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STYLAND HOLDINGS LIMITED

大凌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 211)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

The board of directors (the “**Directors**” or the “**Board**”) of Styland Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2014 (the “**Review Period**”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2014	2013
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
• TURNOVER		59,524	66,785
Revenue	2	22,874	20,359
Cost of sales		(2,356)	(2,389)
• GROSS PROFIT		20,518	17,970
Other income		462	21,235
Administrative expenses		(17,001)	(14,314)
Selling and distribution costs		(2,337)	(1,602)
Change in fair value of financial assets at fair value through profit or loss		40,760	(3,577)
Gain on disposal of financial assets at fair value through profit or loss		11,630	399
Impairment loss recognised in respect of loan receivables		(1,043)	(791)
Reversal of impairment loss recognised in respect of loan receivables		370	282

* For identification purposes only

		Six months ended	
		30 September	
		2014	2013
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
• PROFIT FROM OPERATIONS		53,359	19,602
Finance costs		<u>(1,351)</u>	<u>(1,205)</u>
• PROFIT BEFORE TAXATION	3	52,008	18,397
Income tax expenses	4	<u>—</u>	<u>—</u>
• PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>52,008</u>	<u>18,397</u>
• PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>52,008</u>	<u>18,397</u>
• EARNINGS PER SHARE	6		
— Basic		<u>HK1.44 cents</u>	<u>HK0.51 cent</u>
— Diluted		<u>HK1.35 cents</u>	<u>HK0.51 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2014 (Unaudited) <i>HK\$'000</i>	At 31 March 2014 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
• NON-CURRENT ASSETS			
Fixed assets		3,314	1,276
Investment properties		206,000	206,000
Loan receivables	7	50,755	48,840
Deposits paid for the redevelopment project		3,207	2,275
Available-for-sale investment		–	–
		263,276	258,391
• CURRENT ASSETS			
Inventories		309	330
Loan receivables	7	89,018	92,584
Trade receivables	8	26,443	15,989
Other receivables, deposits and prepayments	9	4,187	5,085
Financial assets at fair value through profit or loss		75,536	46,183
Client trust funds		82,570	46,081
Pledged bank deposits		6,291	6,280
Bank balances and cash		131,177	95,247
		415,531	307,779
• CURRENT LIABILITIES			
Trade payables	10	91,328	48,151
Other payables and accruals		8,094	5,480
Dividend payable		6,346	4,924
Borrowings	11	100,730	98,911
		206,498	157,466
• NET CURRENT ASSETS		209,033	150,313
• TOTAL ASSETS LESS CURRENT LIABILITIES		472,309	408,704
• NET ASSETS		472,309	408,704
• CAPITAL AND RESERVES			
Share capital		37,488	35,694
Reserves		434,821	373,010
• EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY AND TOTAL EQUITY		472,309	408,704

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”), and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2014 except as described below.

In the Review Period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

The Directors anticipate that the adoption of these new and revised HKFRSs will have no material impact on the results and financial position of the Group.

2. SEGMENTAL INFORMATION

Information reported to the Board, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. To facilitate the performance assessment, the results from the Group’s new line of business, which is the retail sales of goods, has been assessed together with the Group’s trading business. As a result, the name of the trading segment has been changed from “Trading” to “Retailing and trading”. The Group’s reportable segments under HKFRS 8 are as follows:

- the securities dealing, broking and other financing segment provides securities broking, margin financing, corporate finance and other financing services;
- the mortgage financing segment mainly engages in corporate and personal loans that are secured by real properties;
- the retailing and trading segment mainly engages in retailing and trading of food products;
- the property development and investment segment engages in property redevelopment and letting of properties; and
- the securities trading segment engages in the trading of securities or underlying securities.

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments for the six months ended 30 September 2014 and the corresponding period in 2013 respectively:

For the six months ended 30 September 2014 (unaudited)

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Retailing and trading <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:							
External sales	7,924	13,217	343	1,104	286	-	22,874
Intersegment sales	112	-	11	-	-	(123)	-
	<u>8,036</u>	<u>13,217</u>	<u>354</u>	<u>1,104</u>	<u>286</u>	<u>(123)</u>	<u>22,874</u>
Segment (loss)/profit after intersegment transactions	(464)	9,119	(1,512)	599	52,676	-	60,418
Unallocated income and expenses							(8,410)
Profit before taxation							<u>52,008</u>

For the six months ended 30 September 2013 (unaudited)

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Retailing and trading <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:							
External sales	8,098	10,778	638	788	57	-	20,359
Intersegment sales	296	-	-	-	-	(296)	-
	<u>8,394</u>	<u>10,778</u>	<u>638</u>	<u>788</u>	<u>57</u>	<u>(296)</u>	<u>20,359</u>
Segment profit/(loss) after intersegment transactions	2,160	7,317	(181)	605	(3,417)	-	6,484
Unallocated income and expenses							11,913
Profit before taxation							<u>18,397</u>

Other segment information

For the six months ended 30 September 2014 (unaudited)

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Retailing and trading <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measurement of segment profit or loss or segment assets:							
Change in fair value of financial assets at fair value through profit or loss	-	-	-	-	40,760	-	40,760
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	-	11,630	-	11,630
Impairment loss recognised in respect of other receivables	-	(124)	-	-	-	-	(124)
Impairment loss recognised in respect of loan receivables	-	(1,043)	-	-	-	-	(1,043)
Reversal of impairment loss recognised in respect of other receivables	-	52	-	-	-	-	52
Reversal of impairment loss recognised in respect of loan receivables	-	370	-	-	-	-	370
Depreciation	(111)	(37)	(15)	-	-	(571)	(734)
Gain on disposal of fixed assets	-	-	-	-	-	1	1
Addition to non-current assets (note)	538	238	245	932	-	2,001	3,954
Amounts regularly provided to the chief operating decision maker but not included in the assessment of segment profit or loss or segment assets:							
Interest income	3	-	-	-	-	18	21
Finance costs	-	(174)	-	(164)	-	(1,013)	(1,351)
Income tax expenses	-	-	-	-	-	-	-

Note: It excluded those additions to loan receivables and available-for-sale investment.

Other segment information

For the six months ended 30 September 2013 (unaudited)

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Retailing and trading <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measurement of segment profit or loss or segment assets:							
Change in fair value of financial assets at fair value through profit or loss	-	-	-	-	(3,577)	-	(3,577)
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	-	399	-	399
Impairment loss recognised in respect of other receivables	-	(82)	-	-	-	-	(82)
Impairment loss recognised in respect of loan receivables	-	(791)	-	-	-	-	(791)
Reversal of impairment loss recognised in respect of loan receivables	-	282	-	-	-	-	282
Bad debt recovery for loan receivables	602	-	-	-	-	-	602
Depreciation	(61)	(10)	(1)	(1)	-	(329)	(402)
Loss on disposal of fixed assets	-	-	-	-	-	(2)	(2)
Addition to non-current assets (<i>note 1</i>)	62	-	-	592	-	39	693
Amounts regularly provided to the chief operating decision maker but not included in the assessment of segment profit or loss or segment assets:							
Interest income (<i>note 2</i>)	2	-	247	-	-	46	295
Finance costs	(1)	(152)	-	-	-	(1,052)	(1,205)
Income tax expenses	-	-	-	-	-	-	-

Notes:

1. It excluded those additions to loan receivables and available-for-sale investment.
2. It excluded the interest of HK\$20,000,000 received from Mr. Cheung Chi Shing (“**Mr. Cheung**”) in relation to the settlement of judgment debts.

3. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	734	402
Staff costs	8,890	7,833

4. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries either has available losses brought forward from the prior period to offset the assessable profits generated during the Review Period or did not generate any assessable profits arising in Hong Kong during the Review Period (2013: nil).

5. DIVIDENDS

The Board resolved to recommend a payment of interim cash dividend of HK0.2 cent per share for the Review Period with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment and issue of scrip shares credited as fully paid in lieu of cash dividend (2013: HK0.138 cent per share).

6. EARNINGS PER SHARE

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

Earnings:

	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share	52,008	18,397

Number of shares:

	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	3,604,765,726	3,588,592,760
Effect of dilutive potential ordinary shares — Bonus warrants	252,810,742	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,857,576,468	3,588,592,760

7. LOAN RECEIVABLES

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Securities dealing and broking services:		
— Secured margin loans	43,686	55,586
Less: Impairment loss recognised	<u>(15,015)</u>	<u>(15,015)</u>
	<u>28,671</u>	<u>40,571</u>
Financing business:		
— Unsecured loans	7,492	7,571
— Secured mortgage loans	112,590	101,589
Less: Impairment loss recognised	<u>(8,980)</u>	<u>(8,307)</u>
	<u>111,102</u>	<u>100,853</u>
	<u>139,773</u>	<u>141,424</u>
The Group's loan receivables (net of impairment loss) are analysed into:		
— Non-current assets	50,755	48,840
— Current assets	<u>89,018</u>	<u>92,584</u>
Total	<u>139,773</u>	<u>141,424</u>

There was no significant movement in the impairment of loan receivables during the Review Period. For the mortgage financing business, the balance of secured loans (net of impairment) was HK\$110,079,000 at 30 September 2014 (31 March 2014: HK\$99,871,000).

No aged analysis on secured margin loans was disclosed, as it is in the opinion of the Directors that an aged analysis does not give additional value in view of the nature of the securities margin financing business. The aged analysis of the Group's loan receivables net of impairment for the financing business based on contractual maturity dates is as follows:

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
On demand or within 1 year	60,347	52,305
Over 1 year and up to 5 years	30,214	20,127
Over 5 years	<u>20,541</u>	<u>28,421</u>
	<u>111,102</u>	<u>100,853</u>

8. TRADE RECEIVABLES

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Trade receivables	31,808	21,354
Less: Impairment loss recognised	<u>(5,365)</u>	<u>(5,365)</u>
	<u>26,443</u>	<u>15,989</u>
Balance in relation to:		
— Securities dealing and broking services	26,397	15,928
— Retailing and trading	<u>46</u>	<u>61</u>
	<u>26,443</u>	<u>15,989</u>

An aged analysis of the Group's trade receivables based on the invoice dates net of impairment is as follows:

Within 6 months	25,350	14,461
Over 6 months and up to 1 year	1,079	131
Over 1 year	<u>14</u>	<u>1,397</u>
	<u>26,443</u>	<u>15,989</u>

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Promissory note receivable (<i>note</i>)	42,960	42,960
Deposits	1,514	1,737
Prepayments	465	881
Interest receivable	1,809	1,687
Other receivables	<u>1,054</u>	<u>1,487</u>
	47,802	48,752
Less: Impairment losses recognised	<u>(43,615)</u>	<u>(43,667)</u>
	<u>4,187</u>	<u>5,085</u>

Note: Reference is made to note 22 to the audited consolidated financial statements of the Company for the year ended 31 March 2014. The Group still believes that it is in its best interest not to take legal action for the time being and will continue to closely monitor the progress of the recovery of the outstanding money due to the note issuer's subsidiary by its joint venture partner in the toll road project in Wuhan, the PRC.

10. TRADE PAYABLES

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Balance in relation to:		
Securities dealing and broking services (<i>note</i>)	91,092	47,924
Retailing and trading	236	227
	<u>91,328</u>	<u>48,151</u>

Note: Trade payables in relation to securities dealing and broking services are repayable on demand. No aged analysis was disclosed, as it is in the opinion of the Directors that an aged analysis does not give additional value in view of the nature of the securities dealing and broking businesses.

An aged analysis of the Group's trade payables in relation to retailing and trading is as follows:

Within 6 months	10	1
Over 1 year	226	226
	<u>236</u>	<u>227</u>

11. BORROWINGS

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Secured bank loans	100,730	84,779
Other secured loans	–	14,132
	<u>100,730</u>	<u>98,911</u>
Borrowings are repayable:		
— Within one year	4,429	17,808
— Carrying amount of bank loans that are not repayable within one year from the end of the Review Period but contain a repayment demand clause	96,301	81,103
	<u>100,730</u>	<u>98,911</u>

12. OPERATING LEASE ARRANGEMENTS

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out its investment properties under operating leases, the tenancies of which will expire within one to three years. The turnover-related rental income received during the Review Period amounted to HK\$1,104,000 (2013: HK\$788,000).

At the end of Review Period, the future aggregate minimum lease receipts under non-cancellable operating leases receivable by the Group were as follows:

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Within one year	2,335	1,186
In the second to fifth years, inclusive	<u>1,670</u>	<u>–</u>
	<u>4,005</u>	<u>1,186</u>

(b) Lessee

At the end of the Review Period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the rental premises that fall due as follows:

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Within one year	3,186	2,251
In the second to fifth years, inclusive	<u>1,734</u>	<u>408</u>
	<u>4,920</u>	<u>2,659</u>

13. CONTINGENT LIABILITIES

As at 30 September 2014, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the Review Period, the Group recorded a turnover of HK\$59,524,000 as compared to the HK\$66,785,000 that was recorded for the corresponding period in 2013. However, the Group had improved its bottom line for the Review Period as shown by the net profit of HK\$52,008,000 in the Review Period as compared with the net profit of HK\$18,397,000 in the corresponding period in 2013. This improvement in net profit was mainly attributable to the gain arising from the disposal of or changes in fair value of financial assets through profit and loss.

Review of Operations

- *Brokerage Business:*

In April 2014, the central government announced the Shanghai-Hong Kong Stock Connect (the “**Stock Connect**”), a pilot programme for the establishment of mutual stock market access between Mainland China and Hong Kong. The Stock Connect creates for the first time, a channel that allows Hong Kong and overseas investors to trade Shanghai Stock Exchange securities and certain eligible Mainland investors to trade Hong Kong Stock Exchange securities. To capitalize on this golden opportunity, we applied to become a service provider of the Stock Connect. During the Review Period, we enhanced our computer hardware and software system and took part in and completed the market rehearsals of trading process as well as clearing and settlement matters for the Stock Connect. After such sufficient preparations, we have been recognised as one of the market participants that is allowed to provide brokerage services for the Stock Connect transactions.

With the popularity of online securities trading, we managed to provide our online clients more latest stock market information and online margin financing services with a view to increase the frequency of our clients’ online trading transactions. Thanks to these value-added services, the turnover of our online trading transactions had increased significantly as compared with the corresponding period in 2013. To broaden our client base, during the Review Period, we introduced a new marketing promotional program pursuant to which we offered our clients interest free loans when they subscribed for the government’s ibonds. This program was well received by our clients. Not only did the program expedite the growth of new accounts, it also encouraged dormant clients to reactivate their accounts.

During the Review Period, the Group recorded a total securities dealing turnover of approximately HK\$3.4 billion, an increase of approximately 34% when compared to that in the corresponding period in 2013. The number of active client accounts also grew by approximately 9% in the Review Period.

- *Mortgage Financing:*

We observed that the growth momentum of real estate-backed loan service was sustained throughout the Review Period. With our strong cash flow position, we were capable of providing sufficient resources to develop our mortgage financing business, thus the net balance of loan receivables remained as high as approximately HK\$110,079,000 as at 30 September 2014. In the Review Period, interest income earned by the mortgage financing segment was approximately HK\$13,217,000, representing an increase of 23% as compared to the corresponding period in 2013.

To sustain the growth of this segment, during the Review Period, we demonstrated our ability to effectively manage the credit risk of our loan portfolio. As such, even though our mortgage financing business had grown substantially, the Group did not record any material bad debt provisions over the past years. Benefiting from our long-standing, cordial business connections, which have been in place since the inception of this business, we believe that the revenue from our mortgage financing division will continue to be one of our major sources of income.

- *Retailing and Trading Businesses:*

The retailing and trading businesses are promoted and marketed by Quoting Life, the Group's distribution vehicle launched in the 2013/2014 financial year. Under the Quoting Life brand, we have the exclusive distribution right to distribute the chocolate and confectionery products of an Italian company, Maglio Arte Dolciaria S.R.L. ("**Maglio**"), in Hong Kong, Macau and Mainland China except for Qing Dao.

During the Review Period, we opened a new Quoting Life shop in Causeway Bay, one of Hong Kong's busiest shopping districts. Additionally, we continued to cooperate with a cake shop chain to sell our Maglio products. To promote the Quoting Life brand, we also set up sales booths in Yata shops in San Po Kong, Tsuen Wan, Mongkok, Tuen Mun, Tai Po and Shatin. Sales booths were also set up at Citistore shops in Tsuen Wan, Ma On Shan and Tuen Mun. To provide a convenient way for customers to buy our products, we also launched our Quoting Life online store at www.quotinglife.com.hk.

- *Property Development and Investment:*

As at 30 September 2014, our property portfolio included residential and commercial properties located in Sai Kung, Fei Ngo Shan and Central, and the market value totalled HK\$206,000,000. The rental revenue from our Sai Kung and Central properties provided us stable income. With regard to the Fei Ngo Shan property, we have planned to redevelop this property into a two-storey dignitary house to maximize its value. In light of the ever-increasing demand for commercial properties in Central, the heart of Hong Kong's financial hub, we believe that the rental value of the Group's Central property will still have an upside potential.

Prospects

With the US Federal Reserve having ended its Quantitative Easing policy in October 2014, we continue to hold a positive view on the territory's economy, mainly because of its close proximity to Mainland China, where the growth of gross domestic product will still be maintained at a reasonable level. Also, after the launch of Shanghai-Hong Kong Stock Connect, we expect that cross-border stock trading activities will boom in the long term, and this is expected to benefit broker firms like ours, that are allowed to provide such services. To capture new clients of the mainland market, we have set up a representative office in Jiangmen City, Guangdong Province to facilitate the development of our financial services business in the PRC.

Faced with keen competition in the mortgage financing market, the Group will consolidate and reinforce its competitive advantages in risk management, and will also consider to diversify its financing channels by expanding its funding source in order to further grow its loan portfolio.

To promote the Quoting Life brand, we will continue to add other products into the Quoting Life product line to offer a greater variety of products to customers. To broaden our sales channels, we plan to open more new shops in Hong Kong, and start a series of marketing activities to boost the sales of our products.

The Group holds a cautiously optimistic view on Hong Kong's economy as well as the prospect of the property market. During and after the Review Period, the property price index has rebounded notwithstanding the government's measures to stabilize property prices. We believe that the prices of the Group's properties will stay at a stable level in the foreseeable future.

Financial Review on Liquidity and Financial Resources and Capital Structure

As at 30 September 2014, the Group's net asset value was approximately HK\$472,309,000 (31 March 2014: approximately HK\$408,704,000) and cash at bank and in hand totaled approximately HK\$131,177,000 (31 March 2014: HK\$95,247,000) of which approximately 98.29% was held in Hong Kong dollars, approximately 0.18% in US dollars and approximately 1.53% in Renminbi.

Borrowings as at 30 September 2014 amounted to approximately HK\$100,730,000 (31 March 2014: HK\$98,911,000), of which approximately HK\$4,429,000 (31 March 2014: HK\$17,808,000) were repayable within one year. All of the borrowings were denominated in Hong Kong dollar. During the Review Period, the interest rates for bank borrowings were charged on a monthly basis at the rates of 2.85% or 2.75% below the prime rate of 5.25% per annum for Hong Kong dollars quoted by the bank, and the effective rates were 2.4% and 2.5% per annum respectively. The gearing ratio, being the ratio of total borrowings to shareholders' fund of approximately HK\$472,309,000, was about 0.21 (31 March 2014: 0.24).

As at 30 September 2014, time deposits totaling approximately HK\$6,291,000 and investment properties with a total market value of approximately HK\$206,000,000 were pledged to a bank to secure the banking facilities that were granted to the Group.

Investments in Financial Assets

As at 30 September 2014, other than the holding of a portfolio of listed securities with a market value of approximately HK\$75,536,000 for the trading purpose, the Group did not make any other major investments during the Review Period. The Group will continue to adopt a prudent approach for all its investments.

Closure of Register of Members

The register of members of the Company will be closed from 3 February 2015 to 5 February 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, shareholders and warrant holders of the Company are reminded to ensure that all completed share transfer or subscription forms accompanied by the relevant share certificates or warrant certificates together with subscription monies must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 2 February 2015.

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 or fails to 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 risk exposure 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.

Trading terms with general trading customers are mainly on credit, except for new customers, where advance payment is normally required or a letter of credit is received. Invoices are normally payable within 30 to 60 days of issuance, except for certain well-established customers, where the payment terms may be extended to 90 days.

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	3

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. Our clients were satisfied with our services. During Review Period, we have properly managed a total securities dealing turnover of approximately HK\$3.4 billion.

To maintain our strong internal controls system, we have four certified public accountants on our management team, three of whom are Board members. These individuals will monitor and advise the Group on its internal control matters. Under the mortgage financing business, we had a net balance of mortgage loans of approximately HK\$110,079,000 as at 30 September 2014, and customers were satisfied with our services.

Interest Rate Risk

During the Review Period, all of the Group's borrowings were denominated in Hong Kong dollar, and its interest risk arises from interest payments which are charged according to floating interest rates with remaining repayment periods ranging from around 18 to 20 years. 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 realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. As at 30 September 2014, the amount of undrawn banking facilities of the Group was approximately HK\$12,777,000.

Foreign Exchange Exposure

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

Staff

As at 30 September 2014, the Group had 69 employees. During the Review Period, the Group's remuneration packages were structured with reference to prevailing market practice and individual merits. Salaries have been reviewed periodically based on the employees' performance appraisal and other relevant factors. The Group also maintains certain staff benefit plans including medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

CORPORATE GOVERNANCE

The Company is committed to uphold good corporate governance practices and considers effective corporate governance an essential element to the Group's success. To uphold that belief, the Company keeps enhancing its corporate governance.

During the Review Period, the Company has strictly complied with all of the code provisions in the Corporate Governance Practices Code (the "**Code**") contained in Appendix 14 of the Listing Rules except that two independent non-executive Directors ("**INEDs**"), one of whom being the Chairman of the Company, did not attend the Annual General Meeting held during the Review Period due to their personal engagements.

Model Code for Securities Transactions by Directors

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 Directors. All members of the Board has confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the Review Period.

RELATED PARTY TRANSACTIONS

(a) Compensation to the Directors and key management personnel of the Group:

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	1,744	1,283
Post-employment benefits	32	29
	<u>1,776</u>	<u>1,312</u>

The remuneration for Directors and key executives is determined by the Remuneration Committee, which takes into consideration the performance of the individual and market trends.

(b) During the Review Period, the Group had no material transactions with its related parties. For the six months ended 30 September 2013, the Group received from Mr. Cheung a judgement debt of HK\$20,000,000. Mr. Cheung is a substantial shareholder of the Company and the father of Mr. Cheung Hoo Win (“**Mr. Hoowin Cheung**”), a Director and the Chief Executive Officer of the Company. Please refer to note 14 to the condensed consolidated financial statement for the six months ended 30 September 2013 for details of the judgement debt.

(c) Save as disclosed above, as at the end of the Review Period, the Group had the following material balances with its related parties:

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Trade payables:		
Amount due to Mr. Cheung (<i>note 1</i>)	302	–
Amount due to Mr. Hoowin Cheung (<i>note 1</i>)	4,294	4,144
Amount due to Elfie Limited (<i>notes 1 and 3</i>)	3,936	4,294
Amount due to Mr. Cheung Hoo Yin (<i>notes 1 and 4</i>)	731	472
	<u><u> </u></u>	<u><u> </u></u>
Loan receivable		
Amount due from Mr. Ng Yiu Chuen (<i>notes 2 and 5</i>)	163	212
	<u><u> </u></u>	<u><u> </u></u>

Note 1: The amount is unsecured, interest bearing at the bank deposit saving rate per annum and repayable on clients' demand.

Note 2: The amount is unsecured, interest bearing at 4% per annum. It was fully repaid on 31 October 2014.

Note 3: Elfie Limited is beneficially owned by Mr. Cheung and Ms. Yeung Han Yi Yvonne (“**Ms. Yeung**”), the spouse of Mr. Cheung. The directors of Elfie Limited include a director of the Company and two of his close family members.

Note 4: Mr. Cheung Hoo Yin is the son of Mr. Cheung and Ms. Yeung.

Note 5: Mr. Ng Yiu Chuen is an executive Director of the Company.

PURCHASE, SALE OR REDEMPTION 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 the Review Period.

BONUS ISSUE OF WARRANTS

On 27 November 2013, the Board proposed an issue of bonus warrants to the shareholders on the basis of 2 warrants for every 10 shares (the “**Bonus Issue of Warrants**”). For details of the Bonus Issue of Warrants, please refer to the announcement of the Company dated 30 December 2013 (“**Announcement**”). On 27 January 2014, the shareholders approved the Bonus Issue of Warrants, pursuant to which 713,154,617 warrants were issued. The initial subscription price is HK\$0.10 and the subscription period will be 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. Details of exercise of warrants are set out as follows:

	Number of warrants	Amount HK\$'000
Number of warrants issued	713,154,617	71,315
Exercised during the year ended 31 March 2014	<u>(3,663,126)</u>	<u>(366)</u>
At 1 April 2014	709,491,491	70,949
Exercised during the Review Period	<u>(179,430,706)</u>	<u>(17,943)</u>
At 30 September 2014	<u><u>530,060,785</u></u>	<u><u>53,006</u></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 general working capital of the Group and potential investments as intended. As at 30 September 2014, the Subscription Monies were placed in a bank.

REVIEW BY AUDIT COMMITTEE

The Company has an Audit Committee comprising four independent non-executive Directors. The Audit Committee has reviewed the unaudited interim financial statements for the Review Period and has discussed the financial related matters with the management.

On behalf of the Board
Zhao Qingji
Chairman

Hong Kong, 25 November 2014

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