among other things, monitoring the daily operation of settlement, dealing with regulatory authorities and general administrative duties. Ms. Tam has over 40 years of experience in the securities industry. Prior to joining the Group, she worked at the settlement department of another local securities brokerage firm. In 1993, Ms. Tam was promoted as floor trader of the Group where she was responsible for executing customers' orders and general day to day sales and trading work. Ms. Tam obtained a certificate for passing the brokers representatives examination awarded by the Stock Exchange in February 1993, she has also passed the option trading officer & representative as well as the options clearing officer examination awarded by the Stock Exchange in November 1994. Since April 1999, Ms. Tam has been a member of the Hong Kong Securities and Investment Institute.

Ms. Tsang Kong Kit ("**Ms. Tsang**"), aged 44, is one of the Responsible Officers for the Group's Type 1 and Type 9 regulated activities under the SFO and she was appointed as the chief information officer and a compliance officer of PFSL on 8 December 2015. Ms. Tsang is responsible for overseeing and managing the Group's information system, which includes designing and constructing its IT infrastructure, implementing and maintaining its trading system and providing IT support. She is also responsible for monitoring and advising PFSL on compliance and internal control matters. Ms. Tsang has around 19 years of experience working in the Hong Kong securities industry. Prior to joining the Group in September 2015, Ms. Tsang worked at Hani Securities (Hong Kong) Limited ("**Hani**") from 1999 to 2015 where she was head of information system and she was also one of the Responsible Officers of Hani from June 2009 to 2015. She was a licensed representative for Type 1, Type 4 and Type 9 regulated activities under the SFO. At Hani, she was responsible for the computerisation of the front and back office as well as compliance issues and information system planning and implementation. Ms. Tsang obtained a bachelor's degree in Computing Studies from the Hong Kong Baptist University in December 1999. She has been a certified financial planner of the Institute of Financial Planners of Hong Kong since September 2009.

CORPORATE GOVERNANCE REPORT

Pursuant to rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 March 2020. This report highlights the key corporate governance practices of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 15 of the GEM Listing Rules. For the year ended 31 March 2020, to the best knowledge of the Board, the Company has applied the principles and complied with the applicable code provisions set out in the CG Code:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the "**Required Standard of Dealings**") set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, all of them confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 March 2020 and up to the date of this annual report.

THE BOARD

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

CORPORATE GOVERNANCE REPORT

THE BOARD (continued)

Composition of the Board

Up to the date of this annual report, the Board comprises six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors
Mr. Lo Tak Wing Benson ("**Mr. B Lo**") *(Chairman)*
Mr. Lo Shiu Wing Chester ("**Mr. C Lo**") *(Chief Executive Officer)*

Non-executive Director
Mr. Khoo Ken Wee ("**Mr. Khoo**")

Independent non-executive Directors
Mr. Ma Wai Hung Vincent ("**Mr. Ma**")
Mr. Mok Kwai Pui Bill ("**Mr. Mok**")
Mr. Ng Shu Bun Andrew ("**Mr. Ng**")

The biographical details of the Directors are set out on pages 14 to 17 of this annual report.

To the best of the knowledge of the Company, there is no financial, business, family or other material or relevant relationship between Board members or between the Chairman and the Chief Executive Officer except that Mr. B Lo is the brother of Mr. C Lo.

Appointment and Re-election of Directors

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the Chairman is separate from that of the Chief Executive Officer so as to delineate their respective areas of responsibility, power and authority. During the year, Mr. B Lo, being the Chairman of the Board, focuses on the Group's strategic planning, overall management, business development and customer referrals. Mr. C Lo, being the Chief Executive Officer, has overall executive responsibility for the Group's operations, internal business control and compliance matters.

The Board, led by the Chairman, sets the overall direction, strategy and policies of the Company. The Chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company.

NON-EXECUTIVE DIRECTORS

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

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

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

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

BOARD COMMITTEES

Audit Committee

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

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

During the year ended 31 March 2020, the Audit Committee held 5 meetings. During the year, the Audit Committee considered and approved the change of auditor of the Company and reviewed the consolidated quarterly, interim and final results of the Group. It has also reviewed the risk management and internal control systems of the Group, the effectiveness of the Group's internal audit function, the continuing connected transactions carried out by the Group and the compliance with the deed of non-competition as set out in the section headed "REPORT OF THE DIRECTORS" of this annual report. The Audit Committee is of the opinion that the consolidated financial statements of the Group have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

Nomination Committee

The Company has established a nomination committee (the "**Nomination Committee**") with written terms of reference in compliance with the CG Code. The Nomination Committee currently comprises one executive Director, namely Mr. C Lo, and three independent non-executive Directors, namely Mr. Ma, Mr. Mok and Mr. Ng. Mr. Ma is the chairman of the Nomination Committee.

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued)

Nomination Committee (continued)

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

Board Diversity Policy

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

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

Nomination Policy

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

Selection Criteria

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

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement in accordance with the GEM Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules (in case of independent non-executive Directors);
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- any other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (continued)

Nomination Committee (continued)

Directors Nomination Procedures

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

(a) *Appointment of New Director*

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

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

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

Remuneration Committee

The Company has established a remuneration committee (the "**Remuneration Committee**") in compliance with the rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The Remuneration Committee currently comprises one executive Director, namely Mr. B Lo, and three independent non-executive Directors, namely Mr. Ma, Mr. Mok and Mr. Ng. Mr. Ng is the chairman of the Remuneration Committee.

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AT MEETINGS

During the year ended 31 March 2020, the attendance of each member of the committees meetings, Board meetings and general meeting are recorded as follows:

Directors	Board meetings attended/held (Note 1)	Audit Committee meetings attended/held (Note 1)	Nomination Committee meeting attended/held (Note 1)	Remuneration Committee meeting attended/held (Note 1)	General meeting attended/held
Mr. B Lo	C (7/7)	N/A	N/A	M (1/1)	(1/1)
Mr. C Lo	M (7/7)	N/A	M (1/1)	N/A	(1/1)
Mr. Khoo	M (6/7)	N/A	N/A	N/A	(1/1)
Mr. Ma	M (6/7)	M (5/5)	C (1/1)	M (1/1)	(1/1)
Mr. Mok	M (6/7)	C (5/5)	M (1/1)	M (1/1)	(1/1)
Mr. Ng	M (6/7)	M (5/5)	M (1/1)	C (1/1)	(1/1)

Note:

1. C — Chairman of the relevant Board committee
   M — Member of the relevant Board committee

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The statement of the auditors of the Company regarding their reporting responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 46 to 50 of this annual report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics are sent to the Directors where appropriate. All Directors and employees are encouraged to attend relevant training courses to keep abreast of the latest market and regulation changes.

All Directors have participated in appropriate continuous professional development training which covered updates on laws, rules and regulations and also directors' duties and responsibilities. The following shows the training of each of the Directors received during the year:

	Attending seminars/briefings	Reading materials
Executive Directors:		
Mr. B Lo	✓	✓
Mr. C Lo	✓	✓
Non-executive Director:		
Mr. Khoo	✓	✓
Independent Non-executive Directors:		
Mr. Ma		✓
Mr. Mok	✓	✓
Mr. Ng	✓	✓

COMPANY SECRETARY

Ms. Wong Po Ling, Pauline ("**Ms. Wong**") is the company secretary of the Company (the "**Company Secretary**"). Ms. Wong is engaged and appointed by the Company from an external secretarial services provider as its Company Secretary. The primary corporate contact person of the Company is Mr. C Lo, an executive Director and the Chief Executive Officer. In accordance with the rule 5.15 of the GEM Listing Rules, Ms. Wong had taken no less than 15 hours of relevant professional training during the year ended 31 March 2020.

CORPORATE GOVERNANCE REPORT

INDEPENDENT AUDITORS' REMUNERATION

During the year ended 31 March 2020, the remuneration paid or payable to the external auditors of the Company in respect of the audit and non-audit services were as follows:

Services rendered	Remuneration paid/payable HK$'000
Audit services	
— Statutory audit services	700
Non-audit services	–
	700

DIVIDEND POLICY

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

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

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

Pursuant to rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles. There are no changes in the Company's constitutional documents during the year ended 31 March 2020 and up to the date of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for reviewing the effectiveness of risk management and internal control systems of the Group. The Board is committed to implementing an effective and sound risk management and internal control systems to safeguard the interest of the Shareholders and the Group's assets. The Board has delegated to the management the implementation of the systems of risk management and internal control and review of all relevant financial, operational, compliance controls and risk management functions within the established framework. The Group has engaged an independent external professional consultant to conduct independent internal control review throughout the year. The review covered parts of the internal control system including financial, operational, compliance control and risk management functions. Such review will be conducted regularly throughout each year.

As the corporate and operating structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Group does not have an internal audit department. However, because the Group has engaged an independent external professional consultant to conduct internal control review, the Board considered that the Group's internal control system is adequate and effective.

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

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

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

The main features of the risk management and internal control systems includes:

Risk Identification

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

Risk Assessment

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

Response to Risks

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

Risk Monitoring and Reporting

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

Inside Information

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

During the Year, the Board considered the Group's internal control system as adequate and effective and that the Company has complied with the code provisions of the CG Code.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

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

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

RIGHTS OF THE SHAREHOLDERS

Procedures for the Shareholders to Convene an Extraordinary General Meeting

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

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

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

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

Procedures for directing shareholders' enquiries to the Board

The shareholders may send their enquiries to the Board by addressing them to the principal place of business of the Company in Hong Kong (located at 11/F, New World Tower, Tower II, 16–18 Queen's Road Central, Hong Kong) by post or by email to info@pfs.com.hk. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

CORPORATE GOVERNANCE REPORT

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

Pursuant to article 85 of the Articles, a written notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong at 11/F, New World Tower, Tower II, 16–18 Queen's Road Central, Hong Kong provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting of the Company appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by rule 17.50(2) of the GEM Listing Rules. The procedures for shareholders of the Company to propose a person for election as a Director are posted on the Company's website.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2020 are set out in note 40 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business, a discussion and analysis of the Group's performance during the year ended 31 March 2020, an analysis of the prospects of the Group's business and a description of the principal risks and uncertainties facing by the Group are set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" from pages 6 to 13 of this annual report.

SEGMENT INFORMATION

Details of segment reporting are set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 and the financial position of the Group as at that date are set out in the consolidated financial statements from pages 51 to 111 of this annual report.

Special Dividend

On 14 January 2020, the Board resolved the declaration and payment of a special dividend of HK$0.015 (2019: HK$nil) per ordinary share of the Company (the "**Special Dividend**"), in aggregate amounting to HK$30,000,000 (2019: HK$nil). The Special Dividend was paid in cash on or around Wednesday, 12 February 2020.

Final Dividend

The Board recommends the payment of a final dividend in respect of the year ended 31 March 2020 of HK$0.025 (2019: HK$nil) per ordinary share of the Company, in aggregate amounting to HK$50,000,000 (2019: HK$nil), subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

The details of the dividends are set out in note 14 to the consolidated financial statements and the 2020 AGM circular of the Company.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for each of the last five financial years is set out on page 112 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, the revenue attributable to the Group's largest customer accounted for approximately 17.7% (2019: approximately 10.8%) of the Group's total revenue and the revenue attributable to the Group's five largest customers accounted for approximately 41.8% (2019: approximately 38.3%) of the Group's total revenue.

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

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

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 March 2020 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2020 are set out in note 28 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures during the year ended 31 March 2020.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity and in notes 29 and 39 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2020, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately HK$51.8 million (2019: HK$28.8 million).

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

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

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

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

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

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

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

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

As at the date of this annual report, the total number of shares available for issue under the Scheme is 200,000,000 shares, representing 10% of the issued share capital of the Company. Since the adoption of the Scheme and up to 31 March 2020, no Option has been granted by the Company.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Save and except for the Scheme as disclosed in the paragraph headed "SHARE OPTION SCHEME" above, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company to enter into any agreement that will or may result in the Company issuing shares, was entered into by the Company during the year ended 31 March 2020 or subsisted at the end of the year.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "CORPORATE GOVERNANCE REPORT" from pages 18 to 30 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2020, to the best of knowledge of the Directors, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

DISCLOSURES UNDER RULES 17.22 TO 17.24 OF THE GEM LISTING RULES

As at 31 March 2020, the Group had no circumstances which would give rise to a disclosure obligation under rules 17.22 to 17.24 of the GEM Listing Rules.

ENVIRONMENTAL POLICIES AND KEY RELATIONSHIP WITH EMPLOYEES

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

The Environmental, Social and Governance Report conducted by a professional third party for year 2020 will be published separately in compliance with the requirements of the GEM Listing Rules.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2020, the Group has 393 (2019: 480) active securities accounts. The Group is committed to establish and maintain long term and harmonious relationships with its customers. In order to maintain the relationships with customers, various means have been established to strengthen the communications between the Group and the customers including email, telephone and face-to-face meeting. In addition, the Group will continue to expand the customer base by utilising the network it has and referrals from existing customers.

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

REPORT OF THE DIRECTORS

DONATION

During the year ended 31 March 2020, the Group made charitable donations of approximately HK$0.2 million (2019: HK$0.5 million).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 March 2020 and up to date of this report were as follows:

Executive Directors

Mr. Lo Tak Wing Benson ("**Mr. B Lo**") *(Chairman)*
Mr. Lo Shiu Wing Chester ("**Mr. C Lo**") *(Chief Executive Officer)*

Non-executive Director

Mr. Khoo Ken Wee ("**Mr. Khoo**")

Independent non-executive Directors

Mr. Ma Wai Hung Vincent ("**Mr. Ma**")
Mr. Mok Kwai Pui Bill ("**Mr. Mok**")
Mr. Ng Shu Bun Andrew ("**Mr. Ng**")

The biographical details of the Directors are set out on pages 14 to 17 of this annual report.

Pursuant to the Articles, at the forthcoming annual general meeting of the Company (the "**2020 AGM**"), Mr. B Lo and Mr. Khoo will retire as Directors and, being eligible, offer themselves for re-election.

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

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

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

No Director proposed for re-election at the 2020 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than the normal statutory compensation.

REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" from pages 14 to 17 of this annual report.

EMOLUMENT POLICY

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

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

Details of the emoluments of the Directors, five highest paid individuals and senior management by band are set out in notes 32, 33 and 35 to the consolidated financial statements respectively.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions against them arising out of corporate activities. A permitted indemnity provision (as defined under the Hong Kong Companies Ordinance) is currently in force and was in force throughout the year ended 31 March 2020 for the benefit of the Directors.

COMPETING INTERESTS

None of the Directors, the controlling shareholders of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year ended 31 March 2020 and up to the date of this annual report.

REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKING

Each of Thoughtful Mind Limited ("**TML**"), Mr. B Lo and Mr. C Lo (collectively, the "**Covenantors**" and each a "**Covenantor**") entered into a deed of non-competition (the "**Deed of Non-Competition**") with the Company on 5 December 2016 pursuant to which each of the Covenantors has, among other things, undertaken with the Company that at any time during the period that the Deed of Non-Competition remains effective, such Covenantor shall not, and shall procure that neither their respective close associates nor companies controlled by the Covenantors (other than the members of the Group) will, directly or indirectly, be interested in or engaged in any form of business, including but not limited to any joint venture, alliance, cooperation, partnership which competes or is likely to compete directly or indirectly with the Group's business in any area in which the Group carries or may carry on business ("**Restricted Activity**") from time to time; nor provide support in any form to persons other than the members of the Group to engage in business that constitute or may constitute direct or indirect competition with the businesses that the Group is currently and from time to time carrying on.

Such non-competition undertaking does not apply to holding shares of a company which conducts or is engaged in any Restricted Activity provided that, such shares are listed on a recognised stock exchange and: (a) the total number of the shares held by the Covenantors and/or their respective close associates (in aggregate) does not amount to more than 5% of the issued shares of such company; and (b) the Covenantors and/or their respective associates are not entitled to appoint a majority of the directors or management of that company.

The Covenantors have confirmed in writing to the Company of their compliance with the Deed of Non-Competition, and the independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Covenantors for the year ended 31 March 2020 and up to the date of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 35 to the consolidated financial statements. Those related party transactions which constituted connected transactions/continuing connected transactions under the GEM Listing Rules, which are set out in the paragraph headed "CONNECTED TRANSACTIONS" below, have complied with the requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During the year ended 31 March 2020, the Group conducted the following continuing connected transactions of the Group (the "**CCTs**"):

1. *Khoo Connected Service Agreement*
   On 7 December 2016, the Group's subsidiary, PFSL, entered into a service agreement with Mr. Khoo, the non-executive Director, in relation to the provision of brokerage, margin financing and placing services (the "**Services**") to him (where applicable, including his associates (as defined in the GEM Listing Rules)) under the securities accounts with PFSL (the "**2016 Khoo Connected Service Agreement**"). The 2016 Khoo Connected Service Agreement is effective for a period of 3 years from the Listing Date.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

1. *Khoo Connected Service Agreement (continued)*

More details of the continuing connected transactions conducted under the 2016 Khoo Connected Service Agreement for the year ended 31 March 2020 were as follows:

Connected party	Annual caps	Annual cap amounts for the year ended 31 March 2020 HK$'000	Maximum daily outstanding amount/revenue amount for the year ended 31 March 2020 HK$'000 (Approximately)
Mr. Khoo	Khoo Outstanding Annual Cap (Note 1)	2,000	1,373
	Khoo Revenue Annual Cap (Note 2)	500	70 (Note 3)

Notes:

1. Khoo Outstanding Annual Cap is the annual aggregated cap for the maximum daily outstanding amount of margin financing to be provided to Mr. Khoo.

2. Khoo Revenue Annual Cap is the annual aggregated cap for the total revenue from brokerage, margin financing and placing services to be provided to Mr. Khoo.

3. The amount comprised revenue from brokerage, margin financing and placing services provided to Mr. Khoo during the year ended 31 March 2020 of approximately HK$0, HK$70,000 and nil respectively.

The price and terms of the above transactions have been determined in accordance with the pricing policies and guidelines set out in the prospectus of the Company dated 12 December 2016 (the "**Prospectus**").

On 29 March 2019, PFSL entered into a new service agreement with Mr. Khoo in relation to the provision of the Services to him (where applicable, including his associates (as defined in the GEM Listing Rules)) under the securities accounts with PFSL (the "**2019 Khoo Connected Service Agreement**"). The 2019 Khoo Connected Service Agreement is effective from 1 April 2019 to 31 March 2022 (both days inclusive).

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

Continuing Connected Transactions (continued)

2. *Lo's Group Connected Service Agreement*

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

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

More details of the continuing connected transactions conducted under the 2018 Lo's Group Connected Service Agreement for the year ended 31 March 2020 were as follows:

Connected parties	Annual caps	Annual cap amounts for the year ended 31 March 2020 HK$'000	Maximum daily outstanding amount/revenue amount for the year ended 31 March 2020 HK$'000 (Approximately)
Lo's Group	Lo's Group Outstanding Annual Cap (Note 1)	85,000	31,537
	Lo's Group Revenue Annual Cap (Note 2)	3,400	1,661 (Note 3)

Notes:

1. Lo's Group Outstanding Annual Cap is the annual aggregated cap for the total maximum daily outstanding amount of margin financing to be provided to the Lo's Group.

2. Lo's Group Revenue Annual Cap is the annual aggregated cap for the total revenue from the Services to be provided to the Lo's Group.

3. The amount comprised revenue from the Services provided to the Lo's Group during the year ended 31 March 2020 of approximately HK$105,000, HK$1,556,000 and nil respectively.

The price and terms of the CCTs have been determined in accordance with the pricing policies and guidelines set out in the Prospectus.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS (continued)

Auditor's Letter on Continuing Connected Transactions

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

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

(i) the CCTs have not been approved by the Board;

(ii) the CCTs were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) the CCTs were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) the CCTs have exceeded the annual cap as set by the Company.

Confirmation of independent non-executive Directors

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

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

As at 31 March 2020, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) held by the Directors and chief executives of the Company (the "**Chief Executives**") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

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

Name of Director	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. B Lo *(Notes 1 & 2)*	Interest in controlled corporation	1,500,000,000	75%
Mr. C Lo *(Notes 1 & 2)*	Interest in controlled corporation	1,500,000,000	75%

REPORT OF THE DIRECTORS

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

Notes:

1. TML is beneficially owned by Mr. B Lo and Mr. C Lo as to 57.1% and 42.9%, respectively. As such, Mr. B Lo and Mr. C Lo are deemed to be interested in the 1,500,000,000 shares held by TML under the SFO.

2. On 28 April 2020, TML as a vendor, Mr. B Lo and Mr. C Lo as the warrantors, CHANCE WISE INVESTMENTS LIMITED as a purchaser (the "**Purchaser**") and Mr. Fok Yuk Tong as the guarantor to the Purchaser had entered into the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, TML conditionally agreed to sell and the Purchaser conditionally agreed to purchase the sale shares, being 1,500,000,000 Shares, representing 75% of the entire issued share capital of the Company as at the date of the Sale and Purchase Agreement, free from all encumbrances and together with all rights attached thereto at the completion date with effect from the completion of the above transaction. The details are set out in the announcement of the Company dated 6 May 2020.

Save as disclosed above, as at 31 March 2020, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

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

So far as the Directors and the Chief Executives are aware, as at 31 March 2020, other than the Directors and the Chief Executives, the following person/corporation had or was deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

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

Name	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
TML *(Notes 1 & 2)*	Beneficial interest	1,500,000,000	75%
Ms. Lui Wing Patsie *(Notes 1 & 2)*	Interest in spouse	1,500,000,000	75%

Notes:

1. Ms. Lui Wing Patsie is the spouse of Mr. B Lo.

2. On 28 April 2020, TML as a vendor, Mr. B Lo and Mr. C Lo as the warrantors, the Purchaser and Mr. Fok Yuk Tong as the guarantor to the Purchaser had entered into the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, TML conditionally agreed to sell and the Purchaser conditionally agreed to purchase the sale shares, being 1,500,000,000 Shares, representing 75% of the entire issued share capital of the Company as at the date of the Sale and Purchase Agreement, free from all encumbrances and together with all rights attached thereto at the completion date with effect from the completion of the above transaction. The details are set out in the announcement of the Company dated 6 May 2020.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" and "SHARE OPTION SCHEME" in this annual report, at no time during the year ended 31 March 2020 was the Company, or any of its subsidiaries or its parent company a party to any arrangements to enable the Directors and Chief Executives (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any of its associated corporation.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those disclosed under the section headed "CONNECTED TRANSACTIONS" above and those disclosed in note 32 to the consolidated financial statements, during the year ended 31 March 2020, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries or its parent company was a party and in which a Director or a connected entity of that Director has or had, directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the year ended 31 March 2020.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements of the Group for the year ended 31 March 2020 were audited by HLB Hodgson Impey Cheng Limited ("**HLB**") , who shall retire and, being eligible, offer itself for re-appointment at the 2020 AGM. A resolution for the re-appointment of HLB as the independent auditors will be proposed at the 2020 AGM.

2020 AGM

The details of the 2020 AGM will be in the 2020 AGM circular and a notice of the 2020 AGM will be published and despatched in due course.

On behalf of the Board

Lo Tak Wing Benson
Chairman

Hong Kong, 30 June 2020

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF PF GROUP HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of PF Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 51 to 111, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS (continued)

Key audit matter

Allowance for expected credit losses assessment on accounts receivable

Refer to Note 21 and Note 37 to the consolidated financial statements.

As at 31 March 2020, the Group had accounts receivable of approximately HK$125,518,000 and no provision for allowance for expected credit losses was recognised to consolidated statement of profit or loss and other comprehensive income.

Management performed periodic assessment on the recoverability of the accounts receivable and the sufficiency of provision for allowance for expected credit losses based on information including credit profile of different customers, ageing of the accounts receivable, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expected credit losses assessment.

We focused on this area due to the allowance for expected credit losses assessment of accounts receivable under the expected credit losses model involved the use of significant management judgements and estimates.

How our audit addressed the key audit matter

Our procedures in relation to management's impairment assessment of the accounts receivable included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;
- Checking, on a sample basis, the ageing profile of the accounts receivable to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material accounts receivable past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding ongoing business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgment and estimates used to assess the recoverability of the accounts receivable and determine the impairment provision to be supportable by available evidence.

INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other Information**").

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in the independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practicing Certificate Number: P05895

Hong Kong, 30 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue			
Commission income from securities dealing and brokerage services		6,956	6,800
Fee and commission income from placing and underwriting activities	6	10,986	49,028
Interest income from margin and loan financing services		8,506	6,462
Fee income from asset management services		662	1,446
Others	7	3,795	3,860
Total revenue	5	30,905	67,596
Bank interest income		346	77
Other gains and losses		739	717
		31,990	68,390
Commission expenses	8	(8,717)	(14,323)
Depreciation expenses for property and equipment		(251)	(270)
Depreciation expenses for right-of-use assets		(3,545)	–
Staff costs	9	(15,023)	(12,134)
Other operating expenses		(10,396)	(15,112)
Finance costs	10	(274)	(12)
(Loss)/profit before tax	11	(6,216)	26,539
Income tax expense	12	–	(4,511)
(Loss)/profit for the year attributable to owners of the Company		(6,216)	22,028
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on financial assets measured at fair value through other comprehensive income		(47)	–
Other comprehensive loss for the year		(47)	–
Total comprehensive (loss)/income for the year attributable to owners of the Company		(6,263)	22,028
		HK cents	HK cents
(Loss)/earnings per share			
Basic and diluted	13	(0.31)	1.10

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property and equipment	15	430	644
Right-of-use assets	16	5,909	–
Intangible asset	17	–	5,000
Financial assets at fair value through other comprehensive income	18	1,505	–
Deposits placed with stock exchange and clearing house	19	630	630
Total non-current assets		8,474	6,274
Current assets			
Accounts receivable	21	125,518	103,016
Rental and utility deposits	20	1,420	1,195
Prepayments and other receivables	22	1,619	1,300
Tax recoverables		4,757	2,005
Cash and bank balances:	23		
Bank balance — house accounts		107,466	189,585
Pledged bank deposits		5,000	5,000
Cash held on behalf of customers		45,650	73,441
Total current assets		291,430	375,542
Current liabilities			
Accounts payable	24	45,592	92,036
Other payables and accruals	25	4,168	4,365
Bank borrowings	26	–	5,000
Lease liabilities	27	4,771	–
Total current liabilities		54,531	101,401
Net current assets		236,899	274,141
Total assets less current liabilities		245,373	280,415
Non-current liabilities			
Lease liabilities	27	1,221	–
Net assets		244,152	280,415
Equity			
Share capital	28	20,000	20,000
Reserves	29	224,152	260,415
Total equity attributable to owners of the Company		244,152	280,415

Approved and authorised for issue by the Board of Directors on 30 June 2020 and signed on its behalf by:

Lo Tak Wing Benson	**Lo Shiu Wing Chester**
Director	*Director*

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Equity attributable to owners of the Company					
	Share capital HK$'000 (Note 28)	Share premium HK$'000 (Note 29(a))	Other reserves HK$'000 (Note 29(b))	FVTOCI reserves HK$'000 (Note 29(c))	Retained profits HK$'000	Total HK$'000
At 1 April 2018	20,000	48,229	9,762	–	180,396	258,387
Profit and total comprehensive income for the year	–	–	–	–	22,028	22,028
At 31 March 2019 and 1 April 2019	20,000	48,229	9,762	–	202,424	280,415
Loss and total comprehensive loss for the year	–	–	–	(47)	(6,216)	(6,263)
Dividend declared and payable	–	–	–	–	(30,000)	(30,000)
At 31 March 2020	**20,000**	**48,229**	**9,762**	**(47)**	**166,208**	**244,152**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before tax		(6,216)	26,539
Adjustment for:			
Bank interest income		(346)	(77)
Finance costs	10	274	12
Depreciation of property, plant and equipment	15	251	270
Depreciation of right-of-use assets	16	3,545	–
Operating cash flows before movements in working capital		(2,492)	26,744
Decrease in bank balances — client accounts		27,791	56,692
Increase in rental and utility deposits		(225)	(7)
Increase in accounts receivable		(22,502)	(18,676)
Increase in prepayments and other receivables		(319)	(610)
Decrease in accounts payable		(46,444)	(44,178)
Decrease in other payables and accruals		(226)	(6,705)
CASH (USED IN)/GENERATED FROM OPERATION		(44,417)	13,260
Income tax paid		(2,752)	(6,973)
Interest paid		(60)	(12)
Bank interest received		346	77
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(46,883)	6,352

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
Purchase of property and equipment	15	(37)	(155)
Proceeds from disposal of intangible asset		5,000	–
Purchase of financial assets at fair value through profit or loss		(1,552)	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		3,411	(155)
FINANCING ACTIVITIES			
Dividend paid		(29,971)	–
Proceeds from bank borrowings		–	5,000
Repayment of bank borrowings		(5,000)	–
Repayment of lease liabilities		(3,676)	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(38,647)	5,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(82,119)	11,197
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		189,585	178,388
CASH AND CASH EQUIVALENTS AT THE END OF YEAR			
Represented by cash and bank balances			
— house accounts		107,466	189,585

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

PF Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 3 August 2015 under the Companies Law of the Cayman Islands. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 6 January 2017. Its ultimate holding company is Thoughtful Mind Limited ("**TML**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and initial public offering ("**IPO**") margin and loan financing; and (iv) asset management services.

The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is 11/F, New World Tower, Tower II, 16–18 Queen's Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and its subsidiaries and all values are rounded to the nearest thousands ("**HK$'000**"), unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
Amendments to HKFRS	Annual Improvements to HKFRSs 2015–2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amount equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

(iv) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review; and

(v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.84%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases (continued)

As a lessee (continued)

The following table reconciles the operating lease commitments as disclosed in Note 34 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	10,804
Less: total future interest expenses	(347)
Present value of remaining lease payments, discounted using the lessee's incremental borrowing rate of at the date of initial application	10,457
Less: practical expedient-leases with lease term ending within 12 months from date of initial application not recognised as liability	(1,003)
Total lease liabilities recognised at 1 April 2019	9,454
Analysis as:	
Non-current	5,825
Current	3,629
	9,454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 March 2019 HK$'000	Recognition of lease HK$'000	Carrying amount under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets			
Right-of-uses assets	–	9,454	9,454
Current liabilities			
Lease liabilities	–	3,629	3,629
Non-current liabilities			
Lease liabilities	–	5,825	5,825

New and amended HKFRSs and interpretations in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but not yet effective:

HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[2]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[5]

1 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

2 Effective for annual periods beginning on or after 1 January 2020.

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

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1 June 2020.

The Directors anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the consolidated statement of financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue and other income recognition

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations

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

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

Commission income from securities dealing and brokerage services

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

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

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

Fee income from handling, settlement and loan commitment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition (continued)

Fee income from asset management services

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

Interest income

Interest income is recognised on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss.

Intangible asset

Intangible asset with indefinite useful life that is acquired separately is carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible asset with indefinite useful life is tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Leases (upon application of HKFRS 16 in accordance with transitions in Note 2)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

As a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

As a lessee (continued)

Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a lessee (prior to 1 April 2019)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

Transactions in currencies other than the functional currency of the group entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Employee benefits

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss/profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend and interest income on the financial assets.

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, deposits, other receivables and cash and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable that result from transactions within the scope of HKFRS 15 and the ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with debtors having similar credit ratings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Impairment of financial assets (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due (except for accounts receivable from margin clients where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Impairment of financial assets (continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Impairment of financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's accounts receivable, deposits and other receivables and cash and bank balances are each assessed as a separate group);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable, advances to customers in margin financing, advances to customers for merger and acquisition activities and asset-backed financing to customers and investment securities at amortised cost, where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments/receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including accounts payable, other payables and accruals, lease liabilities and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

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

Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Related party transactions

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related party transactions (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

a. that person's children and spouse or domestic partner;

b. children of that person's spouse or domestic partner; and

c. dependants of that person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Company is required to make estimates, judgments and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determinations are made.

Estimated impairment of property and equipment and right-of-use assets

Property and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use asset), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 March 2020, the carrying amounts of property and equipment and right-of-use assets are approximately HK$430,000 and HK$5,909,000 respectively. No impairment losses were recognised during the year ended 31 March 2020. Details are disclosed in Notes 15 and 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision of ECL for financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 37 to the consolidated financial statements.

The Group reviews its accounts receivable to assess impairment on a periodic basis. In determining whether an impairment loss for accounts receivable arising from the business of dealing in securities and loan financing should be recognised in profit or loss, the Group first reviews the value of the securities collateral received from the customers and customers' collection history and subsequent repayment of monies on an individual basis.

In determining whether an impairment loss for accounts receivable arising from the provisions of placing and underwriting services, asset management services and other services should be recognised in profit or loss, the Group reviews the customers' current creditworthiness, past collection history and subsequent repayment of monies.

The collective impairment allowance for accounts receivable of the Group is determined based on management judgment of the debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated and management assessment of the recoverable amount. A considerable amount of judgment is required in assessing the ultimate realisation of these accounts receivable, including the current creditworthiness and the applicability of past collection history and subsequent repayment of monies of each amount.

As at 31 March 2020, the carrying amount of accounts receivable and deposits and other receivables are approximately HK$125,518,000 and HK$2,596,000 respectively. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable and deposits and other receivables are disclosed in Notes 19, 20, 21, 22 and 37 to the consolidated financial statement.

5. SEGMENT REPORTING

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. SEGMENT REPORTING (continued)

Revenue from major services

The Group provides five types of services:

(a) securities dealing and brokerage services, which primarily generate commission on securities dealing;

(b) placing and underwriting services, which primarily generate fee and commission from equity and debt securities placing and underwriting;

(c) financing services, including securities and IPO margin financing and loan financing, which generate interest income from margin and loan financing clients;

(d) asset management services, which primarily generate management fee and performance fee; and

(e) other services, which primarily generate fee income (such as agency fee, professional service fee, loan commitment fees and referral fees) from other services provided.

Revenue represents the aggregate of the amounts received and receivable from third parties, income from securities dealing and brokerage services, placing and underwriting services and asset management services. Revenue recognised during the years are as followings:

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Securities dealing and brokerage services	6,956	6,800
Placing and underwriting services	10,986	49,028
Asset management services	662	1,446
Other services	3,795	3,860
Revenue from contracts with customers	22,399	61,134
Revenue from other sources		
Interest income from margin financing services	6,324	6,462
Interest income from loan financing	2,182	–
	8,506	6,462
	30,905	67,596
Timing of revenue recognition:		
A point in time	21,921	60,134
Over time	478	1,000
	22,399	61,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. SEGMENT REPORTING (continued)

Geographical information

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

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A	–*	7,322
Customer B	5,468	–*
Customer C	3,149	–*

* These customers did not contributed over 10% of the Group's revenue in corresponding year.

6. FEE AND COMMISSION INCOME FROM PLACING AND UNDERWRITING ACTIVITIES

	2020 HK$'000	2019 HK$'000
Fee and commission income from selling shareholders/issuers/brokers	8,042	47,944
Commission income from subscribers	2,944	1,084
	10,986	49,028

7. OTHER REVENUE

	2020 HK$'000	2019 HK$'000
Referral fee income	–	740
Handling and agency fee income	873	2,670
Professional service fee income	1,850	450
Loan commitment fee income	1,072	–
	3,795	3,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

8. COMMISSION EXPENSES

	2020 HK$'000	2019 HK$'000
Commission to account executives	2,954	1,987
Commission to sub-placing agents and sub-underwriters	5,183	12,336
Commission to others	580	–
	8,717	14,323

9. STAFF COSTS

	2020 HK$'000	2019 HK$'000
Salaries and bonus	7,163	7,974
Contributions to Mandatory Provident Fund	309	291
Allowances	219	217
Directors' emoluments (Note 32)		
— Fees	396	396
— Salaries	2,760	2,760
— Bonus	4,140	460
— Contributions to Mandatory Provident Fund	36	36
	15,023	12,134

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

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

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings	60	12
Interest on lease liabilities	214	–
	274	12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging/(crediting):

	2020 HK$'000	2019 HK$'000
Net foreign exchange losses/(gains)	66	(127)
Expense relating to short-term lease	1,003	–
Minimum lease payments paid under operating lease in respect of rented premises	–	4,015
Auditor's remuneration		
— Audit services	700	780
Depreciation expenses for property and equipment	251	270
Depreciation expenses for right-of-use assets	3,545	–
Legal and professional fees	2,262	4,175
Donation	180	523
Entertainment expenses	554	1,627

12. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong Profits Tax	–	4,738
Over provision in prior year:		
Hong Kong Profits Tax	–	(227)
Income tax expense for the year	–	4,511

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of corporation not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the year ended 31 March 2019. No provision for Hong Kong Profits Tax has been made as there are no assessable profits for the year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. INCOME TAX EXPENSE (continued)

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

	2020 HK$'000	2019 HK$'000
(Loss)/profit before tax	(6,216)	26,539
Tax at the statutory tax rate of 16.5%	(1,026)	4,379
Tax relief of 8.25% on first HK$2 million assessable profit	–	(165)
Tax effect of deductible temporary differences not recognised	22	6
Tax effect of expenses not deductible for tax purpose	405	633
Tax effect of income not taxable for tax purpose	(57)	(95)
Tax effect of tax losses not recognised	656	–
Over provision in respect of prior year	–	(227)
One-off reduction of Hong Kong Profits tax by Inland Revenue Department	–	(20)
Tax expenses for the years	–	4,511

As at 31 March 2020 and 2019, the Group had no material deferred tax assets or liabilities arising from deductible or taxable temporary differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. (LOSS)/EARNINGS PER SHARE

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

	2020 HK$'000	2019 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic earnings per share:		
(Loss)/profit for the year attributable to owners of the Company	(6,216)	22,028

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,000,000	2,000,000

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK$6,216,000 (2019: profit of approximately HK$22,028,000) and the weighted average number of 2,000,000,000 ordinary shares in issue for both years.

Diluted (loss)/earnings per share were same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares in existences during the years ended 31 March 2020 and 2019.

14. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends for ordinary shareholders for the Company recognised as distribution during the year:		
— Dividends	30,000	–

A special dividend in respect of the year ended 31 March 2020 of HK$1.5 cents (2019: HK$nil cent) per ordinary share, in aggregate amount of HK$30,000,000 (2019: HK$nil) has been declared and payable to the ordinary shareholders of the Company.

Final dividend for the year ended 31 March 2020 of HK$0.025 (2019: HK$nil) per share has been proposed by the Board of Director and is subject to shareholders' approval at the forthcoming annual general meeting of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. PROPERTY AND EQUIPMENT

	Furniture and equipment HK$'000	Leasehold improvement HK$'000	Total HK$'000
COST			
At 31 March 2018	2,139	52	2,191
Additions	155	–	155
At 31 March 2019 and 1 April 2019	2,294	52	2,346
Additions	37	–	37
At 31 March 2020	2,331	52	2,383
ACCUMULATED DEPRECIATION			
At 31 March 2018	1,380	52	1,432
Charge for the year	270	–	270
At 31 March 2019 and 1 April 2019	1,650	52	1,702
Charge for the year	251	–	251
At 31 March 2020	1,901	52	1,953
CARRYING VALUES			
As at 31 March 2020	430	–	430
As at 31 March 2019	644	–	644

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and equipment	20%
Leasehold improvement	Over the term of the lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. RIGHT-OF-USE ASSETS

	Office premises HK$'000
COST	
Impact an initial application of HKFRS 16 as at 1 April 2019 (Note)	9,454
At 31 March 2020	9,454
ACCUMULATED DEPRECIATION	
Impact an initial application of HKFRS 16 as at 1 April 2019	–
Charge for the year	3,545
At 31 March 2020	3,545
CARRYING VALUES	
As at 31 March 2020	5,909
As at 1 April 2019	9,454

Note:

Expense relating to short-term leases and other leases with lease terms end within 12 months from the date of initial application of HKFRS 16 amounted to approximately HK$1,004,000 during current year.

Lease liabilities of HK$9,454,000 are recognised with the related right-of-use assets of HK$9,454,000 at 1 April 2019.

17. INTANGIBLE ASSET

	2020 HK$'000	2019 HK$'000
COST AND CARRYING VALUES		
Club membership	–	5,000

During the year, the Group disposed the club membership for a consideration of HK$5,000,000.

At 31 March 2019, intangible asset amounting to HK$5,000,000 represents a club membership. The management of the Group determined that there was no impairment of the club membership and the amount is considered recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000
Bonds	1,505
Analysed for reporting purposes as:	
Non-current assets	1,505

As at 31 March 2020, the carrying amount of bonds was approximately HK$1,505,000 and the maturity dates are beyond one year after the end of report period.

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

During the year ended 31 March 2020, a deficit arising on change in fair value of approximately HK$47,000 was recognised in other comprehensive income and accumulated in the FVTOCI reserve.

Details of impairment assessment of financial assets at fair value through other comprehensive income for the year ended 31 March 2020 are set out in Note 37 to the consolidated financial statements.

19. DEPOSITS PLACED WITH STOCK EXCHANGE AND CLEARING HOUSE

	2020 HK$'000	2019 HK$'000
Deposits with Hong Kong Stock Exchange	300	300
Stamp duty with Hong Kong Stock Exchange	30	30
Deposits with Hong Kong Securities Clearing Company Limited:		
Admission fee	150	150
Guarantee fund	150	150
	630	630

Details of impairment assessment of deposits placed with Stock Exchange and clearing house for the year ended 31 March 2020 are set out in Note 37 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. RENTAL AND UTILITY DEPOSITS

	2020 HK$'000	2019 HK$'000
Rental deposits	1,391	1,166
Utility deposits	29	29
	1,420	1,195

21. ACCOUNTS RECEIVABLE

	2020 HK$'000	2019 HK$'000
Accounts receivable arising from the business of dealing in securities:		
— Clearing house	429	18,664
— Cash clients	7,789	5,382
— Margin clients	103,641	77,869
Accounts receivable arising from loan financing	13,018	–
Accounts receivable arising from the placing and underwriting business	340	268
Accounts receivable arising from asset management services	266	293
Accounts receivable arising from other services	35	540
	125,518	103,016

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

Accounts receivable from margin clients are recoverable on demand or according to agreed repayment schedules, and bearing interest at rates ranged from 5.38% to 13.00% as at 31 March 2020 (2019: 5.25% to 10.38%). The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. A margin call may occur when the balances of the accounts receivable from margin clients exceed the permitted margin loan limit, or when the discounted market value of the collateral security is less than the balances of the accounts receivable from margin clients.

Accounts receivable from margin clients as at 31 March 2020 and 2019 were secured by securities or debt instrument, which were pledged to Pacific Foundation Securities Limited ("PFSL"), the Company's subsidiary, as collaterals. The securities had a fair value of approximately HK$497,959,000 as at 31 March 2020 (2019: HK$539,041,000). The Group is not prohibited to sell the collaterals upon customers' default or repledge the collaterals upon receiving customers' authorisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. ACCOUNTS RECEIVABLE (continued)

As at 31 March 2020, the Group held securities and debt instrument as collaterals over these balances. As at 31 March 2020, 100% (2019: 100%) of the accounts receivable from margin clients were secured by sufficient collaterals on an individual basis. The management of the Group has assessed the market value of the pledged securities of each individual customer as at the end of each reporting period and considered that no impairment allowance is necessary taking into consideration of client's credit quality, collaterals provided and subsequent repayment of monies. Except as described above, all accounts receivable from margin clients are included in "neither past due nor impaired" category.

As at 31 March 2020, accounts receivable from margin clients include accounts receivable from directors of the Company of approximately HK$1,161,000 (2019: HK$1,322,000), accounts receivable from a family member of a director of the Company of approximately HK$23,828,000 (2019: HK$24,992,000) and accounts receivable from an entity controlled by the directors of the Company of approximately HK$1,009,000 (2019: HK$689,000). All these amounts represented continuing connected transactions.

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

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

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

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

	2020 HK$'000	2019 HK$'000
0–60 days	215	197
61–90 days	51	96
>90 days	375	808
	641	1,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. ACCOUNTS RECEIVABLE (continued)

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

Details of impairment assessment of accounts receivable for the years ended 31 March 2020 and 2019 are set out in Note 37 to the consolidated financial statements.

22. PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	1,073	1,123
Other receivables	546	177
	1,619	1,300

Details of impairment assessment of other receivables for the years ended 31 March 2020 and 2019 are set out in Note 37 to the consolidated financial statements.

23. CASH AND BANK BALANCES

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

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

Segregated accounts

From the Group's ordinary business in provision of securities brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognised the corresponding accounts payables to respective clients. At 31 March 2020, the segregated accounts with authorised institutions in securities relation to its brokerage business totaled HK$45,650,000 (2019: HK$73,441,000).

House accounts

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

As at 31 March 2020, the Group has pledged deposits at bank of HK$5,000,000 to secure banking facilities granted to the Group (2019: HK$5,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

24. ACCOUNTS PAYABLE

	2020 HK$'000	2019 HK$'000
Accounts payable arising from the business of dealing in securities:		
— Clearing house	109	–
— Cash clients	41,004	88,066
— Margin clients	4,457	3,920
Accounts payable arising from the placing and underwriting business	22	50
	45,592	92,036

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

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

Accounts payable to cash clients include amounts payable to directors of the Company of approximately HK$78,000 as at 31 March 2020 (2019: HK$2,412,000).

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

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

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

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

	2020 HK$'000	2019 HK$'000
0–60 days	22	–
60–90 days	–	50
	22	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Accruals	**2,467**	2,870
Contract liabilities *(Note)*	**1,500**	1,350
Dividend payables	**29**	–
Other payables	**172**	145
	4,168	4,365

Note:

All contract liabilities are in relation to provision of other services and it will probable recognised as revenue in the consolidated statement of profit or loss for the periods of one year or less.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	HK$'000
Increase in contract liabilities as a result of billing in advance of professional service	1,800
Decrease in contract liabilities as a result of recognising revenue during the year	(450)
Balance as at 31 March 2019	1,350
Increase in contract liabilities as a result of billing in advance of professional service	2,000
Decrease in contract liabilities as a result of recognising revenue during the year	(500)
Decrease in contract liabilities as a result of recognising revenue for the beginning balance of contract liabilities	(1,350)
Balance as at 31 March 2020	**1,500**

26. BANK BORROWINGS AND BANK FACILITY

	2020 HK$'000	2019 HK$'000
Secured fixed-rate bank loan	**–**	5,000
Secured term loan from bank that repayable within the period of:		
Within one year	**–**	5,000

The bank facility granted to the Group is secured by listed shares of certain margin clients with client's authorization amounting to approximately HK$nil as at 31 March 2020 (2019: HK$57,317,000). The bank facility is also secured by pledged bank deposit amounting to HK$5,000,000 as at 31 March 2020 (2019: HK$5,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

27. LEASE LIABILITIES

The total future minimum lease payments under lease arrangements and their present values were as follows:

	2020	
	Present value of minimum lease payments HK$'000	Total minimum lease payments HK$'000
Lease liabilities comprise:		
— Within one year	4,771	4,900
— More than one year but not more than two years	1,221	1,225
	5,992	6,125
Less: total future interest expense	–	(133)
Present value of lease liabilities	5,992	5,992

	2020 HK$'000
Analysed for reporting purposes as:	
Current assets	4,771
Non-current assets	1,221
	5,992

28. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	8,000,000	80,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	2,000,000	20,000

Note:

(a) The Company was incorporated in the Cayman Islands on 3 August 2015. As at the date of incorporation and up to 31 March 2016, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one nil paid share of HK$0.01 was issued and transferred to TML on the same date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

29. RESERVES

(a) Share premium

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

(b) Other reserves

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

(c) FVTOCI reserve

Financial assets at fair value through other comprehensive income reserve ("**FVTOCI**") represents cumulative gains and losses on revaluation of financial assets at fair value through other comprehensive income recognised in other comprehensive income less those cumulative gains and losses recycled and transfers amounts from this reserve to accumulated losses upon derecognition of fair value through other comprehensive income.

30. SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") was adopted by the resolutions in writing of all shareholders of the Company and was effective on 5 December 2016 (the "**Adoption Date**").

The major terms of the Share Option Scheme are summarised as follows:

(a) Purpose of the Scheme

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

(b) Participants of the scheme

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

30. SHARE OPTION SCHEME (continued)

(c) Total number of shares available for issue under the Scheme and percentage of the issued share capital at the date of the annual report

The total number of shares of the Company which may be issued upon exercise of all Options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at 6 January 2017 (the "Listing Date") (i.e. 2,000,000,000 shares) unless the Company obtains a fresh approval from the shareholders. The Company may seek approval of shareholders in general meeting to renew the 10% limit above such that the total number of shares in respect of which Options may be granted by the Board under the Scheme and any other share option schemes of the Company in issue shall not exceed 10% of the total number of shares in issue as at the date of approval of the renewed limit. As at the date of this annual report, the total number of shares available for issue under the Scheme is 200,000,000 shares, representing 10% of the issued share capital of the Company. Since the adoption of the Scheme and up to 31 March 2019, no Option has been granted by the Company.

(d) Maximum entitlement of each participant under the Scheme

The Company may grant Options to specified participant(s) beyond the 10% limit set out above provided that the Options granted in excess of such limit are specifically approved by the shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought. Notwithstanding the foregoing and subject to the maximum entitlement of each Eligible Participant, the maximum number of shares in respect of which Options may be granted under the Scheme together with any Options outstanding and yet to be exercised under the Scheme and any other share option schemes of the Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares in issue from time to time.

(e) The period within which the shares must be taken up under an option

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

(f) The minimum period for which an option must be held before it can be exercised

The board of directors at its discretion, may specify the offer of grant of option the minimum period for which an option must be held before it can be exercised.

(g) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

The amount payable by the grantee to the Company on acceptance of the offer shall be a nominal amount to be determined by the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

30. SHARE OPTION SCHEME (continued)

(h) The basis of determining the exercise price

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

(i) The remaining life of the Scheme

The Scheme will remain in force for a period of 10 years from the date of its adoption on 5 December 2016.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 March 2020 and 2019.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2018	–	–	–
Changes from financing cash flows:			
Proceeds from bank borrowings	5,000	–	5,000
Interest paid	(12)	–	(12)
Non-cash item:			
Finance costs	12	–	12
At 31 March 2019	5,000	–	5,000
Impact on initial application of HKFRS 16	–	9,454	9,454
At 1 April 2019	**5,000**	**9,454**	**14,454**
Changes from financing cash flows:			
Repayment of bank borrowings	**(5,000)**	**–**	**(5,000)**
Repayment of lease liabilities	**–**	**(3,676)**	**(3,676)**
Interest paid	**(60)**	**–**	**(60)**
Non-cash item:			
Finance costs	**60**	**214**	**274**
At 31 March 2020	**–**	**5,992**	**5,992**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32. DIRECTORS' EMOLUMENTS

For the year ended 31 March 2020

Name	Director fees HK$'000	Salaries HK$'000	Contributions to Mandatory Provident Fund HK$'000	Bonus HK$'000	Total HK$'000
Mr. Lo Tak Wing Benson	12	1,560	18	2,340	3,930
Mr. Lo Shiu Wing Chester	12	1,200	18	1,800	3,030
Mr. Khoo Ken Wee	12	–	–	–	12
Mr. Ma Wai Hung Vincent	120	–	–	–	120
Mr. Mok Kwai Pui Bill	120	–	–	–	120
Mr. Ng Shu Bun Andrew	120	–	–	–	120
	396	2,760	36	4,140	7,332

For the year ended 31 March 2019

Name	Director fees HK$'000	Salaries HK$'000	Contributions to Mandatory Provident Fund HK$'000	Bonus HK$'000	Total HK$'000
Mr. Lo Tak Wing Benson	12	1,560	18	260	1,850
Mr. Lo Shiu Wing Chester	12	1,200	18	200	1,430
Mr. Khoo Ken Wee	12	–	–	–	12
Mr. Ma Wai Hung Vincent	120	–	–	–	120
Mr. Mok Kwai Pui Bill	120	–	–	–	120
Mr. Ng Shu Bun Andrew	120	–	–	–	120
	396	2,760	36	460	3,652

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

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

During the year ended 31 March 2020, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two (2019: two) out of the five individuals were directors of the Company whose emoluments are included in the disclosures in Note 32 above. The emolument of the remaining three individuals were as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries and allowances	1,898	2,328
Bonuses	190	104
Contribution to retirement benefit schemes	54	51
	2,142	2,483

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

	Number of employees	
	2020	2019
Nil to HK$1,000,000	3	3

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

34. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Within one year	5,904
In the second to fifth years inclusive	4,900
	10,804

Operating lease payments represent rentals payable by the Group for its office premises. Leases and rentals are negotiated and fixed for a period of two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. RELATED PARTY TRANSACTIONS

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

	2020 HK$'000	2019 HK$'000
Commission income from securities dealing and brokerage services received or receivable from:		
Directors of the Company	15	3
Family member of a director of the Company	10	72
Entity controlled by the directors of the Company	22	83
Interest income from margin financing received or receivable from:		
Directors of the Company	70	99
Family member of a director of the Company	1,371	1,061
Entity controlled by the directors of the Company	68	102

The balances with related parties have been disclosed in Notes 21 and 24 to the consolidated financial statements.

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

Compensation of key management personnel

Key management includes directors and senior management of the Group. The remuneration of key management, other than directors as disclosed in Note 32 to the consolidated financial statement, are as follows:

	2020 HK$'000	2019 HK$'000
Short term employee benefits	9,059	5,233
Contributions to Mandatory Provident Fund	80	86
	9,139	5,319

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

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. CAPITAL MANAGEMENT

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

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

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

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

Gearing ratio

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

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

	2020 HK$'000	2019 HK$'000
Debts (Note 1)	5,992	5,000
Equity (Note 2)	244,152	280,415
Debt to equity ratio	2.5%	1.8%

Notes:

(1) Debts represent the bank borrowings and lease liabilities as set out in Notes 26 and 27 respectively to the consolidated financial statements.

(2) Equity includes all capital and reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
At fair value through other comprehensive income	1,505	–
At amortised cost	286,230	373,044
Financial liabilities		
At amortised cost	51,785	97,181

Financial risk management objectives and policies

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

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

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

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

Market risk

Interest rate risk

At the end of the reporting period, the cash flow interest rate risk mainly arises from the Group's bank balances (house account), which are financial instruments carried at variable interest rates. Based on the year end interest bearing bank balances (house account), if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after tax for the financial year ended 31 March 2020 would increase/decrease by approximately HK$449,000 (2019: approximately HK$771,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Currency risk

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

	Foreign currency	2020 HK$'000	2019 HK$'000
Financial assets at fair value through other comprehensive income	USD	**1,505**	–
Bank balances	USD	**17,020**	18,878
	RMB	**24,577**	14,680
	GBP	**–**	73

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

As at 31 March 2020

	Decrease/increase in profit after tax HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	**1,026**

As at 31 March 2019

	Decrease/increase in profit after tax HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of accounts receivable, other receivables, cash and bank balances and financial assets at fair value through other comprehensive income as stated in the consolidated statement of financial position. As at 31 March 2020, the Group has concentration of credit risk on accounts receivable as 74% (2019: 57%) of the total accounts receivable was due from top five largest customers and 0.34% (2019: 18.12%) of the total accounts receivable was due from a clearing house.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all accounts receivable relate to revenue from contracts with customers under HKFRS 15. To measure the ECL, accounts receivable has been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking macroeconomic data (for example, the economic growth rates which reflect the general economic conditions of the industry in which debtors operate). At 31 March 2020 and 2019, account receivable from contracts with customers amounted to approximately HK$641,000 and HK$1,101,000 respectively. As at 31 March 2020 and 2019, no allowance for ECL is recognised on accounts receivable under HKFRS 15.

In order to minimise the credit risk, the Group makes periodic assessment on the recoverability of the accounts receivables by measurement of ECL. The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to all clients including cash and margin clients. This ensure that follow-up action is taken to recover overdue debts. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transaction. Receivables due from cash clients are normally due within two trading days after the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the accounts receivable from cash clients is considered insignificant. In addition, the Group holds collateral to cover its credit risks associated with its accounts receivable from margin clients and loan financing clients as mentioned in Note 21 and reviews the recoverable amount of each individual accounts receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group assesses the credit losses of its margin clients and loan financing clients using the general approach and assessment individually. The Group assesses whether the credit risk of the accounts receivable from margin clients and loan financing clients have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL, the management assesses impairment loss using the risk parameter modelling approach that incorporates key measurement parameters, including probability of default, loss given default and exposure at default, with the consideration of forward-looking information. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Generally, accounts receivable are written off if past due for more than two years. Other than concentration of credit risk on accounts receivable, the Group does not have any other significant concentration of credit risk. As the amount of ECL assessment was minimal which resulted from impairment analysis performed, the directors of the Company were of opinion that no loss allowance for accounts receivable was recognised for the years ended 31 March 2020 and 2019.

Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from accounts receivable are disclosed in Note 21 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

The credit risks of financial assets at FVTOCI are managed through an internal process. The credit quality of each issuer is investigated before an investment is made. The Group reviews and monitors the credit concentration of investments on a regular basis. For the year ended 31 March 2020, the Group performed impairment assessment on financial assets at FVTOCI at 12m ECL by reference to information published by external credit rating agencies relating to average loss rates of respective credit rating grades and concluded that the ECL on these balances are insignificant.

As at 31 March 2020 and 2019, the carrying amounts of other receivables and deposits were approximately of HK$2,596,000 (2019: approximately of HK$2,002,000). The credit risks on these balances are low because the counterparties have a low risk of default and do not have any past-due amounts and concluded the ECL on these balances are insignificant at 12m ECL for both years.

As at 31 March 2020 and 2019, the Group limits its exposure to credit risk by placing deposits with several banks with high credit rating. The credit risk on liquid funds and accounts receivable from clearing house is limited because the counterparties are bank and a clearing house with high credit ratings assigned by international credit rating agencies. Other than concentration of credit risk on liquid funds and accounts receivable, the Group does not have any other significant concentration of credit risk.

Liquidity risk

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

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

	Weighted average interest rate %	On demand or less than 1 year HK$'000	Between 1 to 2 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 March 2020					
Other payables	–	172	–	172	172
Dividend payables	–	29	–	29	29
Accounts payable arising from the business of dealing in securities:					
— Clearing house	–	109	–	109	109
— Cash clients	–	41,004	–	41,004	41,004
— Margin clients	–	4,457	–	4,457	4,457
Accounts payable arising from the placing and underwriting business	–	22	–	22	22
Lease liabilities	3.84	4,900	1,225	6,125	5,992
		50,693	1,225	51,918	51,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand or less than 1 year HK$'000	Between 1 to 2 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 March 2019					
Other payables	–	145	–	145	145
Accounts payable arising from the business of dealing in securities:					
— Cash clients	0.01	88,066	–	88,066	88,066
— Margin clients	0.01	3,920	–	3,920	3,920
Accounts payable arising from the placing and underwriting business	–	50	–	50	50
Bank borrowings	3.91	5,000	–	5,000	5,000
		97,181	–	97,181	97,181

Fair value measurements

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

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input; and

(iii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at FVTOCI	1,505	–	–	1,505

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

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

	Fair value as at			
Financial assets	31 March 2020 HK'000	31 March 2019 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
1) Bonds presented as financial assets at FVTOCI *(Note 18)*	HK$1,505	N/A	Level 1	Indicative market prices provided by financial institution

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets and financial liabilities subject to offsetting

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

As at 31 March 2020

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets and financial liabilities subject to offsetting (continued)

As at 31 March 2019

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial collateral received HK$'000	Net amount HK$'000
Type of financial assets						
Deposits placed with stock exchange and clearing house	630	–	630	–	–	630
Accounts receivable arising from the business of dealing in securities:						
— Clearing house	31,435	(12,771)	18,664	–	–	18,664
— Cash clients	22,156	(16,774)	5,382	–	–	5,382
— Margin clients	79,636	(1,767)	77,869	–	(77,869)	–

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial collateral pledged HK$'000	Net amount HK$'000
Type of financial liabilities						
Accounts payable arising from the business of dealing in securities:						
— Clearing house	12,771	(12,771)	–	–	–	–
— Cash clients	104,840	(16,774)	88,066	–	–	88,066
— Margin clients	5,687	(1,767)	3,920	–	–	3,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
Non-current asset			
Investment in a subsidiary		–	–
Current assets			
Prepayments		973	983
Amount due from subsidiaries		37,163	36,800
Bank balances		34,273	11,496
Total current assets		72,409	49,279
Current liabilities			
Other payables and accruals		601	456
Total current liabilities		601	456
Net current assets		71,808	48,823
Net assets		71,808	48,823
Equity			
Share capital	28	20,000	20,000
Reserves (Note)	29	51,808	28,823
Equity attributable to owners of the Company		71,808	48,823

Approved and authorised for issue by the Board of Directors on 30 June 2020 and signed on its behalf by:

Lo Tak Wing Benson
Director

Lo Shiu Wing Chester
Director

Note:

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

	Share premium HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2018	48,229	(16,135)	32,094
Loss and total comprehensive loss for the year	–	(3,271)	(3,271)
At 31 March 2019 and 1 April 2019	48,229	(19,406)	28,823
Profit and total comprehensive income for the year	–	52,985	52,985
Dividend declared and payable	–	(30,000)	(30,000)
At 31 March 2020	48,229	3,579	51,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation	Place of principal operation	Date of incorporation	Issued and fully paid-up share capital	Equity attributable to the Group At 31 March 2020	2019	Principal activities
Direct							
Dynamic Express Global Limited	BVI	Hong Kong	1 June 2015	US$1	100%	100%	Investment holding
Indirect							
Pacific Foundation Holdings Limited	Hong Kong	Hong Kong	7 October 1993	HK$7	100%	100%	Investment holding
Pacific Foundation Securities Limited	Hong Kong	Hong Kong	17 June 1987	HK$10,000,000	100%	100%	Provision of (i) securities dealing and brokerage services; (ii) placing and underwriting services; (iii) financing services including securities and IPO margin financing; and (iv) asset management services

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

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

41. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019. Upon the transition methods, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

42. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 June 2020.

FINANCIAL SUMMARY

For the year ended 31 March 2020

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this report, the annual report of the Company for the year ended 31 March 2020, 2019, 2018 and 2017 and the prospectus of the Company dated 12 December 2016, is set out below.

RESULTS

	For the year ended 31 March				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue					
Commission income from securities dealing and brokerage services	**6,956**	6,800	9,934	5,184	10,918
Fee and commission income from placing and underwriting activities	**10,986**	49,028	60,101	44,988	15,884
Interest income from margin and loan financing	**8,506**	6,462	6,536	5,901	4,245
Fee income from asset management services	**662**	1,446	1,638	3,997	434
Others	**3,795**	3,860	4,836	11,192	9,440
Total revenue	**30,905**	67,596	83,045	71,262	40,921
Bank interest income	**346**	77	22	11	9
Gain on disposal of property and equipment	**–**	–	8	–	–
Other gains and losses	**739**	717	1,736	545	198
	31,990	68,390	84,811	71,818	41,128
Commission expenses	**(8,717)**	(14,323)	(8,620)	(4,888)	(4,030)
Depreciation expenses for property and equipment	**(251)**	(270)	(254)	(145)	(241)
Depreciation expenses for right-of-use assets	**(3,545)**	–	–	–	–
Staff costs	**(15,023)**	(12,134)	(18,548)	(15,263)	(10,343)
Other operating expenses	**(10,396)**	(15,112)	(15,150)	(12,131)	(10,617)
Finance costs	**(274)**	(12)	–	(139)	(272)
Listing expenses	**–**	–	–	(6,966)	(5,989)
(Loss)/profit before tax	**(6,216)**	26,539	42,239	32,286	9,636
Income tax expense	**–**	(4,511)	(7,133)	(6,713)	(2,753)
(Loss)/profit for the year	**(6,216)**	22,028	35,106	25,573	6,883

ASSETS AND LIABILITIES

	For the year ended 31 March				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**299,904**	381,816	406,130	327,954	216,770
Total liabilities	**(55,752)**	(101,401)	(147,743)	(104,673)	(93,413)
Net assets	**244,152**	280,415	258,387	223,281	123,357