

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



DL HOLDINGS GROUP LIMITED

德林控股集團有限公司

(formerly known as Season Pacific Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1709)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the “**Board**”) of directors (the “**Directors**”) of DL Holdings Group Limited (formerly known as Season Pacific Holdings Limited) (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2020 together with the comparative audited figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000 (Note)
Revenue	4	226,391	186,519
Cost of sales	6	(195,804)	(165,601)
Gross profit		30,587	20,918
Other (losses)/gains	5	(39,432)	37,753
Selling expenses	6	(6,481)	(7,587)
General and administrative expenses	6	(36,292)	(32,264)
Operating (loss)/profit		(51,618)	18,820
Finance income		5	292
Finance costs		(248)	(125)
Finance (costs)/income, net		(243)	167
(Loss)/profit before income tax		(51,861)	18,987
Income tax credit/(expense)	8	452	(305)
(Loss)/profit and total comprehensive (loss)/income for the year attributable to owners of the Company		(51,409)	18,682
(Loss)/earnings per share attributable to owners of the Company			
— Basic (HK cents)	10	(4.57)	1.69
— Diluted (HK cents)	10	(4.57)	1.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> <i>(Note)</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>11</i>	2,424	1,111
Right-of-use assets		4,664	–
Intangible assets		12,248	–
Goodwill	<i>17</i>	373	–
Deferred income tax assets		832	278
Prepayments and deposits	<i>12</i>	1,955	2,115
Financial assets at fair value through profit or loss		7,243	57,038
		<u>29,739</u>	<u>60,542</u>
Current assets			
Trade, bills and other receivables, prepayments and deposits	<i>12</i>	79,505	46,586
Loan and interest receivables	<i>13</i>	32,344	–
Financial assets at fair value through profit or loss		–	17,753
Income tax recoverable		4,075	3,291
Bank balance — trust		14,706	–
Cash and cash equivalents		50,745	52,284
		<u>181,375</u>	<u>119,914</u>
Current liabilities			
Trade, bills and other payables	<i>15</i>	34,606	7,884
Bank borrowings	<i>16</i>	6,362	1,500
Lease liabilities		4,594	–
		<u>45,562</u>	<u>9,384</u>
Net current assets		<u>135,813</u>	<u>110,530</u>
Total assets less current liabilities		<u>165,552</u>	<u>171,072</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i> <i>(Note)</i>
Non-current liabilities			
Lease liabilities		288	–
Provision for reinstatement cost	<i>15</i>	250	250
		538	250
Net assets		165,014	170,822
Equity			
Share capital	<i>14</i>	12,142	11,238
Other reserves		128,597	83,662
Retained earnings		24,275	75,922
Total equity		165,014	170,822

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	
Balance at 31 March 2018 and 1 April 2018	10,000	9,810	5,343	10	57,240	82,403
Total comprehensive income						
Profit for the year ended 31 March 2019	–	–	–	–	18,682	18,682
Transactions with owners in their capacity as owners						
Share-based payments	–	–	9,694	–	–	9,694
Issuance of shares under share placement (<i>note 14(b)</i>)	1,238	58,805	–	–	–	60,043
Balance at 31 March 2019 (<i>note</i>) and 1 April 2019	11,238	68,615	15,037	10	75,922	170,822
Adjustment from the adoption of HKFRS 16 (<i>note 3</i>)	–	–	–	–	(238)	(238)
Balance at 1 April 2019, as adjusted	11,238	68,615	15,037	10	75,684	170,584
Total comprehensive loss						
Loss for the year ended 31 March 2020	–	–	–	–	(51,409)	(51,409)
Transactions with owners in their capacity as owners						
Share-based payments	–	–	4,269	–	–	4,269
Issuance of shares under Share Option Scheme (<i>note 14(a)</i>)	904	52,420	(11,754)	–	–	41,570
Balance at 31 March 2020	12,142	121,035	7,552	10	24,275	165,014

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 May 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a place of business in Hong Kong at 5/F., AIA Financial Centre, 112 King Fuk Street, San Po Kong, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company and its subsidiaries (together the "**Group**") are principally engaged in sales of apparel products with the provision of supply chain management total solutions to customers. Following the completion of the acquisition of DL Securities (HK) Limited ("**DL Securities**") and DA Finance (HK) Limited ("**DA Finance**") in November 2019, the Group commenced its business of provision of financial services of licensed businesses including financial advisory services, securities research, referral and brokerage services, margin financing services and money lending services to customers.

The immediate holding company and ultimate holding company of the Company is DA Wolf Investments I Limited ("**DA Wolf**").

These consolidated financial statements are presented in Hong Kong Dollars ("**HK\$**"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss ("**FVTPL**") which are stated at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 April 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2019:

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

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 16 “Leases” (“HKFRS 16”)

HKFRS 16 replaces HKAS 17 “Leases” (“**HKAS 17**”) along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” (“**HK(IFRIC)-Int 4**”), HK(SIC)-Int 15 “Operating Leases-Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

As a lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of HKFRS 16, being 1 April 2019. The discounting effects of refundable rental deposits paid included in “trade, bills and other receivables, prepayments and deposits” at transition were considered as additional lease payments and adjusted to the cost of corresponding right-of-use assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the Group has applied the practical expedient for applying a single discount rate to a portfolio of leases with reasonably similar characteristics. The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 3.63%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognised at 1 April 2019:

	<i>HK\$'000</i>
Total operating lease commitments disclosed at 31 March 2019	7,642
Recognition exemption:	
— Leases with remaining lease term of less than 12 months	<u>(449)</u>
Operating leases liabilities before discounting	7,193
Discounting using incremental borrowing rate as at 1 April 2019	<u>(255)</u>
Operating leases liabilities	6,938
Total lease liabilities recognised under HKFRS 16 at 1 April 2019	<u><u>6,938</u></u>
Classified as:	
Current lease liabilities	3,263
Non-current lease liabilities	<u>3,675</u>
	<u><u>6,938</u></u>

As a lessor

Upon initial application of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16. Comparative information is not restated.

Total impact arising from transition to HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019:

	<i>HK\$'000</i>
Increase in right-of-use assets	6,700
Increase in lease liabilities	6,938
Decrease in retained earnings	<u>238</u>

Issued but not yet effective HKFRSs

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

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

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

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date not yet determined

⁴ 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

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

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The chief operating decision-makers (“**CODM**”) has been identified as the executive Directors of the Company. The executive Directors reviewed the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive Directors assessed the performance of each single operating segment based on a measure of segment results. Changes in fair value of financial assets at FVTPL are not included in the result for each operating segment.

Following the completion of the acquisition of DL Securities and DA Finance in November 2019, the Group has identified three operating segments — (i) sales of apparel products with the provision of supply chain management total solutions to customers; (ii) provision of financial services of licensed business including financial advisory services, securities research, referral and brokerage services and margin financing services, and (iii) provision of money lending services. The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of sales of apparel products with the provision of supply chain management total solutions to customers, provision of financial services of licensed business and provision of money lending services and regarded these were the reportable segments.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of non-financial asset, bank interest income, finance costs and expected credit losses (“**ECL**”) of loan and interest receivables of assets, and written off of property, plant and equipment attributable to those segments.

Segment assets include all tangible assets and current assets with the exception of financial assets at FVTPL and deferred income tax assets.

Segment liabilities include contract liabilities, trade, bills and other payables, provision for reinstatement cost, lease liabilities and bank borrowings managed directly by the segments.

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Sales of apparel products	212,875	186,519
— Provision of financial services of licensed business (<i>note a</i>)	12,909	—
— Provision of money lending services	607	—
	<u>226,391</u>	<u>186,519</u>
Disaggregated by timing of revenue recognition under HKFRS 15		
— Services provided over time	4,750	—
— Services provided at a point in time	8,766	—
— Goods transferred at a point in time	212,875	186,519
	<u>226,391</u>	<u>186,519</u>
<i>Note a</i>		
Revenue from provision of financial services of licensed business	<i>HK\$'000</i>	<i>HK\$'000</i>
Services fee income from corporate finance advisory services	12,707	—
Commission and brokerage arising on securities dealing on the Stock Exchange	202	—
	<u>12,909</u>	<u>—</u>

The segment information provided to the CODM for the reportable segments for the year ended 31 March 2020 is as follows:

	Sales of apparel products <i>HK\$'000</i>	Financial services of licensed business <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
— From external customers	<u>212,875</u>	<u>12,909</u>	<u>607</u>	<u>226,391</u>
Reportable segment revenue	<u>212,875</u>	<u>12,909</u>	<u>607</u>	<u>226,391</u>
Reportable segment (loss)/profit	(16,786)	3,895	301	(12,590)
Bank interest income	5	–	–	5
Depreciation of non-financial assets	(4,234)	(900)	–	(5,134)
ECL of				
— loan and interest receivables	–	–	(163)	(163)
Written off of property, plant and equipment	(754)	–	–	(754)
Finance costs	<u>(225)</u>	<u>(23)</u>	<u>–</u>	<u>(248)</u>
Reportable segment assets	115,029	48,913	39,097	203,039
Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	<u>8,090</u>	<u>15,798</u>	<u>598</u>	<u>24,486</u>
Reportable segment liabilities	<u>26,633</u>	<u>19,456</u>	<u>11</u>	<u>46,100</u>
Reconciliation of reportable segment loss and assets:				2020
				<i>HK\$'000</i>
Loss				
Reportable segment loss				(12,590)
Loss on sales of equity securities				(38,100)
Fair value loss on equity securities				<u>(1,171)</u>
Consolidated loss before income tax				<u>(51,861)</u>
Assets				
Reportable segment assets, after elimination of inter-segment balances				203,039
Financial assets at FVTPL				7,243
Deferred income tax assets				<u>832</u>
Consolidated total assets				<u>211,114</u>

During the year ended 31 March 2019, the Group identified one operating segment — sales of apparel products with the provision of supply chain management total solutions to customers, and segment disclosures were not presented.

Revenue from external customers is analysed by region as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from sales of apparel products:		
Europe	136,936	72,458
America	56,630	87,139
Middle East	14,257	5,007
Asia Pacific (including Hong Kong)	5,052	21,915
	212,875	186,519
Revenue from provision of financial services of licensed business:		
Hong Kong	12,909	–
Revenue from provision of money lending services:		
Hong Kong	607	–
	226,391	186,519

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	42,031	N/A
Customer B	41,177	42,650
Customer C	27,236	N/A
Customer D	N/A	31,745
Customer E	N/A	25,006
Customer F	N/A	21,559

Liabilities related to contracts with customers

As at 31 March 2020, contract liabilities included in trade, bills and other payables amounting to approximately HK\$2,112,000 (2019: HK\$1,856,000) (note 15).

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	1,856	4,244

5. OTHER (LOSSES)/GAINS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/gain on sales of equity securities	(38,100)	11,529
Fair value (loss)/gain on equity securities	(1,171)	26,224
Written off of property, plant and equipment (<i>note 11</i>)	(754)	–
Others	593	–
	<u>(39,432)</u>	<u>37,753</u>

6. EXPENSES BY NATURE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of goods sold	191,477	160,065
Sales commission	2,579	2,221
Incentive fee (<i>note 12</i>)	293	1,000
Provision for impairment of prepaid incentive fee (<i>note 12</i>)	118	1,369
Depreciation of property, plant and equipment (<i>note 11</i>)	924	355
Depreciation of right-of-use assets	4,210	–
Short-term leases/operating lease rentals in respect of		
— office	7	3,370
— staff quarter	396	776
— car park	206	256
— warehouse	550	250
Auditors' remuneration		
— Audit services	806	1,200
Employee benefit expenses (<i>note 7</i>)	21,111	17,343
Entertainment and travelling expenses	1,923	617
ECL of loan and interest receivables (<i>note 13</i>)	163	–
Professional fee in relation to share placement	–	1,441
Share options granted to eligible participants other than Directors and employees	1,792	6,545
Consultancy fee	5,257	3,276
Other expenses	6,765	5,368
	<u>238,577</u>	<u>205,452</u>

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, bonus and other short-term employee benefits	18,149	13,823
Share options granted to employees and Directors	2,477	3,149
Provision for/(reversal of provision for) unutilised annual leave	20	(22)
Pension costs — defined contribution plans	465	393
	<u>21,111</u>	<u>17,343</u>

8. INCOME TAX (CREDIT)/EXPENSE

The amount of taxation (credited)/charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
— Hong Kong	<u>102</u>	<u>326</u>
— The People's Republic of China ("PRC")	<u>-</u>	<u>1</u>
	102	327
Deferred tax		
— Hong Kong	<u>(554)</u>	<u>(22)</u>
Total	<u>(452)</u>	<u>305</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% (2019: 8.25%), and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2019: 16.5%). Corporate income tax of the PRC has been provided at the preferential rate of 10% (2019: 10%) on the estimated assessable profit for the year. The Group is not subject to taxation in the Cayman Islands or the British Virgin Islands.

9. DIVIDENDS

The Board did not recommend the payment of a final dividend for the years ended 31 March 2020 and 2019.

10. (LOSS)/EARNINGS PER SHARE

10.1 Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the years.

	2020	2019
(Loss)/Profit attributable to owners of the Company (HK\$'000)	(51,409)	18,682
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>1,124,293,689</u>	<u>1,103,110,137</u>
Basic (loss)/earnings per share (HK cents per share)	<u>(4.57)</u>	<u>1.69</u>

10.2 Diluted

	2020	2019
(Loss)/Profit attributable to owners of the Company (HK\$'000)	(51,409)	18,682
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	1,124,293,689	1,103,110,137
Effect of dilutive potential ordinary shares		
Share options (<i>note (i) and (ii)</i>)	–	13,197,944
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>1,124,293,689</u>	<u>1,116,308,081</u>
Diluted (loss)/earnings per share (HK cents per share)	<u>(4.57)</u>	<u>1.67</u>

Note:

- (i) The calculation of the diluted earnings per share for the year ended 31 March 2019 is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the sum of the weighted average number of the ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.
- (ii) Diluted loss per share for the year ended 31 March 2020 equals to basic loss per share as the impact of share options outstanding has an anti-dilutive effect on the basic loss per share amounts presented.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Fitting and furniture <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2019						
Opening net book value	–	42	45	152	569	808
Additions	629	–	29	–	–	658
Depreciation	(63)	(11)	(28)	(47)	(206)	(355)
Closing net book value	<u>566</u>	<u>31</u>	<u>46</u>	<u>105</u>	<u>363</u>	<u>1,111</u>
At 31 March 2019						
Cost	3,455	116	944	234	1,030	5,779
Accumulated depreciation	(2,889)	(85)	(898)	(129)	(667)	(4,668)
Net book value	<u>566</u>	<u>31</u>	<u>46</u>	<u>105</u>	<u>363</u>	<u>1,111</u>

	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Fitting and furniture <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2020						
Opening net book value	566	31	46	105	363	1,111
Acquisition through business combinations (<i>note 17</i>)	1,176	198	-	51	-	1,425
Additions	928	620	18	-	-	1,566
Written off (<i>note 5</i>)	(591)	(163)	-	-	-	(754)
Depreciation	(517)	(120)	(29)	(52)	(206)	(924)
Closing net book value	1,562	566	35	104	157	2,424
At 31 March 2020						
Cost	4,968	771	962	285	1,030	8,016
Accumulated depreciation	(3,406)	(205)	(927)	(181)	(873)	(5,592)
Net book value	1,562	566	35	104	157	2,424

Depreciation expenses of approximately HK\$924,000 (2019: HK\$355,000) have been charged to the general and administrative expenses for the year ended 31 March 2020.

12. TRADE, BILLS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gross trade receivables (excluding margin receivables and receivables from corporate finance advisory services)	21,509	7,390
Gross trade receivables — margin receivables (<i>note (a)</i>)	7,712	-
Gross trade receivables — corporate finance advisory services	711	-
Gross bills receivables	1,924	3,592
Trade and bills receivables, net of provision (<i>note (d)</i>)	31,856	10,982
Prepaid incentive fee (<i>note (b)</i>)	175	585
Advance payment of sales commission	-	607
Payment in advance to suppliers	3,918	12,976
Refundable deposit in relation to an acquisition (<i>note (c)</i>)	-	21,000
Rental deposits	1,955	1,955
Prepayments	316	338
Other receivables and deposits	43,240	258
Total trade, bills and other receivables, prepayments and deposits	81,460	48,701
Less: Non-current portion		
Long-term portion of prepaid incentive fee	-	(292)
Long-term portion of rental deposits	(1,955)	(1,823)
	79,505	46,586

Notes:

- (a) Trade receivables from margin clients are secured by the client's pledged securities with undiscounted market value of approximately HK\$16,866,000 as at 31 March 2020 which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. Trade receivables from margin clients are repayable on demand and bear interest at commercial rates. There is no repledge of the collateral from margin clients during the year ended 31 March 2020.
- (b) On 14 March 2016, the Group entered into a consultancy agreement with Asian Succeed Limited ("Asian Succeed"), an independent third party, to appoint Asian Succeed as the consultant to provide consultancy services in relation to the sales of the Group's apparel products and services for a period of five years. The Group paid a sign up and incentive fee to Asian Succeed of HK\$5,000,000. The prepaid incentive fee is subject to amortisation of five years.

As at 31 March 2020, the Group recognised HK\$175,000 (2019: HK\$585,000) as prepaid incentive fee to Asian Succeed in the consolidated statement of financial position. An incentive fee of HK\$293,000 (2019: HK\$1,000,000) and a provision for impairment of prepaid incentive fee of HK\$118,000 (2019: HK\$1,369,000) has been charged to the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2020.

- (c) On 6 March 2019, the Group entered into an agreement with a related party to acquire the entire issued share capital of two target companies at a consideration of HK\$42,000,000. A refundable deposit of HK\$21,000,000 was paid by the Group upon the signing of the agreement. The acquisition was completed on 11 November 2019 (note 17).
- (d) No ECL allowance was recognised for trade and bills receivables as at 31 March 2020 and 31 March 2019.

The carrying amounts of trade, bills and other receivables, prepayments and deposits approximate their fair values.

The settlement terms of trade receivables, except for secured margin clients, arising from the business of dealing in securities are two days after trade date. In addition, the settlement terms of Hong Kong Securities Clearing Company Limited are two days after trade date. For the remaining trade receivables, the Group allows an average credit period of 90 days (2019:150 days) to its trade customers of other business.

No aging analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, and only fall due on conditions or on demand by the Group. The Directors of the Company consider that an aging analysis does not give additional value in the view of the value of business of margin financing. At 31 March 2020 and 2019, the aging analysis of trade and bills receivables (except margin receivables) based on invoice date is as follows:

	2020	2019
	HK\$'000	HK\$'000
1 to 30 days	5,003	4,058
31 to 60 days	995	1,035
61 to 90 days	8,604	3,861
Over 90 days	9,542	2,028
	24,144	10,982

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the ECL, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

The other classes within trade, bills and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Other than margin receivables, the Group does not hold any collateral as security on its trade and bills receivables.

The carrying amounts of the trade, bills and other receivables, prepayments and deposits are denominated in the following currencies:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
US\$	23,393	23,957
HK\$	58,066	24,729
RMB	1	15
	<u>81,460</u>	<u>48,701</u>

13. LOAN AND INTEREST RECEIVABLES

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

As at 31 March 2020, all loan and interest receivables are not past due. All loan and interest receivables are matured within one year, based on maturity date, and denominated in HK\$.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loan receivables	31,900	–
Interest receivables	607	–
	<u>32,507</u>	–
Less: Provision for ECL on loan and interest receivables — Stage 1 (<i>note 6</i>)	<u>(163)</u>	–
Loan and interest receivables, net of provision	<u>32,344</u>	–

Loan receivables are unsecured, interest bearing from 8%–20% per annum and repayable in fixed term agreed with customers. Interest receivables are unsecured, interest bearing from 0%–36% per annum for default interest and repayable in fixed term agreed with customers. The maximum exposure to credit risk at each of the reporting date is the carrying value of the loan and interest receivables mentioned above.

	Loan receivables <i>HK\$'000</i>	Interest receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2019	–	–	–
New loan originated	31,900	607	32,507
Transfer to 12-month ECL (Stage 1)	(160)	(3)	(163)
	<u>31,740</u>	<u>604</u>	<u>32,344</u>
Balance at 31 March 2020	<u>31,740</u>	<u>604</u>	<u>32,344</u>

For loans that are not credit-impaired without significant increase in credit risk since initial recognition “Stage 1”, ECL is measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. If a significant increase in credit risk since initial recognition is identified (“**Stage 2**”) but not yet deemed to be credit impaired, ECL is measured based on lifetime ECL. In general, when loan receivables or its related instalments are overdue by 30 days, there are significant increase in credit risk.

Directors consider that the fair values of loan and interest receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

14. SHARE CAPITAL

2020	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$</i>
Authorised share capital		
As at 31 March 2019 and 31 March 2020	<u>10,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid		
As at 31 March 2019 and 1 April 2019	<u>1,123,800,000</u>	<u>11,238,000</u>
Issuance of ordinary share under Share Option Scheme (<i>note a</i>)	<u>90,345,000</u>	<u>903,450</u>
As at 31 March 2020	<u>1,214,145,000</u>	<u>12,141,450</u>
	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$</i>
2019		
Authorised share capital		
As at 31 March 2018 and 31 March 2019	<u>10,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid		
As at 31 March 2018 and 1 April 2018	<u>1,000,000,000</u>	<u>10,000,000</u>
Issuance of ordinary share under share placement (<i>note b</i>)	<u>123,800,000</u>	<u>1,238,000</u>
As at 31 March 2019	<u>1,123,800,000</u>	<u>11,238,000</u>

Notes:

- (a) On 31 March 2020, 90,345,000 shares were issued at subscription price from HK\$0.425 to HK\$0.500 to respective option holders to their exercise of the option under the Share Option Scheme of the Company.
- (b) On 1 June 2018, 123,800,000 shares were issued at subscription price of HK\$0.485 by way of share placement. Net proceeds of HK\$58,602,000 (net of professional fee of approximately HK\$1,441,000) was received by the Company with HK\$1,238,000 was credited to the share capital account and approximately HK\$58,805,000 was credited to share premium account.

15. PROVISION FOR REINSTATEMENT COST, TRADE, BILLS AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bills payables	11,662	2,006
Trade payables to margin clients (<i>note 15.1</i>)	14,706	–
Contract liabilities	2,112	1,856
Provision for reinstatement cost	250	250
Accrued employee benefits expenses	523	564
Other payables	5,603	3,458
	<u>34,856</u>	<u>8,134</u>
Less: Non-current portion		
Provision for reinstatement cost	<u>(250)</u>	<u>(250)</u>
	<u><u>34,606</u></u>	<u><u>7,884</u></u>

15.1. Trade payables to margin clients

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables from the business of dealing in securities:		
Current:		
— Trade payables — margin clients	118	–
— Trade payables — cash clients	14,588	–
	<u>14,706</u>	<u>–</u>

The Directors of the Company considered that the fair values of trade payables to margin clients are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

No aging analysis of margin clients is disclosed as in the opinion of the Directors of the Company, the aging analysis does not give additional value in view of the nature of this business.

The carrying amounts of trade and bills payables, trade payables to margin clients and other payables approximate their fair values and are denominated in the following currencies:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
US\$	12,093	570
HK\$	19,868	4,867
RMB	10	27
	<u>31,971</u>	<u>5,464</u>

The Group was granted by its suppliers credit periods ranging from 30–60 days. Based on the invoice dates, the aging analysis of the trade and bills payables, other than trade payable to margin clients, were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 to 30 days	723	1,703
31 to 60 days	2,189	–
61 to 90 days	976	303
Over 90 days	7,774	–
	<u>11,662</u>	<u>2,006</u>
Total trade and bills payables	<u>11,662</u>	<u>2,006</u>

16. BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current bank borrowings	<u>6,362</u>	<u>1,500</u>

At 31 March 2020, the bank borrowings were repayable within 1 year with the average interest rate per annum at 2.69% (2019: 2.93%). The exposure of the bank borrowings to interest rate changes and the contractual repricing dates at the end of the year were 6 months or less.

At 31 March 2020 and 31 March 2019, the bank borrowings were secured by corporate guarantee given by the Company and a subsidiary.

The carrying amounts of the bank borrowings were denominated in US\$ (2019: HK\$) and approximated their fair values.

17. BUSINESS COMBINATIONS

Subsidiaries acquired

2020	Principal activities and place of operation	Date of acquisition	Proportion of shares acquired	Consideration transferred
DL Securities	Provision of financial advisory services and securities brokerage business	11 November 2019	100%	HK\$41,780,000
DA Finance	Provision of equity pledge financing services and money lending services	11 November 2019	100%	HK\$220,000
				<u>HK\$42,000,000</u>

DL Securities and DA Finance were acquired so as to continue the expansion of the Group's financial services business.

DL Securities

On 6 March 2019, Topper Alliance Holding Limited (“**Topper Alliance**”), a wholly owned subsidiary of the Company, entered into an acquisition agreement pursuant to which Topper Alliance has conditionally agreed to acquire, and Mr. Chen Ningdi, a substantial shareholder of the Company, has conditionally agreed to sell the entire equity interests of DL Securities for a cash consideration of approximately HK\$41,780,000.

DL Securities is licensed by the Securities and Futures Commission (the “SFC”) to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities Futures Ordinance (the “SFO”). In addition, DL Securities is engaged in providing services of securities broking, margin financing and corporate finance in Hong Kong. The acquisition of DL Securities was completed on 11 November 2019.

Details of the aggregate fair values of the identifiable assets and liabilities of DL Securities as at the date of acquisition were as follows:

	Pre- acquisition carrying amounts <i>HK\$'000</i>	Fair value adjustments <i>HK\$'000</i>	Recognised values on acquisition <i>HK\$'000</i>
Property, plant and equipment (<i>note 11</i>)	1,425	–	1,425
Intangible asset — SFC license Types 1, 4 and 6	–	11,748	11,748
Right-of-use assets	1,335	–	1,335
Trade, bills and other receivables, prepayments and deposits	18,000	–	18,000
Cash and cash equivalents	13,049	–	13,049
Trade and other payables	(2,689)	–	(2,689)
Lease liabilities	(1,363)	–	(1,363)
	<u>29,757</u>	<u>11,748</u>	<u>41,505</u>
Net assets acquired			
Goodwill arising on acquisition:			
Cash consideration transferred			41,780
Fair value of identifiable net assets acquired			<u>(41,505)</u>
			<u>275</u>
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(41,780)
Cash and cash equivalents acquired			<u>13,049</u>
			<u>(28,731)</u>

DA Finance

On 6 March 2019, Topper Alliance entered into an acquisition agreement pursuant to which Topper Alliance has conditionally agreed to acquire, and Mr. Chen Ningdi, a substantial shareholder of the Company, has conditionally agreed to sell the entire equity interests of DA Finance for a cash consideration of approximately HK\$220,000.

DA Finance is a private company incorporated in Hong Kong and principally engaged in the business of equity pledge financing and money lending. The acquisition of DA Finance was completed on 11 November 2019.

Details of the aggregate fair values of the identifiable assets and liabilities of DA Finance as at the date of acquisition were as follows:

	Pre- acquisition carrying amounts <i>HK\$'000</i>	Fair value adjustments <i>HK\$'000</i>	Recognised values on acquisition <i>HK\$'000</i>
Debtors, deposits and other receivables	7,167	–	7,167
Intangible asset — Money lending license	–	500	500
Cash and cash equivalents	48	–	48
Other payables	(7,593)	–	(7,593)
	<u>(378)</u>	<u>500</u>	<u>122</u>
Net assets acquired			
Goodwill arising on acquisition:			
Cash consideration transferred			220
Fair value of identifiable net assets acquired			<u>(122)</u>
			<u>98</u>
Net cash outflow arising on acquisition of a subsidiary:			
Cash consideration paid			(220)
Cash and cash equivalents acquired			<u>48</u>
			<u>(172)</u>

Profit guarantee

Pursuant to the acquisition agreement, Mr. Chen Ningdi irrevocably warrants and guarantees to the Company that the actual profit will be not less than HK\$6 million, as the guaranteed profit during the guarantee period, which is the financial year ending 31 December 2020. If during the guarantee period, the actual profit is less than the guaranteed profit, Mr. Chen Ningdi shall compensate the Company seven times of the shortfall on a dollar to dollar basis within fourteen days after the delivery of the profit guarantee audited accounts in an amount calculated as follows: $A = (\text{guaranteed Profit} - \text{actual Profit}) \times 7$ where A is the adjustment consideration for the profit guarantee if DL Securities and DA Finance record an aggregate loss in its profit guarantee audited accounts, the actual profit shall deem to be nil. If the actual profit exceeds the guaranteed profit, no adjustment consideration will be payable to the Mr. Chen Ningdi by either DL Securities and DA Finance or the Company.

Impact of acquisitions on the result of the Group

Included in the loss for the year is profit of approximately HK\$3,876,000 attributable to the additional business generated by DL Securities, and profit of approximately HK\$288,000 attributable to DA Finance. Revenue for the year includes approximately HK\$12,909,000 in respect of DL Securities and approximately HK\$607,000 in respect of DA Finance.

If the acquisition had occurred on 1 April 2019, the Group's revenue would have been approximately HK\$262,387,000 and loss for the year from continuing operations would have been approximately HK\$48,930,000 for the year ended 31 March 2020. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2019, nor is it intended to be a projection of future results.

CORPORATE DEVELOPMENT

Immediately after the completion of the sale and purchase of 356,876,000 ordinary shares of the Company (the “**Shares**”) which represented approximately 31.76% of the issued share capital of the Company from Alpha Direct Investments Limited to DA Wolf Investments I Limited (“**DA Wolf**”) on 13 January 2020, DA Wolf became the controlling shareholder of the Company. As at the date of this announcement, the entire issued share capital of DA Wolf is owned by Mr. Chen Ningdi, the executive Director and chief executive officer of the Company.

Following the close of the mandatory unconditional cash offer to acquire all of the issued Shares of the Company on 19 March 2020, DA Wolf and the parties acting in concert with it are the beneficial owners of 666,140,395 Shares, representing approximately 59.27% of the then issued share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Following the completion of the acquisition of DL Securities and DA Finance in November 2019, the Group commenced its financial services business by conducting licensed business and money lending services. The Group is principally engaged in the sales of apparel products with the provision of supply chain management total solutions to customers and provision of financial services.

BUSINESS REVIEW

For the year ended 31 March 2020, the Group recorded increases in revenue of approximately 21.4% and gross profit of approximately 46.2% compared with that for the year ended 31 March 2019. For the year ended 31 March 2020, the Group recorded a loss of HK\$51.4 million as compared with a profit of approximately HK\$18.7 million for the year ended 31 March 2019, which was mainly attributable to (i) loss on sales of equity securities of approximately HK\$38.1 million and fair value loss on equity securities of approximately HK\$1.2 million for the year ended 31 March 2020 while there was gain on sales of equity securities of approximately HK\$11.5 million and fair value gain on equity securities of approximately HK\$26.2 million for the year ended 31 March 2019 and (ii) offset by the contribution of net profit of approximately HK\$3.9 million from the newly acquired financial services business.

PROSPECTS

The future prospect of the Group is full of challenges with the global economy being affected by the outbreaks of the coronavirus (“**COVID-19**”) and international trade conflicts.

The Group expects the business environment would remain challenging in the coming year due to the COVID-19 outbreak, global economic uncertainty and international conflict which impose pressure to the general prospects of apparel industry and overall trading environment. The increase in US trade tariffs as well as global lockdowns and quarantines due to the COVID-19 outbreak also create disruption in the markets and pose a negative impact on the Group’s sales and profit margin. The subsequent knock-on effects of COVID-19 outbreak on supply chain manifested as reduced production capacities and increase in production costs which will also lead to fewer orders and lower demand for products in the coming year, the revenue and gross profit from apparel business are expected to decrease.

Despite the challenges, it is expected that there are opportunities to come along with the risks. The temporary downturn of global economy may create more investment, financing and marketing activities across the globe in anticipation of gradual recovery. The Group will maintain its strategic strength and devote more effort to its growth, in terms of profitability and assets under management, of the new financial services business, while continuing to provide support to maximise the value and competitiveness of the Group.

Looking forward, the Group will continue to identify business partners and other investment opportunities in respect of the financial services business to expand its investment portfolio, valuable assets and income streams to maximise returns for the shareholders of the Company (the “**Shareholders**”), with an aim to drive sustainable growth of the Group. At the same time, the Group, with seasoned professionals will cautiously monitor market changes and impose robust control measures to improve cost efficiency and risk management of the Group.

FINANCIAL REVIEW

Operating revenue

For the year ended 31 March 2020, the Group reported total operating revenue of approximately HK\$226.4 million, of which approximately HK\$212.9 million was from garment business segment, approximately HK\$12.9 million was from finance services segment and approximately HK\$0.6 million was from money lending services segment.

Revenue generated from garment business segment was approximately HK\$212.9 million for the year ended 31 March 2020 compared with approximately HK\$186.5 million for the year ended 31 March 2019, representing approximately 14.1% increase mainly due to the expansion of European market.

Although the global business environment is challenging and there was outbreak of the COVID-19 in early 2020, the revenue of the Group still recorded an increase as the garment business of the Group typically accepts order six months in advance of its delivery date. As such, it is expected the effect of COVID-19 on the financial performance of the Group will be predominantly reflected in financial year ending 31 March 2021.

The protests in Hong Kong also deeply affected customers’ ability to develop business with us, due to disruptions at the Hong Kong international airport and general business disruptions. The proportion of revenue from sales of apparel products of the Group generated from Asia Pacific decreased from approximately 11.7% to approximately 2.4%.

The China-US trade conflicts continued to pose uncertainty to the garment business of the Group due to the increased US tariffs on the products made in the PRC. The effect of the China-US trade conflicts was reflected in the decrease of proportion of revenue from sales of apparel products of the Group generated from America from 46.7% for the year ended 31 March 2019 to 26.6% for the year ended 31 March 2020. As such, we shifted our business focus to Europe and the proportion of revenue from sales of apparel products of the Group generated from Europe increased from 38.8% for the year ended 31 March 2019 to 64.3% for the year ended 31 March 2020.

The revenue generated from financial services of licensed business and money lending services of approximately HK\$12.9 million and HK\$0.6 million for the year ended 31 March 2020 was due to the completion of the acquisition of DL Securities and DA Finance in November 2019.

Cost of sales

The cost of sales of the Group increased from approximately HK\$165.6 million for the year ended 31 March 2019 to approximately HK\$195.8 million for the year ended 31 March 2020, representing an increase of approximately 18.2% due to increased costs of raw materials and increase in factory costs both in the PRC and also other production areas including Bangladesh.

Gross profit and gross profit margins

The gross profit of the Group was approximately HK\$30.6 million for the year ended 31 March 2020 as compared with approximately HK\$20.9 million for the year ended 31 March 2019, which represents an increase of 46.2% mainly attributable to (i) the contribution of gross profit of approximately HK\$12.5 million from the newly acquired financial services business; and (ii) offset by the decline of gross profit of garment business of approximately HK\$2.8 million, representing a decrease of approximately 14% of the gross profit of the garment business as compared to last year due to the challenging business environment and offering competitive price for penetration to European market.

The overall gross profit margin of the Group increased from approximately 11.2% for the year ended 31 March 2019 to approximately 13.5% for the year ended 31 March 2020 due to the completion of the acquisition of DA Securities and DA Finance in November 2019, which provided the variety of finance services and money lending services to the customers.

The gross profit of garment business decreased due to the more rapid increase in costs of raw material and factory costs despite the increase in orders and the gross profit margin of garment business decreased from approximately 11.2% for the year ended 31 March 2019 to approximately 8.5% for the year ended 31 March 2020 due to the challenging business environment and the need for the Group to offer more competitive pricing for the sales, especially as the Group diversified and expanded sales into Europe.

The gross profit of the financial services business was approximately HK\$12.5 million for the year ended 31 March 2020, which was contributed by the acquisition of DL Securities and DA Finance.

Business relationships

The business relationship of the Group with one of the world's largest fashion retailers headquartered in Spain was approximately similar in size to last year in terms of revenue. As the US clients of the Group decreased their orders given the substantial uncertainties and increased costs with regards to the US China trade conflicts, the proportion of revenue from sales of apparel products of the Group generated from America decreased from approximately 46.7% for the year ended 31 March 2019 to approximately 26.6% for the year ended 31 March 2020. However, the sales orders from with a customer in UK increased significantly from last year and contributed to the increase in European sales of the Group as a percentage of the total revenue from sales of apparel products from 38.8% for the year ended 31 March 2019 to approximately 64.3% for the year ended 31 March 2020.

Selling expenses

Selling expenses mainly consist of sales commission paid to external sales representatives and staff costs of in-house staff whose roles are mainly focusing on sourcing new customers. Selling expenses decreased to approximately HK\$6.5 million for the year ended 31 March 2020 from approximately HK\$7.6 million for the year ended 31 March 2019, representing a decrease of approximately 14.6% mainly due to the decrease in provision for impairment of prepaid incentive fee.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, entertainment and travelling expenses, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous general and administrative expenses. General and administrative expenses increased to approximately HK\$36.3 million for the year ended 31 March 2020 from approximately HK\$32.3 million for the year ended 31 March 2019, representing an increase of approximately 12.5%. Such increase was mainly due to the increase in the number of staff from 26 to 42 during the year ended 31 March 2020 and the consequential increase in salary expenses of approximately HK\$5.0 million.

Finance costs

The overall finance cost increased from approximately HK\$0.1 million to approximately HK\$0.2 million which was mainly attributable to the interest expense incurred in the lease liabilities under the application of HKFRS 16 by the Group for the year ended 31 March 2020, and partly offset by the decrease of the interest expense of bank borrowing due to the repayment of the bank loan in June 2019 and subsequent increase of bank loan as at 31 March 2020.

For the year ended 31 March 2020, the Group had bank borrowings with average interest rate per annum at 2.69%, while the Group had bank borrowings with average interest rate per annum at 2.93% for the year ended 31 March 2019.

Loss/profit and total comprehensive loss/income attributable to owners of the Company

Loss and total comprehensive loss attributable to owners of the Company was approximately HK\$51.4 million for the year ended 31 March 2020 while the profit and total comprehensive income attributable to owners of the Company was approximately HK\$18.7 million for the year ended 31 March 2019, which was mainly attributable to (i) loss on sales of equity securities of approximately HK\$38.1 million and fair value loss on equity securities of approximately HK\$1.2 million for the year ended 31 March 2020 while there was gain on sales of equity securities of approximately HK\$11.5 million and fair value gain on equity securities of approximately HK\$26.2 million for the year ended 31 March 2019 and (ii) offset by the contribution of net profit of approximately HK\$3.9 million from the newly acquired financial services business.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 March 2020, the Group mainly financed its operations with its own working capital and the net proceeds from the placing (the “**Placing**”). As at 31 March 2020 and 2019, the Group had net current assets of approximately HK\$135.8 million and HK\$110.5 million respectively, including cash and cash equivalents of approximately HK\$50.7 million and HK\$52.3 million respectively. The Group’s current ratio decreased from approximately 12.8 as at 31 March 2019 to approximately 4.0 as at 31 March 2020. Such decrease was mainly because of the increase in current liabilities in the increase in trade, bills and other payables from approximately HK\$7.9 million as at 31 March 2019 to approximately HK\$34.6 million as at 31 March 2020.

As at the 31 March 2020, the bank borrowings of the Group was approximately HK\$6.4 million as compared with approximately HK1.5 million as at 31 March 2019. All bank borrowings are denominated in United States Dollars (2019: Hong Kong Dollars) and repayable within one year with the average interest rate per annum at 2.69% (2019: 2.93%). The interest rates of the banking borrowings of the Group are floating with LIBOR.

As at 31 March 2020 and 31 March 2019, the bank borrowings were secured by corporate guarantee given by the Company and a subsidiary.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the reporting period. The Group’s gearing ratio increased from approximately 5.6% as at 31 March 2019 to approximately 27.9% as at 31 March 2020.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group’s management performs an ongoing credit evaluation of the financial conditions of its customers in order to reduce the Group’s exposure of credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and commitments can meet its funding requirements.

COMMITMENTS

The Group’s contractual commitments primarily related to the leases of its office premises. The Group’s operating lease commitments amounted to approximately HK\$4,000 and HK\$7.6 million as at 31 March 2020 and 2019 respectively. As at 31 March 2020, the Group did not have any significant capital commitments (31 March 2019: nil).

CAPITAL STRUCTURE

The capital structure of the Group consists of (i) the interest bearing borrowing and net cash and cash equivalents, and (ii) equity attributable to owners of the Group, comprising issued capital and other reserves.

As at 31 March 2020, the cash and cash equivalents of the Group were mainly held in Hong Kong dollars.

Details of changes in the Company’s share capital are set out in note 14 to the consolidated financial statements in this announcement.

The capital structure of the Group and major fund raising activities during the year ended 31 March 2020 are summarised as below:

Issue of securities

Reference is made to the announcements of the Company dated 16 May 2018, 23 May 2018 and 1 June 2018. The Company and Fulbright Securities Limited (the “**Placing Agent**”) entered into a placing agreement on 16 May 2018 (as amended by a supplemental agreement dated 23 May 2018 and entered into by the same parties) in respect of the placement of up to 123,800,000 Shares (“**Placing Shares**”) at a placing price of HK\$0.485 per Placing Share to not less than six placees.

On 1 June 2018, the Placing was completed and a total of 123,800,000 Placing Shares were issued under the general mandate of the Company and the net proceeds from the Placing were approximately HK\$58.6 million.

Reference is made to the announcement of the Company dated 6 March 2019 regarding the change of intended use of unutilised net proceeds from the Placing in the amount of HK\$50 million for suitable acquisition and equity investment opportunities, including but not limited to the investment in DL Securities and DA Finance as well as general working capital of the Group.

As at 31 March 2020, the net proceeds of the Placing had been applied as follows:

Intended use of the Net Proceeds	Original allocation <i>(HK\$ million)</i>	Revised allocation <i>(HK\$ million)</i>	Utilised Net Proceeds as at 31 March 2020 <i>(HK\$ million)</i>	Unutilised Net Proceeds as at 31 March 2020 <i>(HK\$ million)</i>
Sourcing and developing the Group’s own brand or acquisition of brand(s) for garment and related products	25	–	–	–
Enhancement of supply chain management efficiency and capacity, and expansion of sales network	25	–	–	–
General working capital	8.6	16.1	16.1	–
Pursuing suitable acquisition and equity investment opportunities	–	42.5	42.5	–
Total	<u>58.6</u>	<u>58.6</u>	<u>58.6</u>	<u>–</u>

In addition, on 31 March 2020, 90,345,000 Shares were issued at subscription price from HK\$0.425 to HK\$0.500 to the holder of share options of the Company pursuant to their exercise of the shares options of the share option scheme of the Company adopted on 22 September 2015 (the “**Share Option Scheme**”).

For the details of the bank borrowings of the Group, please refer to the paragraph headed “Liquidity and Financial Resources” of this announcement.

SIGNIFICANT INVESTMENTS

Save as the disclosed in the paragraph headed “Related Party and Connected Transactions” in this announcement, as at 31 March 2020, the Group has no significant investments accounting for more than 5% of the Group’s total assets.

The Group adopts prudent and pragmatic investment strategies over its significant investment to generate investment return with a view to better utilise the capital and funds of the Group. Factors including but not limited to the investee’s financial performance, prospect, dividend policy and associated risk of the investment were considered for investment decisions. Looking forward, the Board believes that the future performance of the listed investments held by the Group will be volatile and substantially affected by overall environment, equity market conditions, investor sentiment and the business performance and development of the investee companies.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the disclosed in the paragraph headed “Related Party and Connected Transactions” in this announcement, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 March 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 March 2020. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Rules (the “**Listing Rules**”) Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as and when appropriate.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 March 2020 and 2019.

FOREIGN EXCHANGE EXPOSURE

The Group’s exposure to currency risk primarily related to Hong Kong Dollars (“**HK\$**”), Renminbi (“**RMB**”) and Euro dollars (“**EUR**”). As at 31 March 2020 and 2019, foreign exchange risk on financial assets and liabilities denominated in EUR and RMB was insignificant to the Group. Although the Group’s revenue and major expenses are mainly in United States Dollars (“**US\$**”), which is the functional currency of the Group, as HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate. The Group does not undertake any foreign currency hedging and does not use any financial instrument for hedging purposes currently.

PLEDGE OF ASSETS

As at 31 March 2020, the Group did not pledge any of its assets (31 March 2019: nil) as securities for any facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020 and 2019, the Group employed a total of 42 and 26 full-time employees respectively. The Group's employee benefit expenses mainly include salaries, wages, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2020 and 2019, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$21.1 million and HK\$17.3 million respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to employees in accordance with their performance.

SHARE OPTION SCHEME

The Share Option Scheme was adopted and approved by the then Shareholders on 22 September 2015. The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group. The eligible participants of the Share Option Scheme include the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group.

During the year ended 31 March 2020, the Company granted 52,821,000 share options under the Share Option Scheme and a total of 90,345,000 share options were exercised by employees, Directors and external consultants. As at 31 March 2020, the Company had 62,476,000 share options (31 March 2019: 100,000,000) outstanding under the Share Option Scheme. As at date of this announcement, the total number of Shares available for issue under the Share Option Scheme is 112,380,000 Shares, representing approximately 8.8% of the share capital of the Company in issue at the date of this announcement.

SUBSEQUENT EVENTS

(a) The outbreak of COVID-19

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country and region. As required by the local government, certain provinces in the PRC have extended holidays and resumed operation up to the date of these financial statements. The Group will pay close attention to the development of the outbreak of COVID-19 and evaluate its impact on the financial position and operating results of the Group. It is expected that the effect of the outbreak of COVID-19 would be reflected in the financial year ending 31 March 2021.

(b) Allotment of new Shares on 18 May 2020 pursuant to the exercise of share options

In May 2020, the Group have allotted 51,238,000 Shares pursuant to the exercise of share options under Share Option Scheme by grantees other than Directors at the exercise prices of HK\$0.425 to HK\$0.482. The Group have allotted 11,238,000 Shares pursuant to the exercise of share options under Share Option Scheme by Director at an exercise price of HK\$0.476.

(c) Setting up new fund

The Group is actively expanding its financial advisory and investment portfolio in order to strengthen its brand recognition and market exposure, as well as to produce additional and stable income streams to diversify risks and to increase Shareholders' return. In May 2020, DJT Partners Limited, the Group's wholly-owned subsidiary, has subscribed for and holds all the management shares of a private fund incorporated in the Cayman Islands. Please refer the Company's announcement dated 14 May 2020 for more details.

(d) Proposed subscription of shares for Carmel Reserve LLC (the "Target Company")

In June 2020, the Company entered into a non-legally binding memorandum of understanding with the Target Company and intends to subscribe of not more than 28.5% of the issued share capital in the Target Company. The Target Company is indirectly wholly-owned by DLC Capital Partners I, L.P., a fund for which the general partner is ultimately controlled by Ms. Jiang Xinrong, the Chairman and executive Director and Mr. Chen Ningdi, the executive Director and chief executive officer of the Company. As such, the Target Company is a connected person of the Company. The preliminary post-money valuation on the enterprise value of the Target Company is US\$35,000,000. The consideration for the proposed subscription is expected to be US\$5,000,000, which shall be subject to further negotiations between the Company and the Target Company and be determined by reference to the final valuation report. The consideration is expected to be satisfied by a combination of cash and the issuance of promissory note(s) by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 March 2020, the Company or any of its subsidiaries did not purchase, sell or redeem any of its Shares listed on the Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Board and the management of the Company are committed to maintaining and achieving a high standard of corporate governance practices with an emphasis on a quality board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group.

Save as disclosed below, the Company was in compliance with all code provisions set out in the CG Code for the year ended 31 March 2020.

Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 April 2019 to 28 February 2020, Mr. Cheung Lui performed his duties as both the chairman and chief executive officer of the Company.

However, the Board was of the view that this structure would not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting the operations of the Company. The Board believed that this structure was conducive to strong and consistent leadership, enabling the Group to make and implement decisions efficiently, and thus was in the best interest of the Group.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they have complied with the required standard of dealings and the Company's code of conduct concerning securities transactions by the Directors for the year ended 31 March 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Details of the transactions during the year between the Group and connected persons (as defined in the Listing Rules) in which the Director has beneficial interest are set out in the section headed "Related Party and Connected Transactions" of this announcement.

Save as disclosed above, no Director or any entity connected with any Director had a material interest whether directly or indirectly, in any transactions, arrangement or contract of significance in relation to the business of the Group, to which the Company or any of its subsidiaries or its parent companies was a party subsisted during or at the end of the year ended 31 March 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

For the year ended 31 March 2020 and up to the date of this announcement, none of the Directors or any of their respective close associates, engaged in any business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking dated 25 September 2015 and executed by Wise Manner Limited and Ms. Mang Ngai, details of which were set out in the prospectus of the Company dated 29 September 2015 (the “**Prospectus**”), has been fully complied and enforced for the year ended 31 March 2020. The Company further confirms that the deed of non-competition dated 25 September 2015 and given by Mr. Cheung Lui and Alpha Direct Investments Limited, details of which were set out in the Prospectus, has been fully complied and enforced for the period from 1 April 2019 to 13 January 2020, being the date on which Mr. Cheung Lui and Alpha Direct Investments Limited ceased to own in aggregate 30% or more of the issued Shares. The Board also confirms that there are no other matter in relation to the aforesaid non-competition undertaking and deed of non-competition which should be brought to the attention of the Shareholders and the potential investors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group mainly carries out its businesses in Hong Kong. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong during the year ended 31 March 2020.

RELATED PARTY AND CONNECTED TRANSACTIONS

On 6 March 2019, an indirect wholly-owned subsidiary of the Company (as purchaser) and Mr. Chen Ningdi (as vendor), who was the then substantial shareholder of the Company entered into a sale and purchase agreement (the “**Agreement**”), pursuant to which the purchaser has agreed to acquire and the vendor has agreed to sell the entire share capital of DL Securities, a company licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and DA Finance, a company with money lender’s licence (the “**Acquisition**”) in an aim to diversify the Group’s business to broaden its source of income, explore new markets with growth potential and capture new business opportunities which may create substantial value to the Shareholders. The consideration of the Acquisition was HK\$42 million. The Acquisition constituted a discloseable and connected transaction of the Company and it was completed on 11 November 2019.

Pursuant to the Agreement, the vendor irrevocably warrants and guarantees to the purchaser that the audited profit after tax of DL Securities and DA Finance will be not less than HK\$6 million (the “**Guarantee Profit**”) for the financial year ending 31 December 2020 (the “**Guarantee Period**”). If during the Guarantee Period, the audited profit after tax of DL Securities and DA Finance is less than the Guaranteed Profit, the vendor shall compensate the purchaser seven times of the shortfall on a dollar to dollar basis within 14 days after the delivery of the audited accounts of DL Securities and DA Finance for the Guarantee Period. If DL Securities and DA Finance record an aggregate loss in its audited accounts for the Guarantee Period, the actual profit shall deem to be nil. If the actual profit exceeds the Guaranteed Profit, no adjustment consideration will be payable to the vendor by either DL Securities and DA Finance or the purchaser.

Please refer to the Company's announcements on 6 March 2019, 7 August 2019, 9 September 2019 and 11 November 2019 and the circular of the Company dated 16 August 2019 for more details.

ENVIRONMENTAL POLICY

The Group aims to protect the environment by minimising environmental adverse impacts in its daily operations, such as energy saving and recycling of office resources. The Group will continue to seek for better environmental practices and promote the right environmental attitudes within the organisation. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment during the year ended 31 March 2020.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises its employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws and regulations in Hong Kong and regularly reviews the existing staff benefits for improvement during the year ended 31 March 2020. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance, etc.

The Group provides good quality services to the customers and maintains a good relationship with them. The Group keeps a database for direct communications with recurring customers for developing long-term business relationships.

The Group also maintains effective communication and develops a long-term trust relationship with its suppliers. During the year ended 31 March 2020, there was no material dispute or disagreement between the Group and its suppliers.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 March 2020 and 2019.

AUDIT COMMITTEE

The terms of reference of the audit committee of the Company (the "Audit Committee") are available at the websites of the Stock Exchange and the Company.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee risk management and internal control systems of the Group.

As at the date of this announcement, the Audit Committee consists of four members, namely Mr. Chang Eric Jackson (chairman of the Audit Committee), Mr. Chen Cheng-Lien (also known as Chen Cheng-Lang and Chen Stanley), Mr. Liu Chun and Ms. Luk Huen Ling Claire, all being independent non-executive Directors. No member of the Audit Committee is a member of the former or existing independent auditor of the Company. The Audit Committee has reviewed this announcement, including the audited consolidated results of the Group for the year ended 31 March 2020.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this announcement.

By order of the Board
DL Holdings Group Limited
Jiang Xinrong
Chairman & Executive Director

Hong Kong, 26 June 2020

As at the date of this announcement, the executive Directors are Ms. Jiang Xinrong and Mr. Chen Ningdi, the non-executive Directors are Mr. Chan Kwun Wah Derek and Mr. Li Ren; and the independent non-executive Directors are Mr. Chang Eric Jackson, Mr. Chen Cheng-Lien (also known as Chen Cheng-Lang and Chen Stanley), Mr. Liu Chun and Ms. Luk Huen Ling Claire.