OP FINANCIAL LIMITED
東 英 金 融 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1140)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

RESULTS

The board of directors (the "Board" or the "Directors") of OP Financial Limited and its subsidiaries (the "Group") hereby presents the audited consolidated results of the Group for the financial year ended 31 March 2020 (the "Year") together with comparative figures for the last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Turnover	*3*	**352,164**	1,784,148
Revenue	*3*	**181,816**	227,892
Other income		**176**	16,841
Net change in unrealized loss on financial assets at fair value through profit or loss			
– arising from listed investments		**(55,736)**	(79,847)
– arising from unlisted investments		**(265,103)**	(78,592)
		(320,839)	(158,439)
Net change in unrealized gain/(loss) on financial liabilities at fair value through profit or loss		**89,974**	(12,986)
Net realized (loss)/gain on disposal/distribution of investments			
– arising from listed investments		**(16,094)**	117,515
– arising from unlisted investments		**4,660**	92,994
		(11,434)	210,509

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Realized loss on financial liabilities at fair value through profit or loss		**(22,214)**	–
Realized gain on deemed disposal of an associate		**1,859**	–
Provision for expected credit losses		**(666,945)**	(72,687)
Equity-settled share-based payments		**(5,430)**	(12,200)
Operating and administrative expenses	6	**(150,582)**	(117,251)
(Loss)/profit from operations		**(903,619)**	81,679
Finance costs		**(18,952)**	(10,478)
Share of results of investment accounted for using equity method		**(444,046)**	205,958
(Loss)/profit before tax		**(1,366,617)**	277,159
Taxation	5	**(6,057)**	(20,469)
(Loss)/profit for the Year	6	**(1,372,674)**	256,690
Other comprehensive income			
Items that may be reclassified to profits or loss			
Share of other comprehensive income of investments accounted for using equity method			
Investment revaluation reserve		**–**	(186)
Surplus reserve		**341**	165
Exchange differences		**55**	(228)
Net other comprehensive income for the Year		**396**	(249)
Total comprehensive income for the Year		**(1,372,278)**	256,441
(Loss)/earnings per share			
Basic	7(a)	**HK$(0.4732)**	HK$0.0874
Diluted	7(b)	**HK$(0.4732)**	HK$0.0868
Proposed final dividend per share		**–**	HK$0.046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Fixed assets		**16,862**	4,118
Right-of-use assets		**78,160**	–
Deferred tax assets		**–**	8,234
Investments accounted for using equity method		**637,912**	1,147,289
Financial assets at fair value through profit or loss		**1,420,661**	1,604,321
Debt investments		**246,673**	1,423,674
		2,400,268	4,187,636
Current assets			
Financial assets at fair value through profit or loss		**824,634**	653,869
Debt investments		**961,626**	601,805
Accounts and loans receivable	*8*	**62,775**	172,402
Interest receivables		**9,737**	29,640
Prepaid consideration		**378,751**	–
Prepayments and other receivables		**19,909**	23,763
Prepaid tax		**–**	12,837
Bank and cash balances		**117,388**	193,800
		2,374,820	1,688,116
TOTAL ASSETS		**4,775,088**	5,875,752

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 MARCH 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**290,094**	290,094
Reserves		**3,824,351**	5,340,369
TOTAL EQUITY		**4,114,445**	5,630,463
Current liabilities			
Accounts payable		**–**	11,000
Other payables		**26,147**	20,491
Lease liabilities		**30,069**	–
Loan payable	*9*	**506,848**	71,558
Financial liabilities at fair value through profit or loss		**32,422**	37,295
Tax payable		**14,678**	40,249
		610,164	180,593
Non-current liabilities			
Lease liabilities		**49,548**	–
Financial liabilities at fair value through profit or loss		**931**	64,696
		50,479	64,696
TOTAL LIABILITIES		**660,643**	245,289
TOTAL EQUITY AND LIABILITIES		**4,775,088**	5,875,752
NET ASSETS		**4,114,445**	5,630,463
Net asset value per share	*10*	**HK$1.42**	HK$1.94

NOTES

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments and derivatives which are carried at their fair values.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New standards and amendments to standards adopted by the Group

In the year ended 31 March 2020 ("Year"), the Company and its subsidiaries (the "Group") has adopted all the relevant new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are currently in issue and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), and interpretations ("HK (IFRIC)").

The following amendment to standards have been adopted by the Group for the first time for the financial year commencing 1 April 2019.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC) – Int 23	Uncertainty over income tax treatments
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current year have 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.

HKFRS 16 "Leases"

The Group leases various offices. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 March 2019, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has adopted HKFRS 16 "Leases" from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the simplified transition approach in the standard on a modified retrospective basis. The reclassifications and the adjustments arising from the new leasing standards are therefore recognized in the opening consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019 in each territory or region where the lease assets are located. The incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.85%.

Set out below is a reconciliation of the operating lease commitments disclosed at 31 March 2019 to lease liabilities recognized on 1 April 2019:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	111,704
Adjustment on including building management fee in lease component *(note 1)*	9,395
Less: Short-term leases to be recognized on a straight-line basis as expense	(10)
	121,089
Effect of discounting at incremental borrowing rate at the date of initial adoption	(7,709)
Lease liabilities recognized upon initial adoption of HKFRS 16	113,380
Representing:	
Current lease liabilities	33,038
Non-current lease liabilities	80,342
	113,380

note 1: The Company has applied practical expedient on including building management fee in lease component.

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	31 March 2020 *HK$'000*	1 April 2019 *HK$'000*
Leased office premises	**78,160**	119,810

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

Consolidated statements of financial position (extract)	**31 March 2019 (As originally presented)** *HK$'000*	**Effect of the adoption of HKFRS 16** *HK$'000*	**1 April 2019 (Restated)** *HK$'000*
Non-current asset			
Right-of-use assets	–	119,810	119,810
Non-current liability			
Lease liabilities	–	80,342	80,342
Current liabilities			
Other payables	20,491	6,430	26,921
Lease liabilities	–	33,038	33,038

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 "Lease" and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortized cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the consolidated financial statements.

HK(IFRIC) – Int 23 "Uncertainty over income tax treatments"

HK(IFRIC) – Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intragroup services. Based on the Group's tax compliance study, the interpretation did not have any significant impact on the consolidated financial statements.

(b) New standards, amendments and interpretations have been issued but not yet effective for the Year and have not been early adopted

Amendments to HKFRS 3 "Definition of a Business"

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the consolidated financial statements.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 TURNOVER AND REVENUE

Turnover represents the aggregate of dividend income, interest income and gross sales proceeds from disposal of equity investments.

Turnover and revenue recognized during the years are analyzed as follows:

	2020	2019
	HK$'000	*HK$'000*
Dividend income	**3,078**	6,483
Interest income	**178,738**	221,409
Revenue	**181,816**	227,892
Gross sales proceeds from disposal/redemption of investments	**170,348**	1,556,256
Turnover	**352,164**	1,784,148

4 SEGMENT INFORMATION

The chief operating decision maker has been identified as the executive directors, subject to requirements of the Listing Rules. The executive directors assess the operating segments using a measure of operating profit. The Group's measurement policies for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

On adopting of HKFRS 8, based on the internal financial information reported to the executive directors for decisions about resources allocation to the Group's business components and review of these components' performance, the Group has identified only one operating segment, being investment holding. Accordingly, segment disclosures are not presented.

Geographical information:

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**98,741**	150,554
Mainland China	**5,316**	73
United States of America	**77,759**	77,265
	181,816	227,892

In presenting the geographical information, revenue in relation to equity investments is based on the location of the investments and the revenue in relation to debt investments is based on provision of credit.

Non-current assets other than financial instruments

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**197,136**	118,095
Mainland China	**535,798**	1,041,546

Information about major investments:

During the Year, interest income received from five of the Group's debt investments, which individually accounted for 10% or more of the Group's total revenue amounted to approximately HK$35,319,000, HK$29,046,000, HK$23,879,000, HK$22,017,000 and HK$21,650,000 respectively.

During the year ended 31 March 2019, interest income received from five of the Group's debt investments, which individually accounted for 10% or more of the Group's total revenue amounted to approximately HK$43,699,000, HK$29,594,000, HK$26,667,000, HK$24,955,000 and HK$24,308,000 respectively.

5 TAXATION

(a) Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 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 the flat rate of 16.5%.

Taxation on overseas profit has been calculated on the estimated assessable profit for the years at the rates of taxation prevailing in that overseas country.

	2020	2019
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**–**	25,570
Over-provision of Hong Kong Profits Tax for previous year	**(2,177)**	–
Deferred tax assets de-recognized/(recognized)	**8,234**	(5,101)
	6,057	20,469

(b) The reconciliation between the income tax and the product of (loss)/profit before tax multiplied by the domestic tax rates applicable to (losses)/profits of the consolidated entities is as follows:

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(1,366,617)**	277,159
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(225,327)**	45,731
Tax effect of income that is not taxable	**(49,980)**	(86,043)
Tax effect of deemed taxable profit	**–**	4,780
Tax effect of expenses that are not deductible	**207,961**	65,800
Tax effect of temporary differences not recognized	**–**	(5,953)
Tax effect of tax losses not recognized	**67,346**	(3,846)
Tax effect of deferred tax assets not recognized	**8,234**	–
Over-provision of Hong Kong Profits Tax for previous year	**(2,177)**	–
Taxation	**6,057**	20,469

6 LOSS/PROFIT FOR THE YEAR

The Group's (loss)/profit for the Year is stated after charging the following:

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit	**2,361**	1,846
– Others	**411**	376
	2,772	2,222
Depreciation of fixed assets	**5,949**	828
Depreciation of right-of-use assets	**40,190**	–
Investment management fee	**13,800**	13,800
Operating lease payments in respect of office premises	**–**	10,760
Staff costs (including directors' emoluments)		
Salaries and other benefits	**56,344**	59,202
Retirement benefits scheme contributions	**644**	641
Equity-settled share-based compensation	**5,430**	12,200
	62,418	72,043

7 LOSS/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the loss/profit for the Year by the weighted average number of ordinary shares in issue less treasury shares during the Year.

	2020	2019
(Loss)/profit for the Year (HK$'000)	**(1,372,674)**	256,690
Weighted average number of ordinary shares in issue less treasury shares (in thousand)	**2,900,940**	2,935,413
Basic (loss)/earnings per share	**HK$(0.4732)**	HK$0.0874

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the Year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted loss/earnings per share.

	2020	2019
(Loss)/profit for the Year (HK$'000)	**(1,372,674)**	256,690
Weighted average number of ordinary shares in issue less treasury shares (in thousand)	**2,900,940**	2,935,413
Adjustments for share options (in thousand)	**–**	21,386
	2,900,940	2,956,799
Diluted (loss)/earnings per share	**HK$(0.4732)**	HK$0.0868

Diluted loss per share for the Year was the same as the basic loss per share. The Company's outstanding share options had anti-dilutive effect as assumed issue of ordinary shares would reduce loss per share.

8 ACCOUNTS AND LOANS RECEIVABLE

	Note	**2020** ***HK$'000***	2019 *HK$'000*
Unsecured loan to a potential investee	*(a)*	**–**	20,195
Consideration receivables	*(b)*	**–**	59,778
Accounts receivable	*(c)*	**1,401**	136
Amounts due from associates, joint ventures and related companies	*(d)*	**26,510**	26,893
Dividend receivable	*(e)*	**34,864**	65,400
		62,775	172,402
Analyzed as:			
Current assets		**62,775**	172,402

(a)

	2020	2019
	HK$'000	*HK$'000*
Unsecured loan	**65,430**	70,041
Impairment loss	**(65,430)**	(49,846)
	–	20,195

Unsecured loan of RMB60,000,000, approximately HK$65,430,000 (2019: HK$70,041,000), is provided to a potential investee established in the PRC. The Group assesses the feasibility of the potential investment from time to time. Impairment loss of RMB60,000,000 (2019: RMB42,700,000), approximately HK$65,430,000 (2019: HK$49,846,000) is recognized against unsecured loan at 31 March 2020 based on estimated recoverable amount determined by reference to an analysis of the counterparty's current operation.

During the year ended 31 March 2020, impairment loss of RMB17,300,000 (2019: RMB42,700,000), approximately HK$19,348,000 (2019: HK$49,775,000) by average exchange rate, is recognized in profit or loss.

The Group does not hold any collateral or other credit enhancement over the balance.

(b) Consideration receivables included balances of HK$51,278,000 and HK$8,500,000 in respect of the disposal of a listed equity investment and an unlisted equity investment respectively as at 31 March 2019. The entire balance was settled during the Year.

(c) The Group does not hold any collateral or other credit enhancements over the accounts receivable from co-investment partners. The aging analysis of accounts receivable based on the invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Unbilled	**1,401**	136

At 31 March 2020 and 2019, the accounts receivable were neither past due nor impaired.

(d) Amounts due from associates, joint ventures and related companies arise mainly from advance money provided for a potential investment project and administrative expenses paid by the Group on behalf of its associates, joint ventures and related companies. The amounts are unsecured, interest-free and repayable on demand.

For the year ended 31 March 2020, in view of the uncertainty on the recoverability of the amount due from one of the associates, provision for ECL of HK$1,216,000 was recognized in profit or loss.

(e) Dividend receivable represents dividend declared by CSOP in both years.

9 LOAN PAYABLE

	2020	2019
	HK$'000	*HK$'000*
Bank borrowings *(note a)*	**410,000**	–
Other borrowings		
– Interest bearing *(note b)*	**30,000**	–
– Non-interest bearing *(note c)*	**66,848**	71,558
	506,848	71,558

Notes:

(a) All bank borrowings are unsecured, repayable within 1 year and denominated in HKD.

(b) The interest-bearing other borrowing is unsecured, interest bearing at 8% per annum and repayable within 1 year.

(c) Non-interest bearing loan represents RMB61,300,000 (equivalent to approximately HK$66,848,000) (2019: HK$71,558,000) loan due to 上海赫奇企業管理諮詢有限公司 for a potential investment opportunity in the PRC. The borrowing is unsecured, non-interest bearing and repayable on demand.

(d) The carrying amounts of the Group's and the Company's loan payable approximate to their fair values.

(e) The average effective interest rate of bank and other borrowings during the year ended 31 March 2020 was 4.95% (2019: 6.59%).

10 NET ASSET VALUE PER SHARE

The net asset value per share is calculated by dividing the net asset value of the Group at 31 March 2020 of approximately HK$4,114,445,000 (2019: HK$5,630,463,000) by the number of ordinary shares in issue less treasury shares at that date, being 2,900,940,000 (2019: 2,900,940,000).

MANAGEMENT DISCUSSION AND ANALYSIS

OP FINANCIAL OVERVIEW

OP Financial is a cross-border investor with a focus on China's fast-growing industries and the best investment opportunities. We believe that a long-term investment perspective is a critical enabler of value creation. The integration of industry, technology and financial capital has become an irresistible trend, which is propelling new industrial revolutions. Our mission is to identify great companies and enhance their performance through providing patient capital and strong support to excellent management teams.

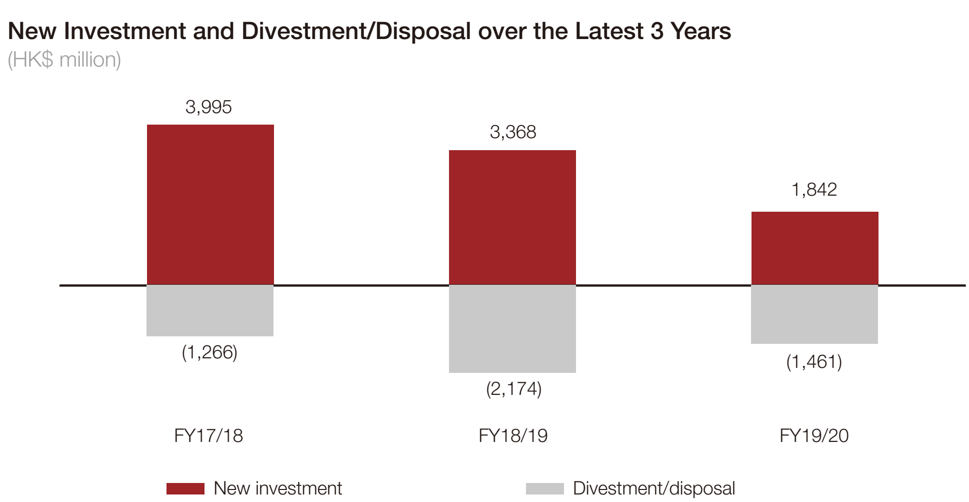
We leverage our capital strength to invest in targeted companies. Our investment strategy covers long-term core holding, mid-term private equity and venture capital, and short-term arbitrage opportunities, with returns generated from interests, dividends and capital appreciation.

INVESTMENT REVIEW

Investment Activities

During the Year, we continued to carry out our investment strategy and endeavored to identify market leaders or potential leaders of China's fast-growing industries as our long-term core holding target. However, the global macro economy and capital markets were extremely uncertain and volatile during the Year due to the US-China trade war and the unprecedented coronavirus pandemic, and as a result, we exercised extra prudence on new equity investments and strove for the maximum value of our capital and the financing capability as a public company.

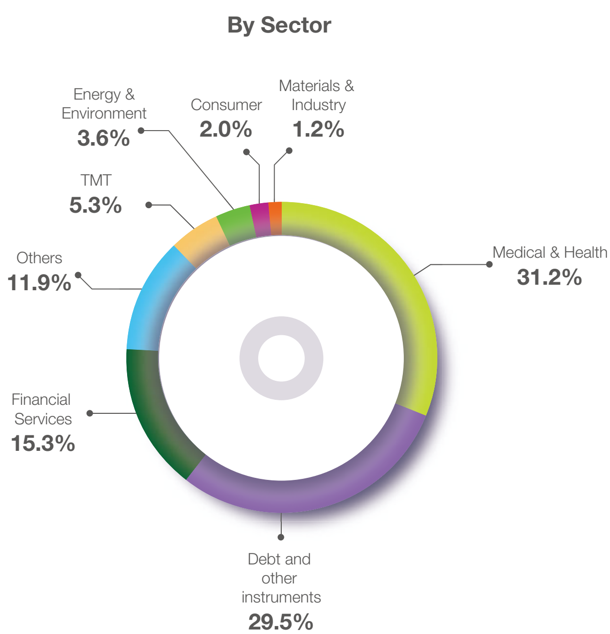
Our investment and divestment decisions are made based on comprehensive considerations and assessments of return, risk and opportunity cost. On a cash flow basis, we invested HK$1,842.12 million during the Year, mainly through private equity, debt instruments and listed securities, and our divestment amounted to HK$1,461.31 million, mainly derived from some debt instruments, private equity investments, an investment fund, and some listed securities.

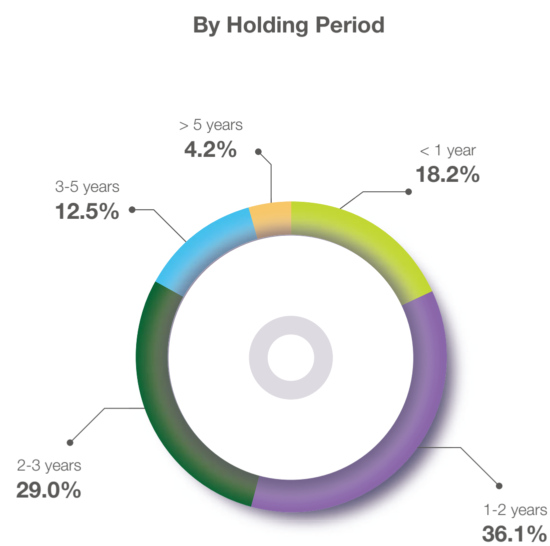


Portfolio Breakdown

Our investment strategy is comprised of three pillars based on different holding period, namely long-term core holding, mid-term private equity and venture capital, and short-term arbitrage and others. As our primary focus, the core holding strategy fully leverages the long-term investment horizon enabled by our own capital as a public company. We identify and invest in companies with high growth potential as core holding portfolio supporting their long-term development with patient capital. The mid-term private equity and venture capital strategy targets not only various opportunities in emerging industries but also fostering and enhancing ecosystem for our core holding companies. The strategy of short-term arbitrage and others mainly focuses on opportunities that emerge from short-term financing needs and other opportunistic deals.

As of 31 March 2020, the top three sectors of our existing portfolio were medical & health, financial services and TMT. Our leading position in the medical & health sector in terms of valuation was the investment in iCarbonX Group Limited ("iCarbonX"), while in the financial services sector, Beijing International Trust Co., Ltd. accounted for biggest share followed by CSOP Asset Management Limited ("**CSOP**"). Our major investment in the TMT sector included Didi Chuxing and a few other projects.





MAJOR INVESTMENT PORTFOLIO

Long-Term Core Holding

As of 31 March 2020, three companies were categorized as our long-term core holding portfolio, which were iCarbonX, CSOP and OPIM Holdings Limited ("OPIM"), respectively. iCarbonX primarily focuses on digital health management, CSOP is the largest RQFII manager globally, and OPIM is Asia's leading hedge fund platform. OP Financial's holdings in the core holding companies amounted to HK$1,284.31 million as at 31 March 2020. During the Year, the Company received dividend amounting to HK$34.86 million from CSOP. Given the growth potential of the core holding companies, OP Financial will continue to hold them and support their development in the long run while pursuing long-term investment return correspondingly.

iCarbonX Group Limited

Date of initial investment: 2018
Type of deal: Core Holding
Equity ownership: 7.7%
Cost: HK$1,098.79 million
Carrying value: HK$1,146.16 million
Location: China
Industry: Medical & Health

In 2018, OP Financial invested in iCarbonX as one of its core holding companies and established a joint venture with iCarbonX named iCarbonX OP Investment Limited to capture potential investment opportunities within the healthcare industry. In June 2019, the Company entered into an award agreement with iCarbonX, which awarded the Company an aggregate of approximately 3% of its total equity. Following the share award, the Company owns 7.7% of equity interests in iCarbonX. As at 31 March 2020, the Company's position in iCarbonX stood at HK$1,146.16 million.

iCarbonX is a global pioneer in artificial intelligence ("AI") and precision health management and aims to build an ecosystem of digital life based on a combination of individuals' life data, the Internet and artificial intelligence. Its main founding team comprises the world's top biologists with extensive experience in multi-omics technology, medical service, biological data analysis, artificial intelligence and data mining.

iCarbonX established the Digital Life Alliance (the "**Alliance**") with a number of cutting-edge health-tech companies in 2016 and has been actively carrying out cross-border collaborations in order to maximize synergy and promote mutual growth within the Alliance. iCarbonX has been deeply concerned with the outbreak of COVID-19 since January 2020 and has leveraged its proprietary world-leading random peptide array-based immunization indication technology to build a platform during the 2020 Chinese New Year for COVID-19 immune response testing and vaccine development validation. The platform can be used for immune characteristic screening of asymptomatic general population so as to differentiate susceptible and non-susceptible population for corresponding health management and evaluation of vaccination effectiveness in the future. In addition, iCarbonX has been developing coronavirus In Vitro Diagnostics (IVD) kits and vaccine, of which the IVD kit has been submitted to U.S. Food & Drug Administration (FDA) for approval.

OP Financial believes iCarbonX's expertise in life science and artificial intelligence equips the company with unparalleled competitive advantages, particularly in an era of post-COVID-19, when AI-enabled healthcare research & development (R&D) is given significant prominence and people's awareness of health management improves. Going forward, the Company will continue to take an active role in bridging opportunities between iCarbonX and industry leaders to foster its development within the healthcare industry and attain capital appreciation. The investment in iCarbonX is believed to benefit OP Financial over the long run, therefore iCarbonX is held as a core holding company within OP Financial's investment portfolio.

CSOP Asset Management Limited

Date of initial investment: 2008
Type of deal: Core Holding
Equity ownership: 22.5%
Cost: HK$60.00 million
Carrying value: HK$95.02 million
Location: Hong Kong
Industry: Financial Services

CSOP was jointly established by OP Financial and China Southern Asset Management Co., Ltd. in 2008. As at 31 March 2020, OP Financial owned 22.5% of the issued capital of CSOP, decreasing from 30% as at 31 March 2019 as a result of the allotting of 66,666,667 ordinary shares by CSOP to its employees during the Year. The carrying value of the Company's position in CSOP stood at HK$95.02 million as at the end of the Year. Including the accumulative shared results and dividends received, the Company's investment into CSOP has yielded a multiple of money (MoM) of 5.1x since its inception in 2008.

CSOP is a well-known asset management company based in Hong Kong, which manages private and public funds, and provides investment advisory services to Asian and global investors with a dedicated focus on China investing. As a leading cross – border asset management expert in terms of Asset Under Management (AUM), CSOP once held the world's largest RMB Qualified Foreign Institutional Investor (RQFII) quota of RMB46.10 billion. It is also one of the best offshore asset managers in China. In the fast-changing market, CSOP never stops innovation to capture opportunities. During the Year, CSOP launched several new products including leverage/reverse ETFs, Hong Kong dollar, US dollar and RMB Money Market ETFs as well as GAMA quantitative index strategy products etc. In particular, CSOP USD Money Market ETF (Stock code:9096.HK) was rated "AAAf" by Fitch Ratings on 11 March 2020, making it the first Hong Kong-listed ETF receiving the rating from Fitch Ratings.

China has been accelerating the reforms and opening-up of its financial market in recent years and it is one of the most attractive investment destinations for international investors. CSOP will continue to bridge investment opportunities in China for overseas investors with its innovative fund products and expertise, achieving decent returns for investors and at the same time enhancing its leading position in the RQFII product management sector. OP Financial believes that CSOP will continue to bring solid returns and therefore will hold it as a long-term core holding company.

OPIM Holdings Limited

Date of initial investment: 2008
Type of deal: Core Holding
Equity ownership: 30%
Cost: HK$59.47 million
Carrying value: HK$43.12 million
Location: Hong Kong
Industry: Financial Services

As at 31 March 2020, OP Financial owned 30% of the issued ordinary shares and 100% of the non-voting preference shares of OPIM Holdings Limited (together "OPIM") following a reorganization completed in December 2019 to streamline its organizational structure where the Company's position remained unchanged. As at 31 March 2020, the Company's position in OPIM stood at HK$43.12 million as compared to HK$58.02 million as at 31 March 2019. The decrease was primarily attributable to the unfavorable market environment as a result of the US-China trade war compounded with the COVID-19 pandemic, despite OPIM's strong operating performance in 2019 when it had 27 new funds onboard and in the first quarter of 2020 alone, the number of new funds onboard has reached 29.

OPIM is a leading hedge fund platform in Asia serving both global and Asia-based managers to develop funds across diversified strategies for institutional and professional investors. It has built a whole ecosystem linking up fund managers, service providers and capital allocators, which enables the managers to launch offshore funds with efficient and affordable structures. With the ecosystem, managers are able to focus on fund performance and build a proven track record for future expansion.

With the increasing scale of China's private equity funds in the overseas market, OPIM is expected to maintain the momentum of steady growth in terms of both the number of funds and the overall asset scale. At the same time, China has been accelerating the opening-up of its financial markets, which improves foreign managers' access to the Chinese market and as a result, OPIM is expected to benefit from it. OP Financial believes that OPIM has great potential to continue to grow its business, and therefore will hold it as a long-term core holding company.

Mid-Term Private Equity and Venture Capital

As of 31 March 2020, OP Financial's holdings in the mid-term private equity and venture capital category amounted to HK$1,435.65 million. Under this category and on a cash flow basis, the Company added a few investments and paid a capital call of a fund amounting to HK$452.27 million in total, and exited from or partially disposed of a few private equity investments, partially redeemed an investment fund and received dividend from one investment with total proceeds of HK$222.12 million during the Year. Based on prudent and extensive analysis of market condition and the investees' prospect, OP Financial makes decisions either to maintain the holdings to benefit from growth of business, or to exit and harvest returns for future new investments. Apart from certain listed equity investments, the major investments are listed as below:

Treasure Up Ventures Limited (Beijing International Trust Co., Ltd., "BITIC")

Date of initial investment: 2016
Type of deal: Private Equity
Equity ownership: 25%
Cost: HK$351.67 million
Carrying value: HK$342.74 million
Location: China
Industry: Financial Services

OP Financial acquired 25% equity interest in Treasure Up Ventures Limited ("**Treasure Up**"), which in turn participates in a minority economic interest in BITIC. As at 31 March 2020, the Company's position in BITIC stood at HK$342.74 million as compared to HK$688.74 million as at 31 March 2019. During the Year, OP Financial received the dividend of approximately HK$14.10 million distributed by BITIC for the year of 2018. For 2019, BITIC recorded a total revenue and net income of RMB1,897.82 million and RMB927.57 million, increasing 12.0% and 11.4% year-over-year, respectively. However, due to the outbreak of COVID-19 earlier this year, which led to the severe downturn of global capital markets in March when the Shanghai Stock Exchange Index was in its 52-week low, the comparable companies of BITIC were trading at low multiples and as a result, the carrying value of the Company's investment as at 31 March 2020 decreased year-over-year.

BITIC is a China-based large-scale non-banking financial institution, which primarily engages in trusts, investment funds, financial services, brokerage and advisory business.

The trust industry has been playing an irreplaceable role in China's economic development and financial resource allocation. In recent years, the rapid development of wealth management business driven by the accumulation of private wealth has brought the industry with historic opportunities. Quickly adapting to the changes in the market and national policy environment, BITIC formulated its twin-engine strategy in 2019, which is asset management and wealth management respectively, and has adjusted its service offerings focusing on quality rather than quantity since 2018. OP Financial believes that BITIC will benefit from the continuous opening-up and improvement of China's financial system and the upgrading of the trust industry, as a result of which BITIC is expected to deliver a decent return on investment for the Company.

華建實業投資有限公司("華建實業")

Date of initial investment: 2020
Type of deal: Private Equity
Equity ownership: 12.5%
Cost: HK$370.00 million
Carrying value: HK$370.00 million
Location: China
Industry: Others

OP Financial entered into agreements to acquire 100% of the equity of Wall King Industry Investment Limited, which in turn to purchase 12.5% of equity interest issued by 華建實業 with a total consideration of HK$370.00 million.

With the double-engine strategy of industrial operations complemented by equity investment, 華建實業 currently controls or holds minority interest in more than 15 projects, mainly in the promising sectors, including but not limited to high-end equipment manufacturing, culture and arts, internet and semiconductor.

China's economic development has entered into a new stage where technology is a key driver and domestic consumption is playing an increasingly important role. As a result, there are plenty of opportunities in the emerging industries into which the Chinese government has been guiding the factors of production to flow through supply-side structural reform. 華建實業 primarily focuses on the emerging industries and holds a number of prime investment projects with great growth prospects, and therefore, is expected to bring medium-term investment returns to the Company.

Victorian Investment Limited Partnership

Date of initial investment: 2018
Type of deal: Private Equity
Equity ownership: 46.15%
Cost: HK$234.80 million
Carrying value: HK$129.94 million
Location: China
Industry: Medical & Healthcare

In 2018, OP Financial made the investment in Victorian Investment Limited Partnership to participate in the investment regarding the healthcare business of a large-scale Chinese company. As of 31 March 2020, our position stood at HK$129.94 million.

Echoing its investment industry focus, the Company made the investment in Victorian Investment Limited Partnership aiming to benefit from the potential upside of the Chinese healthcare sector. The investment originally had a term of 3 years, however, due to the liquidity problem of the parent company of the underlying investment and the downturn of China market, the parent company is undergoing a debt restructuring program, of which the progress, however, was impeded by the outbreak of COVID-19 in China earlier this year when there was a nationwide lockdown. As a result, the restructuring program could not be finalized as at 31 March 2020. On a prudent basis, the Company increased the provision for impairment loss on the investment, which led to the decrease in its carrying value, although the Company does expect to recover the loss upon the completion of the debt restructuring program.

Xiaoju Kuaizhi Inc. (Didi Chuxing)

Date of initial investment: 2016
Type of deal: Private Equity
Equity ownership: <1%
Cost: HK$116.45 million
Carrying value: HK$83.92 million
Location: China
Industry: TMT

Xiaoju Kuaizhi Inc. ("Xiaoju Kuaizhi") is the Cayman Island SPV of Didi Chuxing. OP Financial subscribed less than 1% preferred shares issued by Xiaoju Kuaizhi. As at 31 March 2020, the Company's position in Didi Chuxing stood at HK$83.92 million as compared to HK$156.89 million a year ago. The decrease was primarily attributable to the outbreak of COVID-19 since late January 2020 in China, which had entered into a full lockdown to contain the pandemic and it inevitably had a dramatic impact on Didi Chuxing's ride-hailing business.

Didi Chuxing is the world's leading one-stop mobile transportation platform offering a full range of app-based mobility options for over 550 million registered users across Asia, Latin America and Australia. In China, Didi Chuxing is the absolute market leader in the mobile transportation sector with the number of monthly active users for May 2019 amounting to 75.17 million, roughly 23 times of that of the second market player, according to a research report published by Analysys. With the resumption of economic activities in China post the outbreak of COVID-19, Didi Chuxing is believed to recover its ride-hailing business and in the meantime, it is also penetrating into the intra-city freight delivery sector leveraging and further monetizing its large-scale user base.

With the development of urbanization and the evolution of consumption habits, mobile transportation is playing an increasingly important role in urban society. In the past few years, Didi Chuxing has been actively exploring the application of artificial intelligence, big data and other technologies in the transportation sector to continuously optimize its service offerings and has been making significant progress in expanding its global footprints. OP Financial believes that Didi Chuxing's tremendous user base and its penetration in the smart transportation sector will equip it with unparalleled competitive advantages going forward.

BE Financial Service (Beijing) Investment Holdings Limited

Date of initial investment: 2017
Type of deal: Private Equity
Equity ownership: 20%
Cost: HK$46.64 million
Carrying value: HK$55.52 million
Location: China
Industry: Environment

OP Financial partnered with Beijing Enterprises Water Group Limited ("BEWG", stock code: 371.HK) to facilitate the establishment of BE Financial Service (Beijing) Investment Holdings Limited (北控金服(北京)投資控股有限公司, "BEFS"). OP Financial committed RMB200 million for 20% registered capital in BEFS and has paid up the first capital call of RMB40 million (equivalent to HK$46.64 million) in August 2017. As at 31 March 2020, the Company's position in BEFS stood at HK$55.52 million, representing a year-over-year increase of 8.3% as compared to HK$51.29 million as at 31 March 2019, thanks to the growth of shared cumulative profits from the investee company driven by its robust financial performance for 2019.

BEFS works along with its subsidiaries to provide comprehensive services of fund investment, financing and management for BEWG's Public-Private Partnership (PPP) projects in relation to environmental protection. As a China-based large-scale water treatment and environmental protection group with strong core competency, BEWG has achieved a nationwide strategic deployment and penetrated into overseas markets successfully. OP Financial believes that with Chinese government's continuous support for the environmental protection industries and the market-leading position of BEWG, BEFS will continue to develop its business and bring mid-term investment returns to the Company.

Central China New Life Limited ("CCNL")

Date of initial investment: 2019
Type of deal: Private Equity
Equity ownership: <1%
Cost: HK$11.00 million
Carrying value: HK$51.69 million
Location: China
Industry: Others

In March 2019, OP Financial entered into a share subscription agreement with CCNL to subscribe 339,000 shares issued by the company, or less than 1% of its total equity, at a consideration of HK$11.0 million. As at 31 March 2020, OP Financial's position in CCNL stood at HK$51.69 million, representing a year-over-year increase of 369.9% as a result of the investee company's spectacular business growth. CCNL filed for listing on Hong Kong Exchanges and Clearings in November 2019 and made its trading debut at an IPO price of HK$6.85 per share on 15 May 2020 and closed at HK$8.37, up 22.2%.

CCNL is the largest property management service provider in the central China region with its property management and value-added services covering all 18 prefecture-level cities and also 81 of the 104 county-level cities in Henan Province as well as 1 city in Hainan Province. Serving more than 1 million property owners and residents in 312 properties, CCNL manages a diversified portfolio of properties, including residential properties, shopping malls, cultural tourism complexes, commercial apartments, office buildings, schools and properties of governmental agencies.

The property management industry has been growing significantly with the rapid development of China's real estate market in recent years and is expected to continue to have the momentum driven by the increase in the number of home buyers, as well as the growth in urbanization rate and per capital disposal income in China going forward.

Short-term Arbitrage and Others

As at 31 March 2020, OP Financial's holdings in listed securities that fell into this category amounted to HK$163.24 million, while the holdings in debt instruments amounted to approximately HK$1,208.30 million. During the Year, OP Financial made new investment in and divestment from some debt instruments and listed securities to enhance the capital liquidity and generated returns from interests, dividends and capital gains. At the same time, our portfolio of debt instruments recorded provisions for expected credit loss (ECL) under HKFRS 9, while some listed securities recorded market price changes for the Year.

The Company invests in debt instruments with the consideration of return, risk and liquidity. For the Year, the interest rate we charged for the debt instruments, of which the borrowers were mainly investment companies, ranged from 5% to 20% as compared to 5% to 24% last year. The total interest income generated from debt instruments was HK$177.84 million with loan tenures ranging from 6 months to 3 years, while the corresponding amount and range last year were HK$219.06 million and 6 months to 3 years, respectively.

OP Financial maintains regular communication with debt issuers and loan borrowers. As at the end of the Year, management have assessed the repayment ability of the issuers/borrowers for the determination of expected loss provisions.

REVIEW

Financial position

Net asset value: As at 31 March 2020, the Group's net asset value was HK$4,114.44 million, or HK$1.42 per ordinary share in issue, as compared to HK$5,630.46 million and HK$1.94 per ordinary share in issue respectively as at 31 March 2019.

Gearing: The gearing ratio, which was calculated on the basis of total liabilities over total equity as at 31 March 2020, was 0.16 (31 March 2019: 0.04).

Investments accounted for using equity method: It mainly represents our interest in companies held under the strategy of mid-term private equity and venture capital, which include Treasure Up and the share of the core holding company CSOP. Assets value stood at HK$637.91 million as at 31 March 2020 (31 March 2019: HK$1,147.29 million), representing a year-over-year decrease of 44.4% mainly due to the decrease in Treasure Up's valuation as a result of the unfavorable market environment and the recognition of loss on OP EBS Fintech Investment L.P. (Wacai Holdings Limited, or "Wacai"), which was primarily attributable to the regulatory crackdown on peer-to-peer lending platforms leading to the uncertainty of Wacai's business prospects. The decrease was partially offset by the upside of the asset value of BEFS thanks to its strong performance.

Financial assets at fair value through profit or loss: It stood at HK$2,245.29 million as at 31 March 2020, representing a slight decrease of 0.6% as compared to HK$2,258.19 million as at 31 March 2019, which was mainly the net result of (i) the new investment into 華建實業 amounting to HK$370.00 million in total; (ii) the increase in the fair value of our investment in iCarbonX; (iii) a fair value increase of HK$40.69 million, or by 369.9% of our positions in CCNL; (iv) an increase of HK$31.34 million in the fair value of our investment in 德興市益豐再生有色金屬有限責任公司 due to a new investment during the Year; (v) the partial divestment from Sino Stature Investment Limited amounting to approximately HK$93.90 million; (vi) a net decrease of HK$106.84 million and HK$72.97 million in the fair value of the investment in Victorian Investment Limited Partnership and Didi Chuxing respectively due to the aforementioned reasons; (vii) a net decrease of HK$64.09 million in the fair value of the investment in Thrive World Limited, which holds 50% of equity interests in Nobel Holdings Investments Ltd.; (viii) a net decrease of HK$24.72 million in listed securities due to partial disposal and fair value decrease; (ix) a net decrease of HK$158.66 million in the fair value of some private equity investments and investment funds due to disposal or fair value change.

Debt investments: It represents the investments in debt instruments as at 31 March 2020, which amounted to HK$1,208.30 million. The decrease of 40.3% as compared to HK$2,025.48 million as at 31 March 2019 was primarily because the Company exited from a few debt investment during the Year and the increase in the provision for expected credit losses as compared to the prior year. The debt investments contribute to enhancing the Company's capital liquidity and generate revenue in the form of fixed income.

Bank and cash balances: As of 31 March 2020, the Company's bank and cash balance stood at HK$117.39 million (31 March 2019: HK$193.80 million). We manage our bank and cash balances principally on the basis of making good use of capital to achieve returns for shareholders and ensuring sufficient liquidity for our working capital requirements. Majority of the cash was utilized for several investments during the Year while at the same time we also partially disposed of or divested some investments and some debt instruments upon maturity.

RESULTS

The economic environment and stock markets have been extremely challenging without a modern precedent due to the US-China trade war compounded with COVID-19 pandemic, which inevitably exerted pressure on the business and valuation of some of our portfolio companies for the Year. The Company recorded a total revenue of HK$181.82 million for the Year, representing a year-over-year decrease of 20.2% as compared to HK$227.89 million for the prior year primarily attributable to the decrease in interest income and dividend income as we divested some debt instruments and listed securities during the Year to mitigate risks given the highly uncertain and volatile capital markets. The Company recorded a net loss for the Year of HK$1,372.67 million as compared to a net profit of HK$256.69 million for the prior year. The change was primarily due to the provision for ECL increased to HK$666.95 million from HK$72.69 million for the prior year, and the share of results of investments accounted for using equity method turning from a net gain of HK$205.96 million for the previous year into a loss of HK$444.05 million mainly as a result of the decrease in the fair value of BITIC and the recognition of loss on OP EBS Fintech Investment L.P.. The net change in unrealized loss of financial assets at fair value through profit or loss of HK$320.84 million and the net realized loss on disposal/distribution of investments of HK$11.43 million also contributed to the change. The loss was partially offset by the net change in unrealized gain on financial liabilities at fair value through profit or loss of HK$89.97 million.

Consolidated statement of profit or loss and other comprehensive Income

Revenue represents the income received and receivable on investments during the Year as follows:

	2019/20	2018/19
	HK$'000	*HK$'000*
Dividend income[(1)]	**3,078**	6,483
Interest income[(2)]	**178,738**	221,409
	181,816	227,892

(1) Dividends received from listed securities during the Year.

(2) Interest income of HK$178.74 million were primarily generated from the Group's debt instruments as well as term deposit in banks.

Net change in unrealized loss on financial assets at fair value through profit or loss: The net change in unrealized loss of HK$320.84 million (FY2018/19: HK$158.44 million) mainly represents the net result of (i) the unrealized gain of HK$47.16 million on iCarbonX; (ii) the unrealized gain of HK$40.69 million on CCNL driven by its robust financial performance; (iii) the net unrealized gain of HK$19.09 million on our investment in Sino Stature Investment Limited; (iv) the unrealized loss of HK$106.84 million on Victorian Investment Limited Partnership; (v) the net unrealized loss of HK$41.10 million on unlisted debt investment, and (vi) the unrealized loss of HK$72.97 million and HK$64.09 million on Xiaoju Kuaizhi (Didi Chuxing) and Thrive World, respectively.

Net change in unrealized gain on financial liabilities at fair value through profit or loss: The net change in unrealized gain of HK$89.97 million (FY2018/19: loss of HK$12.99 million) mainly represents the share of unrealized loss by our co-investment partners.

Realized loss on financial liabilities at fair value through profit or loss: The amount HK$22.21 million mainly represents the provision of loan guarantee to 上海幸福九號網絡科技有限公司 of HK$21.89 million being recognized during the Year.

Realized loss on disposal/distribution of investments: The realized loss of HK$11.43 million (FY2018/19: gain of HK$210.51 million) during the Year mainly represents the realized loss on the disposal of some listed securities, partially offset by the realized gain on the partial disposal of an investment fund, divestment of a private equity investment and a debt instrument classified as financial asset at fair value through profit or loss.

Provision for expected credit losses ("ECL"): The HK$666.95 million (FY2018/19: HK$72.69 million) represents the provision for ECL on debt instruments for the Year following the adoption of HKFRS 9 by the Company. The year-over-year increase in ECL provision was primarily because the Company increased the percentage of expected loss provisions on some debt instruments, of which most debt issuers or loan borrowers engage in investment business and were negatively impacted by the adverse economic and market conditions due to the US-China trade war, the social unrest in Hong Kong compounded by the COVID-19 pandemic. The decrease in the fair value of the Company's prepaid considerations for the investment in Dagang Holding Group CO., LTD. (stock code: 300103.SZ) also partially contributed to the increase in ECL provision. The reverse entry of the provision for ECL for three debt instruments due to the full repayment partially offset the increase.

Equity-settled share-based payments: The HK$5.43 million (FY2018/19: HK$12.20 million) represents the cost of share options amortized during the Year. These share options were granted to certain Directors, employees and consultants on 20 May 2016 and 1 February 2018 respectively, which are allowed to be vested over five years from the grant dates.

Operating and administrative expenses: The total amount of HK$150.58 million operating and administrative expenses (FY2018/19: HK$117.25 million) was mainly the result of staff costs, investment management fee, depreciation, service fee expense as well as legal and professional fees. The year-over-year increase was primarily driven by an increase of HK$30.68 million in lease-related expenses, which include rent and rates as well as depreciation on Right-of-Use (ROU) assets upon the adoption of HKFRS 16 since 1 April 2019, and an increase of HK$5.12

million in depreciation, primarily as a result of the relocation of the Company's office during the Year. An increase of HK$10.52 million in exchange difference also contributed to the increase. A decrease of HK$9.38 million in staff cost, HK$4.22 million in legal and professional fee, and HK$2.1 million in consultancy fee partially offset the increase.

Share of results of investments accounted for using equity method: a net loss of approximately HK$444.05 million (FY2018/19: net gain of HK$205.96 million) mainly represents our share of loss of Treasure Up, which was primarily due to the unfavorable market environment resulting the decrease in BITIC's valuation during the Year. The share of loss from OP EBS Fintech Investment L.P. as a result of the regulatory crackdown on peer-to-peer lending was another reason for the net loss. The loss was partially offset by the shared gain of CSOP, BEFS and a number of other associates thanks to their robust performance.

Other comprehensive income: Changes in the Group's NAV, which are not accounted for in "loss for the Year", are recorded under "other comprehensive income". The net gain of HK$396,000 (FY2018/19: loss of HK$249,000) represented the share of surplus reserve and exchange differences of investments accounted for using equity method. Including the "loss for the Year", the total comprehensive income for the Year was a loss of HK$1,372.28 million.

DIVIDEND POLICY AND PROPOSED FINAL DIVIDEND

No interim dividend was paid during the Year (FY2018/19: nil).

As part of a long-term commitment to providing shareholder value, the Board intends to recommend dividend distribution upon successful exit of any material profitable investment position. In recommending the payment of dividends, the Board will take into account a number of factors, including but not limited to, the following:

(1) the financial position and financial performance of the Group;

(2) the Group's estimated investment plan and capital expenditure plan;

(3) the Group's debt-to-equity ratio, return on equity and committed financing agreements;

(4) the retained profits and distributable reserves of the Company and each of the members of the Group;

(5) the expectation of shareholders and investors and industry practice;

(6) other internal or external factors that may have an impact on the financial performance or financial position of the Company; and

(7) any other factors that the Board deems appropriate.

The Board has resolved not to pay any final dividend in respect of the Year (FY2018/19: HK$0.046 per share).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's major sources of revenue currently are dividend income from investments held and interest income from bank deposits and financial instruments held.

As at 31 March 2020, the Group had cash and bank balances of HK$117.39 million (31 March 2019: HK$193.80 million). The Group had an aggregate of HK$506.85 million loans primarily comprised of bank loans from our principal bankers, interest-bearing loan from a third party and interest-free borrowings from one of the associates for a PRC potential investment as at 31 March 2020 (31 March 2019: HK$71.56 million). The debt-to-equity ratio (interest-bearing external borrowings divided by shareholders' equity) stood at 10.7% (31 March 2019: zero) while the current ratio (current assets divided by current liabilities) was 4 times (31 March 2019: 9 times). For further analysis of the Group's cash position, current assets and gearing, please refer to paragraphs under subsections headed "Financial Position" above.

We finance our ongoing operating activities through using funds from our operations, external credit or financing arrangements. We constantly assess our current and expected operational requirements and the financial market conditions to evaluate the utilization of available financing sources. Considering our existing working capital position and our accessibility to debt funding sources, the Board believes that our operations and borrowing resources are sufficient to provide funding to satisfy our ongoing investment and working capital requirements for the foreseeable future.

CAPITAL STRUCTURE

As at 31 March 2020, shareholders' equity and the total number of shares in issue of the Company stood at HK$4.11 billion and 2,900,940,000, respectively. As at 31 March 2019, shareholders' equity and the total number of shares in issue less treasury shares of the Company stood at HK$5.63 billion and 2,900,940,000 respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

On a cash flow basis, the Company had the following material acquisitions as well as disposals of investments during the Year.

	New/Additional Investment *(HK$ million)*	**Divestment/ Disposal** *(HK$ million)*
Long-term core holding	–	34.86(1)
Mid-term private equity & venture capital	452.27(2)	222.12(3)
Short-term arbitrage opportunities		
– Listed securities	59.65(4)	10.01(5)
– Debt instruments	835.74	1,194.32
Prepaid consideration	494.46(6)	–
Total	1,842.12	1,461.31

(1) The HK$34.86 million represents the dividend received from CSOP during the Year.

(2) The HK$452.27 million represents four investments in our unlisted partnership interest and unlisted equity investments during the Year.

(3) The HK$222.12 million mainly represents the dividend received from Treasure Up, partial divestment from a few investments and partial redemption of Greater China Select Fund during the Year.

(4) The HK$59.65 million mainly represents our investment in five listed securities during the Year.

(5) The HK$10.01 million represents the disposal or partial disposal of three listed securities in our portfolio during the Year.

(6) The HK$494.46 million represents the prepaid consideration made pursuant to "股份轉讓交易協議" dated 18 June 2019 and "股份轉讓交易協議之補充協議" dated 28 June 2019, signed between the Group, through one of its subsidiaries, and the seller, under which the Group determined to purchase a total of 63,202,590 shares, or 19.9% of total capital of Dagang Holding Group CO., LTD. (stock code: 300103.SZ). The total consideration of RMB695.23 million, is agreed to be paid in instalments based on certain contractual terms. Up to 31 March 2020, RMB450 million was prepaid according to plan.

SEGMENT INFORMATION

Segment information of the Group is set out in note 4 on pages 9 to 10 of this announcement.

EMPLOYEES

As of 31 March 2020, the Group had 43 employees (31 March 2019: 47), inclusive of all Directors of the Group and its subsidiaries. Total staff costs including equity-settled share-based payments for the Year amounted to HK$62.42 million (FY2018/19: HK$72.04 million). The Group's remuneration policies are in line with market practices and are determined on the basis of the performance and experience of individual employees.

SHARE OPTION SCHEME

During the Year, the Board did not grant any share option under the Company's share option scheme to any Directors or eligible employees of the Group and there were no granted share options exercised (FY2018/19: 300,000). There was forfeiture of 1,000,000 share options during the Year which had been granted to a consultant (FY2018/19: nil). As at 31 March 2020, there were 71,700,000 (31 March 2019: 72,700,000) share options that remained outstanding under the share option scheme.

The detailed disclosures relating to the Company's share option scheme and valuation of options are set out in the section headed "Share Option Scheme" under Notes to the consolidated financial statements.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 March 2020, the Group was exposed to foreign exchange risk arising from financial instruments that are monetary items including investments recognized as financial assets at fair value through profit or loss, prepaid consideration for equity investment, loan and other receivables, bank balances and other payables (31 March 2019: financial assets at fair value through profit or loss, loan and other receivables, bank balances and other payables). These assets were denominated in RMB and the maximum exposure to foreign exchange risk was RMB452,054,000, equivalent to HK$492,965,000 (31 March 2019: RMB284,589,000, equivalent to HK$332,215,000).

As at 31 March 2020, the Group held certain financial assets which were denominated in USD. The Board is of the opinion that the Group's exposure to USD foreign exchange risk is minimal as HKD is pegged to USD based on the Linked Exchange Rate System in Hong Kong.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2020, there were no charges on the Company's assets.

At 31 March 2020, the Group had provided guarantees in respect of the settlement of RMB20 million (equivalent to HK$21.81 million) (31 March 2019: HK$23.35 million) loan provided by 博石資產管理股份有限公司 to 上海幸福九號網絡科技有限公司. Due to the financial difficulties of 上海幸福九號網絡科技有限公司, the Company had been demanded by 博石資產管理股份有限公司 to settle the loan on behalf of 上海幸福九號網絡科技有限公司 as at the date of this announcement. As such, a provision for the loan guarantee of RMB20 million (equivalent to HK$21.81 million) (31 March 2019: Nil) was recognized as at 31 March 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED SOURCES OF FUNDING

As at 31 March 2020, there were no plans for material investments or capital assets, but the Company may, at any point, be negotiating potential investments. The Company considers new investments as part of its daily business, and therefore management may publically announce these plans as they become necessarily disclosable to shareholders during the course of the financial year.

The Company is set to establish a new business department in an effort to fully invigorate its long, medium and short-term investments and improve the profitability and liquidity of the assets on its balance sheet. Aiming to enhance the medium and short-term investment and management for the Company, the business department will focus on arbitrage opportunities, which are complementary to the Company's long-term core holding strategy, strive to grow the Company's asset scale steadily and further strengthen its cash flow.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company or any of its subsidiaries has not purchased, sold or redeemed any of the Company's securities during the Year and up to the date of this announcement.

EVENTS AFTER THE REPORTING YEAR

(1) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across Mainland China and Hong Kong. In light of this, the Group has considered the potential impact of COVID-19 on this consolidated financial statements as at 31 March 2020 and for the year then ended, in particular the impact on the fair value of unlisted financial instruments, and expected credit losses for the Group's debt investments where significant management judgement has been exercised. Subsequent to the year end, the Group has continued to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results as part of the subsequent event review. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any further material effects on the consolidated financial statements as a result of the COVID-19 outbreak.

(2) Following its filing for listing application on Hong Kong Exchanges and Clearings in November 2019, CCNL, to which OP Financial made an investment in March 2019, was successfully listed on the stock exchange on 15 May 2020 with the closing price of the first trading day up 22.2% against its IPO price.

CORPORATE GOVERNANCE CODE COMPLIANCE

Except otherwise stated herein, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the Year, in compliance with the CG Code. Code provision A.6.7 provided that, the independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertize and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. The attendance of each Director, by name, at the board, committees' and general meetings is set out in the subsection headed "Meetings" under Corporate Governance Report of the Group's annual report.

AUDIT COMMITTEE

The Company established an audit committee in accordance with Rule 3.21 of the Listing Rules. Amongst other duties, the principal duties of the audit committee are to review the interim and annual results and internal control system of the Company.

The Company's audit committee comprised three independent non-executive Directors, namely, Mr. Chen Yuming, Prof. HE Jia and Mr. WANG Xiaojun. Mr. Chen Yuming is the chairman of the Audit Committee.

The audited consolidated financial statements for the Year have been reviewed by the audit committee.

CODE PROVISION C.1.2

Under Code Provision C.1.2, management should provide all members of the board with monthly updates on the issues, performance, position, and prospects, which may include monthly management accounts and materials between projections and actual results. During the year, although management accounts were not circulated to board members on a monthly basis, regular verbal reports were given by management to Directors from time to time, which Directors consider to be sufficient and appropriate in the circumstances in giving a balanced and understandable assessment of the Company's performance and enable Directors to discharge their duties.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a "Policy for Director and Employee Dealings in the Company's Securities" which supplements the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules. It is also a regular practice of the Company to remind all Directors of the black out period and the Model Code immediately before the commencement of each lack out period.

On 14 November 2019, Dr. Liu Zhiwei, the Company's executive Director, by an unintentional mistake, purchased 1,572,000 shares of the Company from the market at an average price of HK$ 1.3120 per share without notifying the Company although the Company had notified all Directors of the black out period of the interim results. After thorough assessment, the Company confirmed that Dr. Liu Zhiwei didn't possess any inside information of the Company when the dealings took place. Dr. Liu Zhiwei admitted breach of Rule A.3 (a)(ii) of the Model Code as the dealings happened during the period of 30 days immediately preceding the publication of the Company's interim report, and breach of Rule B.8 of the Model Code as he failed to notify in writing the Chairman of the Board of the Company before the dealings.

In order to ensure compliance of the Model Code and prevent similar incidents in the future, the Company shall remind all Directors of their obligations under the Model Code and the Policy for Director and Employee Dealings in the Company's Securities more frequently.

Other than the above, all other Directors have confirmed that they have fully complied with the Model Code and the aforesaid internal policy regarding Directors' securities transactions throughout the Year.

Directors' and Chief Executive's interests and/or short positions in shares and underlying shares of the Company or any associated corporation are shown in the section headed "Directors' and Chief Executive's Interests and/or Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporations" under Directors' Report of the Group's annual report.

NON-COMPLIANCE WITH RULE 3.21 OF THE LISTING RULES

As Mr. Kwong Che Keung, Gordon had retired from his post as an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration Committee, a member of the Nomination Committee and a member of the Corporate Governance Committee of the Company with effect from the 27 August 2019, the Company failed to comply with Rule 3.21 of the Listing Rules, pursuant to which the Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. Moreover, the number of members of the Remuneration Committee fell below the minimum number required under the Terms of Reference of the Remuneration Committee of the Company. Details of non-compliance with Rule 3.21 of the Listing Rules are set out in the announcement of the Company dated 27 August 2019.

With effect from 23 October 2019, Mr. Chen Yuming has been appointed as the chairman of the Audit Committee, a member of the Remuneration Committee, a member of the Nomination Committee and a member of the Corporate Governance Committee of the Company. He has appropriate professional qualifications, accounting and related financial management expertise, and is suitable for the positions with the requirements of Rule 3.21 of the Listing Rules and Terms of Reference of the Remuneration Committee of the Company. Details of appointment of Mr. Chen Yuming are set out in the announcement of the Company dated 23 October 2019.

REVIEW OF THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of the annual results announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the financial year ended 31 March 2020 have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set in the Group's audited consolidated financial statements for the financial year ended 31 March 2020. The work performed by Messrs. PricewaterhouseCoopers 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 Messrs. PricewaterhouseCoopers on the annual results announcement.

FORWARD LOOKING STATEMENTS

This announcement contains certain statements that are forward looking or which use certain forward looking terminologies. These forward looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it invests. These forward looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.opfin.com.hk). The Group's annual report for the Year will be dispatched to the shareholders of the Company and available on the above websites in due course.

By order of the Board
OP Financial Limited
Zhang Gaobo
Executive Director and Chairman

Hong Kong SAR, 30 June 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zhang Zhi Ping, Mr. Zhang Gaobo and Dr. Liu Zhiwei; one non-executive Director, namely Dr. Wu Zhong; and four independent non-executive Directors, namely, Professor He Jia, Mr. Wang Xiaojun, Mr. Chen Yuming and Dr. Fu Weigang.