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STYLAND HOLDINGS LIMITED

大凌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 211)

(Warrant Code: 1535)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board of directors (the “**Directors**”) of Styland Holdings Limited (the “**Company**”) (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2016 (“**FY2016**”) together with the comparative figures for the year ended 31 March 2015 (“**FY2015**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Note	2016 HK\$'000	2015 HK\$'000
Turnover		198,177	184,373
Revenue	5	68,534	57,885
Cost of sales		(5,869)	(4,788)
Gross profit		62,665	53,097
• Other income		49,748	2,331
• Administrative expenses		(63,533)	(42,397)
• Selling and distribution expenses		(6,517)	(5,807)
• Change in fair value of investment properties		30,000	30,000
• Change in fair value of financial assets at fair value through profit or loss		(53,035)	43,959
• (Loss)/gain on disposal of financial assets at fair value through profit or loss		(3,601)	15,393
• Impairment loss recognised in respect of trade receivables		(1,311)	–
• Unrealised fair value gain of derivative financial instruments	13	1,199	–
• Impairment loss recognised in respect of loan receivables		(16,329)	(1,384)
• Reversal of impairment loss recognised in respect of loan receivables		250	1,437
• Finance costs		(5,299)	(2,548)

* For identification purposes only

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss)/profit before taxation	6	(5,763)	94,081
• Income tax expense	7	<u>–</u>	<u>–</u>
(Loss)/profit and total comprehensive income for the year		<u>(5,763)</u>	<u>94,081</u>
 Profit/(loss) and total comprehensive income for the year attributable to			
• Owners of the Company		1,247	94,081
• Non-controlling interests		<u>(7,010)</u>	<u>–</u>
		<u>(5,763)</u>	<u>94,081</u>
 Earnings per share			
• Basic	9	<u>HK0.03 cents</u>	<u>HK2.51 cents</u>
• Diluted	9	<u>HK0.03 cents</u>	<u>HK2.34 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
• Furniture and equipment		4,712	4,104
• Investment properties		283,333	236,000
• Loan receivables	10	55,815	58,522
• Deposits paid for the redevelopment project		–	4,356
• Intangible asset		3,386	–
• Available-for-sale investment		–	–
		347,246	302,982
CURRENT ASSETS			
• Inventories		35	361
• Loan receivables	10	142,145	98,248
• Trade receivables	11	26,082	47,389
• Other receivables, deposits and prepayments	12	11,733	6,286
• Financial assets at fair value through profit or loss		75,256	83,860
• Derivative financial instruments	13	8,908	–
• Tax recoverable		615	615
• Client trust funds		50,068	74,031
• Pledged bank deposits		6,249	6,307
• Bank balances and cash		135,833	117,522
		456,924	434,619
CURRENT LIABILITIES			
• Trade payables	14	61,936	104,883
• Other payables and accruals		7,379	5,196
• Derivative financial instruments	13	7,709	–
• Dividend payable		–	7,726
• Promissory note payables	15	50,250	–
• Bank loans		118,148	98,519
		245,422	216,324
NET CURRENT ASSETS		211,502	218,295
TOTAL ASSETS LESS CURRENT LIABILITIES		558,748	521,277
NET ASSETS		558,748	521,277
CAPITAL AND RESERVES			
• Share capital		43,530	38,906
• Reserves		521,778	481,921
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		565,308	520,827
NON-CONTROLLING INTERESTS		(6,560)	450
TOTAL EQUITY		558,748	521,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 31 July 1991 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company are Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and 28th Floor, Aitken Vanson Centre, 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong respectively.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are financial services, mortgage financing, property development and investment and trading of securities.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the disclosure requirement of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost convention, as modified by the available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the notes to the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

New and revised standards, amendments and interpretations applied in the current year

The Group has adopted the following revised HKFRSs for the first time for its current year’s consolidated financial statements.

Amendment to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements 2011–2013 Cycle

The adoption of the revised HKFRSs has had no significant financial impact on these financial statements.

4. NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in its consolidated financial statements.

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15 (Revised)	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 27 (2011)	Equity method in separate financial statements ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception ¹
Amendment to HKFRSs	Annual Improvements 2012–2014 Cycle ¹

The Group has not early adopted these new standards, amendments and interpretations to existing standards in the consolidated financial statements for the year ended 31 March 2016. The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

In addition, HKICPA also published a number of amendments to existing standards under its annual improvement project. These amendments are not expected to have significant financial impact on the results of operations and financial position of the Group.

The Group will adopt the above new standard, amendments and interpretations when they become effective.

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

5. SEGMENTAL INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. With the expansion of the business scope of the Group, the segment of “securities dealing, brokerage and other financing” was renamed as “financial services”. The Group’s reportable segments under HKFRS 8 are as follows:

- the financial services segment provides securities dealing, brokerage, margin financing, corporate finance, asset management and other financing services;
- the mortgage financing segment mainly engages in corporate and personal loans that are secured by real properties;
- the property development and investment segment engages in property redevelopment and letting of properties;
- the securities trading segment engages in trading of shares and derivative securities; and
- the segment of others includes retail and trading of food products

Segment revenues and results

The following is an analysis of the Group’s revenues and results by reportable segments.

For the year ended 31 March 2016

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Trading of securities <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenues:							
External sales	33,073	31,607	2,804	252	798	-	68,534
Inter-segment sales	538	-	-	-	201	(739)	-
	<u>33,611</u>	<u>31,607</u>	<u>2,804</u>	<u>252</u>	<u>999</u>	<u>(739)</u>	<u>68,534</u>
Segment (loss)/profit after eliminating inter-segment transactions	(13,541)	14,905	31,209	(57,637)	(3,194)	-	(28,258)
Unallocated income and expenses							<u>22,495</u>
Loss before taxation							<u>(5,763)</u>

For the year ended 31 March 2015

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Trading of securities <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenues:							
External sales	28,160	26,395	2,215	296	819	-	57,885
Inter-segment sales	371	-	-	-	149	(520)	-
	<u>28,531</u>	<u>26,395</u>	<u>2,215</u>	<u>296</u>	<u>968</u>	<u>(520)</u>	<u>57,885</u>
Segment profit/(loss) after eliminating inter-segment transactions	4,681	19,648	31,142	59,346	(3,179)	-	111,638
Unallocated income and expenses							<u>(17,557)</u>
Profit before taxation							<u>94,081</u>

Segment assets and liabilities

The segment assets and liabilities as at 31 March 2016 by reportable segments are as follows:

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Trading of securities <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	143,267	155,615	284,197	75,256	648	145,187	<u>804,170</u>
Segment liabilities	81,336	43,711	951	5	151	119,268	<u>245,422</u>

The segment assets and liabilities as at 31 March 2015 by reportable segments are as follows:

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Trading of securities <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	169,126	115,844	240,507	83,860	1,168	127,096	<u>737,601</u>
Segment liabilities	107,410	639	753	5	292	107,225	<u>216,324</u>

Other segment information

For the year ended 31 March 2016

	Financial services HK\$'000	Mortgage financing HK\$'000	Property development and investment HK\$'000	Trading of securities HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<u>Amounts included in the measurement of segment profit or loss or segment assets:</u>							
Change in fair value of investment properties	-	-	30,000	-	-	-	30,000
Change in fair value of financial assets at fair value through profit or loss	-	-	-	(53,035)	-	-	(53,035)
Loss on disposal of financial assets at fair value through profit or loss	-	-	-	(3,601)	-	-	(3,601)
Impairment loss recognised in respect of other receivables	-	(409)	-	-	-	-	(409)
Reversal of impairment loss recognised in respect of other receivables	-	-	-	-	-	182	182
Impairment loss recognised in respect of trade receivables	(1,311)	-	-	-	-	-	(1,311)
Impairment loss recognised in respect of loan receivables	(8,038)	(8,291)	-	-	-	-	(16,329)
Reversal of impairment loss recognised in respect of loan receivables	9	241	-	-	-	-	250
Bad debt recovery for loan receivables	96	-	-	-	-	-	96
Unrealized fair value gain of derivative financial instruments	1,199	-	-	-	-	-	1,199
Depreciation	(1,424)	(84)	(118)	-	(62)	(436)	(2,124)
(Loss)/gain on exchange difference, net	(8)	-	-	-	12	(98)	(94)
Loss on disposal of furniture and equipment	(21)	-	-	-	(142)	-	(163)
Addition to non-current assets (note)	1,983	94	13,763	-	12	16	15,868
<u>Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:</u>							
Interest income	21	-	1	-	-	65	87
Finance costs	(1,917)	(405)	(2,026)	-	-	(951)	(5,299)
Income tax expense	-	-	-	-	-	-	-

Note: The amounts exclude the additions to loan receivables, available-for-sale investment and intangible asset.

For the year ended 31 March 2015

	Financial services HK\$'000	Mortgage financing HK\$'000	Property development and investment HK\$'000	Trading of securities HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<u>Amounts included in the measurement of segment profit or loss or segment assets:</u>							
Change in fair value of investment properties	-	-	30,000	-	-	-	30,000
Change in fair value of financial assets at fair value through profit or loss	-	-	-	43,959	-	-	43,959
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	15,393	-	-	15,393
Impairment loss recognised in respect of other receivables	-	(124)	-	-	-	-	(124)
Reversal of impairment loss recognised in respect of other receivables	-	176	-	-	-	-	176
Impairment loss recognised in respect of loan receivables	(311)	(1,073)	-	-	-	-	(1,384)
Reversal of impairment loss recognised in respect of loan receivables	6	1,431	-	-	-	-	1,437
Bad debt recovery for loan receivables	96	-	-	-	-	-	96
Depreciation	(835)	(76)	(4)	-	(46)	(756)	(1,717)
Gain on exchange difference, net	-	-	-	-	-	12	12
(Loss)/gain on disposal of furniture and equipment	(4)	-	-	-	(8)	52	40
Addition to non-current assets (<i>note</i>)	2,123	238	2,167	-	303	2,009	6,840
<u>Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:</u>							
Interest income	8	-	-	-	-	43	51
Finance costs	(3)	(173)	(384)	-	-	(1,988)	(2,548)
Income tax expense	-	-	-	-	-	-	-

Note: The amounts exclude the additions to loan receivables and available-for-sale investment.

6. (LOSS)/PROFIT BEFORE TAXATION

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Staff costs (including Directors' emoluments):		
— Salaries, allowances and other benefits	35,497	23,401
— Retirement benefit scheme contributions	971	721
Auditor's remuneration	830	780
Depreciation	2,124	1,717
Loss/(gain) on exchange difference, net	94	(12)
Loss/(gain) on disposal of furniture and equipment	163	(40)
Lease payments under operating leases for rented premises	6,559	3,800
Impairment loss recognised in respect of trade receivables	1,311	–
Impairment loss recognised in respect of other receivables	409	124
Impairment loss recognised in respect of loan receivables	16,329	1,384
Cost of inventories recognised as an expense	587	421

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the consolidated financial statements for FY2016 as the Company and its subsidiaries either has available losses brought forward from prior years to offset the assessable profits generated during FY2016 or did not generate any assessable profits arising in Hong Kong during FY2016 (FY2015: nil).

8. DIVIDENDS

The Directors do not propose the payment of a final dividend for FY2016.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following data:

Earnings:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	1,247	94,081

Number of shares:

	2016	2015
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	4,245,047,918	3,748,811,696
Effect of dilutive potential ordinary shares		
— Bonus warrants	292,859,018	275,252,543
Weighted average number of ordinary shares in issue during the year for the purpose of diluted earnings per share	4,537,906,936	4,024,064,239

10. LOAN RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Securities dealing and brokerage services:		
— Secured margin loans (<i>note 1</i>)	68,361	58,345
Less: Impairment loss recognised	<u>(23,053)</u>	<u>(15,015)</u>
	<u>45,308</u>	<u>43,330</u>
Financing business:		
— Unsecured loans	6,509	7,054
— Secured mortgage loans (<i>note 2</i>)	162,438	114,640
Less: Impairment loss recognised	<u>(16,295)</u>	<u>(8,254)</u>
	<u>152,652</u>	<u>113,440</u>
Total	<u><u>197,960</u></u>	<u><u>156,770</u></u>
The Group's loan receivables (net of impairment loss) are analysed into:		
— Non-current assets	55,815	58,522
— Current assets	<u>142,145</u>	<u>98,248</u>
	<u><u>197,960</u></u>	<u><u>156,770</u></u>

Notes:

- Secured loans to margin clients are secured by the underlying pledged securities and are interest-bearing. No aging analysis is disclosed as, in the opinion of the Directors, an aging analysis does not give additional value in view of the nature of the business of securities dealing and brokerage services.
- Secured mortgage loans to mortgage loan clients are secured by the clients' properties located in Hong Kong and are interest-bearing.

The aging analysis of the Group's loan receivables for the financing business, net of accumulated impairment losses, based on the loans release date at the end of the reporting period for the financing business is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 6 months	109,851	78,391
Over 6 months but not more than 1 year	39,480	23,503
Over 1 year	<u>3,321</u>	<u>11,546</u>
	<u><u>152,652</u></u>	<u><u>113,440</u></u>

11. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	27,393	47,389
Less: Impairment loss recognised	<u>(1,311)</u>	<u>–</u>
	<u>26,082</u>	<u>47,389</u>
Balance in relation to:		
— Securities dealing and brokerage services	25,960	47,345
— Others	<u>122</u>	<u>44</u>
	<u>26,082</u>	<u>47,389</u>

An aging analysis of the Group's trade receivables net of impairment presented based on the invoice date at the end of the reporting period is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 6 months	21,390	46,326
Over 6 months but not more than 1 year	4,449	684
Over 1 year	<u>243</u>	<u>379</u>
	<u>26,082</u>	<u>47,389</u>

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Promissory note receivable–A (<i>note 1</i>)	–	42,960
Promissory note receivables–B (<i>note 2</i>)	3,809	–
Deposits	2,984	2,766
Prepayment	1,219	1,061
Interest receivables	2,502	1,737
Other receivables	<u>1,977</u>	<u>1,253</u>
	12,491	49,777
Less: Impairment loss recognised	<u>(758)</u>	<u>(43,491)</u>
	<u>11,733</u>	<u>6,286</u>

Note 1: Reference is made to the note 24 to the consolidated financial statements of the Company for the year ended 31 March 2015. During FY2016, the Group had recovered the promissory note receivable of HK\$42,960,000 and recognised it as other income for the year.

Note 2: The promissory note receivables bear interest at the rate of 20% per annum. The Group may, by giving the issuers not less than three months prior written notice, demand the issuers to settle the promissory note receivables.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Assets	8,908	–
Liabilities	<u>(7,709)</u>	<u>–</u>
Unrealised fair value gain	<u><u>1,199</u></u>	<u><u>–</u></u>

During FY2016, to accommodate a client's request, the Group has constructed collar options on shares of a listed company in Hong Kong (the "Subject Company"). By entering into the collar options, the Group, in addition to the premium income, might protect it from unexpected decrease in share price of the Subject Company, or entitle to a profit sharing when the share price of the Subject Company increased. As at 31 March 2016, the assets and liabilities of the outstanding options were recorded and the net unrealised fair value gain of HK\$1,199,000 was recognised in the consolidated statement of comprehensive income for FY2016.

14. TRADE PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Balance in relation to:		
— Securities dealing and brokerage services (<i>note</i>)	61,826	104,652
— Others	<u>110</u>	<u>231</u>
	<u><u>61,936</u></u>	<u><u>104,883</u></u>

Note: Trade payables in relation to securities dealing and brokerage services are repayable on demand. No aging analysis is disclosed as, in the opinion of the Directors, an aging analysis does not give additional value in view of the nature of the business of securities dealing and brokerage services.

An aging analysis of the Group's trade payables excluding those under the securities dealing and brokerage services is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 6 months	11	5
Over 6 months but not more than 1 year	–	–
Over 1 year	<u>99</u>	<u>226</u>
	<u><u>110</u></u>	<u><u>231</u></u>

15. PROMISSORY NOTE PAYABLES

As a way of facilities, the Group has obtained additional working capital from subscribers by issuing them promissory notes during FY2016. These promissory notes bear interest at the range of 5% to 13.45% per annum and are repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

In FY2016, the Group achieved a turnover of approximately HK\$198,177,000, an increase of 7.5% compared to that in FY2015 (approximately HK\$184,373,000 in FY2015). Although the Group recorded an unrealised loss in FY2016 which arose from the change in fair value of financial assets at fair value through profit and loss, the Group managed to reap a profit attributable to the owners of the Company for FY2016.


Review of Operations

Financial Services

The Group is a financial services provider. We have been granted the licenses by the Securities and Futures Commission (the “SFC”) to carry out four regulated activities, namely Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management). Our wholly-owned subsidiary Ever-Long Securities Company Limited is a reputable broker firm in Hong Kong that offers clients a range of financial services such as securities brokerage, margin financing and corporate finance services. In FY2016, we augmented our business scope to include asset management services through our other wholly-owned subsidiary Ever-Long Capital Management Limited.

- *Securities Brokerage*

During the first quarter of FY2016, the Hang Seng Index reached a record high since the 2008 financial crisis and the daily market turnover hit a historical high in April 2015 with a recorded turnover of over HK\$200 billion within several consecutive trading days. However, the market was subsequently impacted by the deleverage of financing taken by the Chinese regulatory authority. As a result, the Hang Seng Index and the transaction volume of the Hong Kong stock market have both declined thereafter. Despite these changes in market conditions, the Group’s brokerage commission for FY2016 still registered an increase of approximately 52% when compared to that in the corresponding period in FY2015. For FY2016, we recorded a total securities dealing turnover of approximately HK\$9.2 billion, a rise of approximately 35% when compared to that in FY2015.

During FY2016, to increase our competitiveness among other broker firms, we launched our mobile application “長雄證券” to enable our clients to place orders through their mobile phones. To install this application, clients may search it using “everlong securities” on their mobile phones. We kept improving our online trading system to provide our clients a more effective and stable online trading service. To facilitate our clients in making their investment orders, we plan to continue to offer our clients other value-added services.

During FY2016, we strengthened our marketing and promotional programs. To encourage clients to place their orders through our online trading platform or mobile application, we offered new users of our mobile application our stock price quotation service free of charge during our promotional period in FY2016. Furthermore, by virtue of our previous successes in offering investors interest-free loans for the subscription of iBonds issued by the government of Hong Kong, we continued this marketing event for the new batch of government iBonds during FY2016. Benefiting from these promotional events and the booming stock market sentiment in the first quarter of FY2016, the number of new securities trading client accounts had increased by 28% in FY2016 when compared to that in FY2015.

- *Margin Financing*

The Group provides margin financing services to individual and corporate clients for trading stocks and other listed securities, and for subscribing to new shares in initial public offerings. The Group also provides margin financing services to qualifying online clients who have a sound credit record. Our margin financing services increase the clients' investment power and liquidity by enabling them to borrow against listed securities.

Driven by the positive investment sentiment in the first quarter of FY2016, the demand for margin financing was strong. Supported by our sufficient financial resources, we achieved the maximum of our total loans under the brokerage business exceeding HK\$100,000,000 in FY2016. Even though the stock market took a downturn after the first quarter of FY2016, we still earned an interest income of approximately HK\$9,223,000 for FY2016, an increase of 73% when compared to that in FY2015.

- *Corporate Finance*

We are dedicated to provide a broad range of corporate finance services to our corporate clients. Our corporate finance solutions include new share placements, distribution agent for debt securities and initial public offerings for which our wholly-owned subsidiary, Ever-Long Securities Company Limited, acts as the co-manager, placing agent or underwriter for corporate finance clients.

During FY2016, we engaged in a number of corporate finance deals including acting as the placing agent for new shares, underwriting deals, as well as carrying out the arrangement service for the open offer of new shares. The commission income from the corporate finance exercises during the year amounted to approximately HK\$8,564,000. In order to expand our corporate finance business, during FY2016, we appointed experienced responsible officers to explore other corporate finance advisory engagements. We have obtained the SFC's approval to release the licensing condition relating to a regulated activity of our corporate finance services. We are now able to provide our clients sponsor service in application for the listing of any securities on the Stock Exchange.

- *Asset Management*

Since we obtained the SFC's approval, we have been licensed to offer asset management services. Benefitting from the reform of the PRC's financial market, we believe the cross-border financial activities will continue to flourish in the future, which will provide us a good opportunity to capture more business in our financial services sector. We expect that foreign investors will choose Hong Kong as a stepping stone for investing in the mainland market while mainland investors will also speed up their investment activities in overseas markets. We believe that Hong Kong will continue to play an important role as a bridge between them. To capture the opportunities arising from the Asian market, we have planned to set up a fund to offer tailor-made financial products to high net worth investors that provide them attractive financial solutions to make investments in different markets.

Mortgage Financing

Due to the prudent measures taken by the Hong Kong Monetary Authority on mortgage loans offered by banks in Hong Kong, the general public has more difficulties in obtaining mortgage loans from banks in Hong Kong. As a result, we believe there is still an immense market space of mortgage loans provided by financial companies. However, the Hong Kong property market has been surrounded by various uncertainties regarding property prices. As such, we have implemented various risk control measures for our mortgage loan business. To lower our exposure, we now only accept mortgage loans with the collaterals of private housing properties, and we target to obtain applications for the first-mortgage and second-mortgage loans. We believe that these strategies will help us maintain a healthy position in our mortgage loan portfolio.

During FY2016, we had leveraged on external funding channels to expand our mortgage business. As a result of such effort, the net consolidated loan portfolio under the mortgage financing segment had reached approximately HK\$152,546,000 at 31 March 2016, representing an increase of 35% compared to that at 31 March 2015. The mortgage loan interest income for FY2016 was approximately HK\$31,607,000, a rise of 20% when compared to that for FY2015. Taking advantage of our professional experience and risk management skill, notwithstanding the significant increase of our loan portfolio, the impairment allowance was controlled at an acceptable level.

Property Development and Investment

We have obtained the government's approvals for our redevelopment plan of our investment property located in Fei Ngo Shan. The building was demolished during FY2016, and the gross site area is more than 16,000 square feet. We expect that the redevelopment would be completed in 2017.

Other than the property under redevelopment, we also hold a residential property in Sai Kung and a commercial property in Central. The property in Central is next to the tram road. During FY2016, we have completed the renovation works to this property. Both the residential property in Sai Kung and the commercial property in Central provide us a stable source of rental income.

Securities Trading

During FY2016, we recorded net unrealised losses of approximately HK\$53,035,000 for our holding of a portfolio of various listed securities, which comprised of 23 listed companies in sectors of (i) natural resources; (ii) industrials; (iii) financial; (iv) banking; (v) properties and construction; and (vi) consumer goods and others. Out of those net unrealised losses, (i) approximately 68% was attributable to the Group's investment in International Standard Resources Holdings Limited (“**ISRH**”); and (ii) approximately 8% was attributable to FDG Electric Vehicles Limited (“**FDG**”).

ISRH is principally engaged in the coalbed methane gas exploration and exploitation in the PRC, sale of electronic components and treasury. FDG is mainly engaged in i) the research and development, production and sale of lithium-ion batteries and related products; ii) vehicle design and the design, manufacture and sale of electric vehicles; and iii) leasing of electric vehicles and treasury investment.

The Group believed that the decrease in share prices of ISRH and FDG during FY2016, among other things, was because of the crash and underperformance of the Hong Kong stock market in FY2016, and also probably because of the drop in price of natural resources during the year. In the long term, in light of the future demand for natural resources and the emphasis on environmental protection, we believe that the coalbed methane business and the electric vehicles business which ISRH and FDG are mainly engaged in respectively will have good prospects in the global market. As such, we believe this will benefit the business development of ISRH and FDG and contribute positive returns to the Group in the future.

Prospects

Although investors are now concerned about the slowdown in the PRC's economic development, we are of the view that the growth of the PRC's gross domestic product will still be maintained at a reasonable level, and the Central Government of the PRC will continue its restructuring of the economy and the financial market which are considered positive factors to the market. Hong Kong, a major international financial centre, will benefit from such reforms. Also, after the Shanghai-Hong Kong Stock Connect, the representative of the China Securities Regulatory Commission had expressed that the Shenzhen-Hong Kong Stock Connect may also be launched in the second half of the 2016 calendar year. To capture such opportunities, in addition to our existing brokerage business, we have planned to broaden our financial services to include asset management and other corporate finance services, e.g. sponsor service.

We expect that the growth momentum of real estate-backed loan service will be sustained for a long period of time. To accommodate the ever-increasing demand for our mortgage loans, in addition to our own internal resources, we will continue to utilise external facilities to support our mortgage financing business development. However, to cope with the keen competition in the market, we will continue to reinforce our credit assessment of new loan applications, and fine tune our business strategy from time to time to adapt for market changes.

Although the Federal Reserve raised interest rates at the end of 2015, we expect that further interest rate increase will likely be at a gradual pace due to the considerable uncertainties that still surround the outlook of global economic activities. As such, we consider that the Federal Reserve's shift in interest rates would have no significant immediate impact on the real estate market in Hong Kong. On the other hand, due to the boost of cross-border financial activities, it is expected that there will be a huge demand for the commercial properties in Central, which is expected to be a strong support to the rental value of properties in that district as well as the property in the Central district of Hong Kong that is owned by us.

After the interaction with the mainland market, we believe the stock market will become more volatile in the foreseeable future. To cope with such an environment, we shall adjust our investment strategy accordingly to mitigate any loss due to the unstable market movement.

FINANCIAL REVIEW ON LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2016, the Group's net asset value was approximately HK\$558,748,000 (FY2015: approximately HK\$521,277,000) and cash at bank and in hand totaled approximately HK\$135,833,000 of which approximately 94% was held in Hong Kong dollar, approximately 4% in Renminbi and approximately 2% in US dollar (FY2015: approximately HK\$117,522,000).

Borrowings including bank loans and promissory note payables as at 31 March 2016 amounted to approximately HK\$168,398,000 (FY2015: approximately HK\$98,519,000) of which approximately HK\$118,234,000 (FY2015: HK\$4,476,000) is repayable within one year. The gearing ratio, being the ratio of total borrowings to shareholders' fund, was about 0.3 (FY2015: 0.19).

Investment in Financial Assets

Other than the holding of a portfolio of listed securities with market value of approximately HK\$75,256,000 as at 31 March 2016 for the trading purpose, the Group did not make any other major investments during FY2016. The Group will continue to adopt a prudent approach for its investments.

Charges on Group Assets

As at 31 March 2016, time deposits of approximately HK\$6,249,000 and investment properties at a total valuation of HK\$283,333,000 were pledged to banks to secure the banking facilities that were granted to the Group.

Credit Risk

For the brokerage business, the Group is strictly in compliance with the Securities and Futures Ordinance (the “SFO”). Margin loans are granted to customers based on their individual assessment of financial status, repayment records and the liquidity of collaterals placed by them. The applicable interest rate charged to customers will be determined based on these factors. Generally, margin loans will be demanded for repayment once a customer fails to maintain the maintenance margin, repay the margin loan or another sum that is due to the Group.

For the mortgage financing business, mortgage loans will be granted to clients based on the aggregate market value of the pledged properties as confirmed by independent valuers. To lower the Group’s exposure to risk in its mortgage financing business, the mortgage amounts to be granted to a client in general shall not exceed 80% of the aggregate market value of the pledged properties.

Operational Risk

The Group has put in place an effective internal controls system for its operations. Under the brokerage business, a monitoring team comprised of licensed responsible officers registered under the SFO and senior management who have acted in compliance with the SFO, has been set up to monitor the settlement matters of traded securities and cash, and to provide clients services of the regulated activities. Set out below is the information for the number of responsible officers of the Group for each regulated activity:

Type of Licence	Regulated activity	Number of responsible officers
Type 1	Dealing in securities	6
Type 4	Advising on securities	4
Type 6	Advising on corporate finance	5
Type 9	Asset management	2

In order to safeguard clients’ interests and comply with the requirements of the SFO, our monitoring team has carried out ongoing checks and verifications so that we are able to maintain our service standard at a satisfactory level. During FY2016, the brokerage operation of the Group had complied with the SFO. Clients were satisfied with our services. During FY2016, we have properly managed a total securities trading turnover of approximately HK\$9.2 billion.

To enhance the professionalism of the management force, the Group has four certified public accountants and three of them are Board members who monitor or advise the Group on internal control matters. Under the mortgage financing business, we had on hand a net consolidated mortgage loans of approximately HK\$152,546,000 as at 31 March 2016, and customers were satisfied with our services.

Interest Rate Risk

All of the Group's borrowings were denominated in Hong Kong dollar, and its risk arises from the interest payments which are partly charged according to floating interest rates. The Group monitors its interest rate exposure regularly to ensure that the underlying risk is within an acceptable range.

Liquidity Risk

The Group's policy is to regularly assess current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. As at 31 March 2016, the amount of undrawn banking facilities of the Group was approximately HK\$113,109,000.

Foreign Exchange Exposure

During FY2016, the Group's business activities as well as its assets and liabilities were mainly denominated in Hong Kong Dollar, US dollar, and Renminbi. In light of the exchange rate peg between the Hong Kong dollar and US dollar, and the immaterial balance of the assets and liabilities denominated in Renminbi when compared to the Group's total assets or liabilities, the Group considers its foreign exchange risk immaterial for FY2016. It is the Group's treasury policy to manage its foreign currency exposure to minimise any material financial impact to the Group.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of subsidiaries or associated companies during FY2016.

CORPORATE GOVERNANCE

Other than the following deviations, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules.

According to the code provision A.6.7 of the CG Code, Independent Non-executive Directors (the "INEDs") should attend general meetings of the Company, and according to E.1.2, the Chairman of the Board should attend the annual general meeting of the Company. During FY2016, two INEDs, one of them is the Chairman of the Company, were unable to attend the two general meetings of the Company due to their other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code for securities transactions by the Directors.

The Directors have confirmed, following specific enquiry by the Company that in FY2016, they have complied with the required standard as set out in the Model Code.

BONUS ISSUE OF WARRANTS

Bonus Issue of Warrants – 2013

On 27 November 2013, the Board proposed an issue of bonus warrants to the shareholders of the Company (the “**Shareholders**”) on the basis of 2 warrants for every 10 shares (the “**Bonus Issue of Warrants – 2013**”). For details of the Bonus Issue of Warrants – 2013, please refer to the announcement of the Company dated 30 December 2013. On 27 January 2014, Shareholders approved the Bonus Issue of Warrants – 2013, pursuant to which 713,154,617 warrants were issued. The initial subscription price was HK\$0.10 and the subscription period was from 19 February 2014 to 18 August 2015 (both days inclusive). Full exercise of the subscription rights attaching to the 713,154,617 warrants would result in the issue of 713,154,617 new shares. As of 18 August 2015, 34,653,004 warrants were not exercised and had lapsed accordingly. Details of the exercise of Bonus Issue of Warrants – 2013 are set out as follows:

	Number of warrants	Amount HK\$'000
Number of warrants issued	713,154,617	71,315
Exercised during the years ended 31 March 2014 and 2015	<u>(324,801,755)</u>	<u>(32,480)</u>
At 1 April 2015	388,352,862	38,835
Exercised during FY2016	<u>(353,699,858)</u>	<u>(35,370)</u>
Balance of warrants lapsed	<u>34,653,004</u>	<u>3,465</u>

As of 31 March 2016, a total amount of approximately HK\$52,500,000 of the subscription monies under the Bonus Issue of Warrants – 2013 had been used for the general working capital of the Group as intended and the remaining balance was placed in a bank.

Bonus Issue of Warrants – 2015

On 14 July 2015, the Board proposed a new issue of bonus warrants to the Shareholders on the basis of 2 warrants for every 10 shares (the “**Bonus Issue of Warrants – 2015**”). For details of the Bonus Issue of Warrants – 2015, please refer to the announcement of the Company dated 14 July 2015 (the “**Announcement**”). On 20 August 2015, the Shareholders approved the Bonus Issue of Warrants – 2015, pursuant to which 857,125,280 new warrants were issued. The initial subscription price was HK\$0.10 and the subscription period was from 5 November 2015 to 4 November 2016 (both days inclusive). Full exercise of the subscription rights attaching to the 857,125,280 new warrants would result in the issue of 857,125,280 new shares. As at 31 March 2016, details of the exercise of Bonus Issue of Warrants – 2015 are as follows:

	Number of warrants	Amount HK\$'000
Number of new warrants issued	857,125,280	85,713
Exercised during FY2016	<u>(67,378,080)</u>	<u>(6,738)</u>
At 31 March 2016	<u>789,747,200</u>	<u>78,975</u>

As disclosed in the Announcement, the Group will apply any subscription monies received as and when subscription rights are exercised (the “**Subscription Monies**”) towards the general working capital of the Group and potential investments to be identified. As at 31 March 2016, the Subscription Monies was placed in a bank.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during FY2016.

REVIEW OF ACCOUNTS

The Company has an Audit Committee comprising four INEDs, namely, Mr. Lo Tsz Fung Philip, Mr. Zhao Qingji, Mr. Yeung Shun Kee and Mr. Li Hancheng. The Audit Committee has reviewed the Group’s annual results for FY2016.

On behalf of the Board
Zhao Qingji
Chairman

Hong Kong, 28 June 2016

As at the date of this announcement, the Board comprises five executive Directors Mr. Cheung Hoo Win, Mr. Ng Yiu Chuen, Ms. Mak Kit Ping, Ms. Zhang Yuyan and Ms. Chen Lili and four INEDs Mr. Yeung Shun Kee, Mr. Li Hancheng, Mr. Lo Tsz Fung Philip and Mr. Zhao Qingji.