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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: 1482)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 2017 (the “Review Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended	
		30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
TURNOVER		130,220	108,943
Revenue	2	45,412	30,959
Cost of sales		(5,665)	(1,600)
GROSS PROFIT		39,747	29,359
Other income		8,037	7,667
Administrative expenses		(41,864)	(38,787)
Selling and distribution expenses		(3,432)	(1,757)
Change in fair value of investment properties		3,000	14,789
Change in fair value of financial assets at fair value through profit or loss		(12,310)	(5,256)
Gain on disposal of financial assets at fair value through profit or loss		1,569	998
Unrealised fair value gain on available-for-sale financial assets		8,327	–
Gain on disposal of subsidiaries, net	<i>11(a)&(b)</i>	19,575	–
Impairment loss recognised in respect of loan receivables		(346)	(1,649)
Impairment loss recognised in respect of other receivables		–	(1,002)
Reversal of impairment loss recognised in respect of loan receivables		333	1,270
Finance costs		(6,774)	(3,570)

* For identification purposes only

		Six months ended	
		30 September	
		2017	2016
	<i>Note</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
PROFIT BEFORE INCOME TAX	3	15,862	2,062
Income tax expense	4	—	—
		<hr/>	<hr/>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		15,862	2,062
		<hr/>	<hr/>
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO			
— Owners of the Company		4,594	3,696
— Non-controlling interests		11,268	(1,634)
		<hr/>	<hr/>
		15,862	2,062
		<hr/>	<hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD			
— Basic	6	HK0.10 cents	HK0.08 cents
		<hr/>	<hr/>
— Diluted	6	HK0.09 cents	HK0.08 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Furniture and equipment		3,266	3,094
Investment properties		263,838	246,000
Loan receivables	7	50,676	75,792
Intangible asset		3,386	3,386
Available-for-sale financial asset	10	–	–
		321,166	328,272
CURRENT ASSETS			
Loan receivables	7	200,937	171,422
Accounts receivable	8	55,254	35,862
Promissory note receivables	9	68,118	31,087
Other receivables, deposits and prepayments		17,206	21,268
Available-for-sale financial assets	10	42,425	5,000
Financial assets at fair value through profit or loss		78,077	77,191
Tax recoverable		615	615
Client trust funds		122,853	84,759
Pledged bank deposits		6,291	6,273
Bank balances and cash		148,852	176,260
		740,628	609,737
Assets of disposal group classified as held-for-sale	11(a)	–	110,964
		740,628	720,701

		As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
CURRENT LIABILITIES			
Accounts payable	12	161,902	99,628
Other payables and accruals		6,761	12,611
Promissory note payables		143,373	154,293
Borrowings		131,318	116,747
		<u>443,354</u>	<u>383,279</u>
Liabilities of disposal group classified as held-for-sale	11(a)	–	66,811
		<u>443,354</u>	<u>450,090</u>
NET CURRENT ASSETS		<u>297,274</u>	<u>270,611</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>618,440</u>	<u>598,883</u>
NET ASSETS		<u>618,440</u>	<u>598,883</u>
CAPITAL AND RESERVES			
Share capital		48,218	47,848
Reserves		570,128	562,209
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		<u>618,346</u>	<u>610,057</u>
NON-CONTROLLING INTERESTS		<u>94</u>	<u>(11,174)</u>
TOTAL EQUITY		<u>618,440</u>	<u>598,883</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim 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”).

The condensed consolidated interim financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017, which were prepared in accordance with Hong Kong Financial Report Standards (“HKFRSs”).

Principal accounting policies

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

The accounting policies applied and methods of computation used in the preparation of this condensed consolidated interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2017, except in relation to the following new or revised HKFRSs, which also include HKASs and Interpretations that are adopted for the first time for the current period’s consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The adoption of the new or revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

2. SEGMENTAL INFORMATION

Information reported to the Board for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group’s reportable segments under HKFRS 8 are as follows:

- the financial services segment provides securities dealing, brokerage 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 products; and
- the segment of others includes retailing and trading of food products, which ceased during the year ended 31 March 2017.

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 2017 and the corresponding period in 2016 respectively:

For the six months ended 30 September 2017

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:							
External sales	29,404	14,832	932	244	-	-	45,412
Intersegment sales	651	-	-	-	-	(651)	-
	<u>30,055</u>	<u>14,832</u>	<u>932</u>	<u>244</u>	<u>-</u>	<u>(651)</u>	<u>45,412</u>
Segment profit/(loss) after intersegment transactions	32,845	8,668	(256)	(10,836)	-	-	30,421
Unallocated income and expenses							<u>(14,559)</u>
Profit before income tax							<u>15,862</u>

For the six months ended 30 September 2016

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:							
External sales	13,110	15,525	1,693	592	39	-	30,959
Intersegment sales	397	-	-	-	-	(397)	-
	<u>13,507</u>	<u>15,525</u>	<u>1,693</u>	<u>592</u>	<u>39</u>	<u>(397)</u>	<u>30,959</u>
Segment (loss)/profit after intersegment transactions	(8,582)	11,200	15,983	(4,256)	(487)	-	13,858
Unallocated income and expenses							<u>(11,796)</u>
Profit before income tax							<u>2,062</u>

Other segment information

For the six months ended 30 September 2017

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <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 investment property	-	-	3,000	-	-	-	3,000
Change in fair value of financial assets at fair value through profit or loss	-	-	-	(12,310)	-	-	(12,310)
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	1,569	-	-	1,569
Unrealised fair value gain on available-for-sale financial assets	8,327	-	-	-	-	-	8,327
Gain/(loss) on disposal of subsidiaries	22,805	-	(3,230)	-	-	-	19,575
Impairment loss recognised in respect of loan receivables	-	(346)	-	-	-	-	(346)
Reversal of impairment loss recognised in respect of loan receivables	-	333	-	-	-	-	333
Depreciation	(383)	(47)	(100)	-	-	(226)	(756)
Gain on disposals of furniture and equipment	-	-	-	-	-	40	40
Addition to non-current assets (<i>Note</i>)	832	53	16,668	-	-	10	17,563
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:							
Interest income	11	-	-	-	-	34	45
Finance costs	(3,682)	(1,402)	(1,690)	-	-	-	(6,774)
Income tax expense	-	-	-	-	-	-	-

Note: It excluded the additions to loan receivables, intangible asset and available-for-sale financial asset.

For the six months ended 30 September 2016

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <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 in investment properties	-	-	14,789	-	-	-	14,789
Change in fair value of financial assets at fair value through profit or loss	-	-	-	(5,256)	-	-	(5,256)
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	998	-	-	998
Impairment loss recognised in respect of loan receivables	-	(1,649)	-	-	-	-	(1,649)
Impairment loss recognised in respect of other receivables	-	(1,002)	-	-	-	-	(1,002)
Reversal of impairment loss recognised in respect of loan receivables	-	1,270	-	-	-	-	1,270
Reversal of impairment loss recognised in respect of other receivables	-	129	-	-	-	-	129
Depreciation	(494)	(47)	(111)	-	-	(220)	(872)
(Loss)/gain on disposals of furniture and equipment	(1)	-	-	-	(157)	50	(108)
Addition to non-current assets (<i>note</i>)	363	2	10,100	-	-	109	10,574
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:							
Interest income	14	-	-	-	-	26	40
Finance costs	(1,750)	(511)	(1,309)	-	-	-	(3,570)
Income tax expense	-	-	-	-	-	-	-

Note: It excluded the additions to loan receivables, intangible asset and available-for-sale financial asset.

3. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	756	872
Rent and rates	3,712	3,647
Staff costs	23,748	21,803

4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements as the Company and its subsidiaries either has available losses brought forward from prior periods 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 (2016: nil).

5. DIVIDENDS

The Board resolved to make a payment of interim dividend at a rate equivalent to HK\$0.12 or HK12 cents for every 100 shares (2016: HK\$0.10 or HK10 cents for every 100 shares with a scrip alternative). The scheduled dividend payment date is 5 January 2018.

For determination of the shareholders' entitlements to the proposed interim dividend, the register of members of the Company will be closed from 11 December 2017 to 13 December 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, (i) in the case of shareholders, all transfer documents accompanied by the relevant share certificates or (ii) in the case of warrant holders, all subscription forms accompanied by the relevant warrant certificates and 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 8 December 2017.

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	
	2017	2016
	(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	<u><u>4,594</u></u>	<u><u>3,696</u></u>

Number of shares:

	Six months ended 30 September	
	2017	2016
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	4,804,767,372	4,371,261,019
Effect of dilutive potential ordinary shares		
— Bonus warrants	<u><u>409,299,273</u></u>	<u><u>528,883,537</u></u>
Weighted average number of ordinary shares in issue during the period for the purpose of diluted earnings per share	<u><u>5,214,066,645</u></u>	<u><u>4,900,144,556</u></u>

7. LOAN RECEIVABLES

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Securities dealing and brokerage services:		
— Secured margin loans	120,756	108,340
Less: Allowance for impairment losses	<u>(26,498)</u>	<u>(26,498)</u>
	<u>94,258</u>	<u>81,842</u>
Financing business:		
— Unsecured loans	11,462	6,226
— Secured loans	24,514	22,825
— Secured mortgage loans	133,260	152,094
Less: Allowance for impairment losses	<u>(11,881)</u>	<u>(15,773)</u>
	<u>157,355</u>	<u>165,372</u>
	<u>251,613</u>	<u>247,214</u>
The Group's loan receivables (net of impairment losses) are analysed into:		
— Non-current assets	50,676	75,792
— Current assets	<u>200,937</u>	<u>171,422</u>
	<u>251,613</u>	<u>247,214</u>

For the mortgage financing business, the net balance of secured loans (net of impairment losses) was approximately HK\$123,795,000 at 30 September 2017 (31 March 2017: approximately HK\$142,472,000).

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

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
On demand or within 1 year	106,680	89,579
In more than 1 year and up to 5 years	17,005	31,644
Over 5 years	<u>33,670</u>	<u>44,149</u>
	<u>157,355</u>	<u>165,372</u>

8. ACCOUNTS RECEIVABLE

	As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Accounts receivable	58,265	38,873
Less: Allowance for impairment losses	<u>(3,011)</u>	<u>(3,011)</u>
	<u>55,254</u>	<u>35,862</u>
Balance in relation to:		
— Securities dealing and brokerage services	50,766	31,887
— Others	<u>4,488</u>	<u>3,975</u>
	<u>55,254</u>	<u>35,862</u>

An aging analysis of the Group's accounts receivable (net of impairment losses) based on the invoice dates is as follows:

Within 6 months	45,910	27,761
Over 6 months and up to 1 year	8,032	2,148
Over 1 year	<u>1,312</u>	<u>5,953</u>
	<u>55,254</u>	<u>35,862</u>

9. PROMISSORY NOTE RECEIVABLES

	As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Promissory note receivables	68,506	31,475
Less: Allowance for impairment losses	<u>(388)</u>	<u>(388)</u>
	<u>68,118</u>	<u>31,087</u>

The promissory note receivables are regarded as financial assistances to corporations. They bear interest at the rates not exceeding 36% per annum and are repayable on demand.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets represent the Group's investments in two private companies and a fund. When compared to the balance as at 31 March 2017, the increase was mainly due to the fund shares consideration the Group received for the disposal of one of its subsidiaries during the Review Period.

11. DISPOSAL OF SUBSIDIARIES

(a) Assets and liabilities of disposal group classified as held-for-sale

On 24 March 2017, the Group entered into a provisional sale and purchase agreement to dispose of its wholly owned subsidiary, Full Bright Global Limited, which was the holding company of Treasure Profit Limited (“Treasure Profit”) (collectively referred to as “Full Bright Group”) at the consideration of HK\$108,000,000. Treasure Profit then held an investment property of the Group. The respective assets and liabilities of Full Bright Group were presented as held for sale in the Company’s consolidated statement of financial position as at 31 March 2017. For more details on Full Bright Group, please refer to the note 31 to the audited consolidated financial statements for the year ended 31 March 2017.

The formal sale and purchase agreement for the disposal of Full Bright Group was entered into on 22 May 2017 and was completed on 31 July 2017. The net proceeds, after deducting liabilities and expenses, received by the Group was approximately HK\$37,915,000.

	As at 31 July 2017 (Unaudited) <i>HK\$'000</i>
Net assets disposed of:	
Investment property	108,000
Furniture and equipment	480
Prepayment	16
Payables to a bank	(66,707)
Other payables	(644)
	<u>41,145</u>
Loss on disposal of subsidiaries:	
Cash consideration received	37,915
Net assets disposed of	(41,145)
	<u>(3,230)</u>
Analysis of net cash flow on disposal:	
Cash consideration received	37,915
Cash and cash equivalents disposed of	–
	<u>37,915</u>

- (b) On 31 August 2017, Brighten Int'l Holdings Limited, a non-wholly owned subsidiary of the Group, entered into two separate sale and purchase agreements in relation to the disposal of its subsidiary, Brighten Finance Limited (“BFL”). One of the agreements was related to the disposal of 75% shareholding interest in BFL to a fund (the “Fund”) at a consideration of HK\$22,500,000 while the other agreement was related to the disposal of the remaining 25% to a company controlled by an entity that is listed in Australia (the “Australia Company”) at a consideration of HK\$10,000,000. Up to 30 September 2017, the disposal of the 75% stake to the Fund has been completed. In respect of the 25% stake to the Australia Company, 12.5% was completed on 30 October 2017, and the rest was still subject to the fulfilment of certain conditions.

	As at 31 August 2017 (Unaudited) <i>HK\$'000</i>
Net liabilities disposed of:	
Furniture and equipment	39
Loan receivables	28,658
Other receivables	421
Amount due from the immediate holding company	10
Bank balance and cash	325
Amount due to a fellow subsidiary	(29,846)
Other payables	(13)
Interests retained	101
	<u>(305)</u>
Gain on disposal of subsidiary:	
Consideration received	22,500
Net liabilities disposed of	305
	<u>22,805</u>
Analysis of net cash flow on disposal:	
Cash consideration received	–
Cash and cash equivalents disposed of	(325)
	<u>(325)</u>

12. ACCOUNTS PAYABLE

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Balances in relation to:		
— Securities dealing and brokerage services (<i>note</i>)	155,353	99,628
— Others	<u>6,549</u>	<u>—</u>
	<u><u>161,902</u></u>	<u><u>99,628</u></u>

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

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

Within 6 months	<u><u>6,549</u></u>	<u><u>—</u></u>
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13. OPERATING LEASES

(a) The Group as lessor

Rental income from investment properties for the Review Period was HK\$932,000 (2016: HK\$1,693,000).

At the end of the Review Period, the Group had contracted with tenants for the following future minimum lease receipts which fall due as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
In the first year	—	1,352
In the second to fifth years, inclusive	<u>—</u>	<u>115</u>
	<u><u>—</u></u>	<u><u>1,467</u></u>

(b) The Group as 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 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
In the first year	6,747	5,889
In the second to fifth years, inclusive	1,451	3,090
	8,198	8,979

14. CONTINGENT LIABILITIES

As at 30 September 2017, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the Review Period, the turnover of the Group was HK\$130,220,000, an increase of 20% as compared to HK\$108,943,000 for the corresponding period in 2016, while net profit attributable to owners of the Company was HK\$4,594,000, an increase of 24% as compared to HK\$3,696,000 for the corresponding period in 2016.

REVIEW OF OPERATIONS

Financial Services:

Following the augmentation of our business scope to include brokerage service for futures products through our wholly-owned subsidiary Ever-Long Futures Limited, we now hold a total of five licenses granted by the Securities and Futures Commission (the “SFC”) to provide our clients a comprehensive range of regulated services under Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management).

During the Review Period, under the brokerage service for securities dealing, other than Hong Kong shares and shares of the Shanghai and Shenzhen Stock Connects, we were also able to provide our clients the opportunity to subscribe for shares that were listed in Australia, Canada, Euronext Exchange, Germany, the United Kingdom, the United States and most of the Asian markets. In addition to the provision of brokerage service for dealing in securities, we also carried out preparation work to prepare the Group for offering clients brokerage service for futures products, including the launch and test of the operational system for dealing in futures products.

The Group has always endeavoured to provide customers with highly competitive margin ratios and interest rates such that customers can enjoy greater flexibility in liquidity for their investments. During the Review Period, we managed a total securities dealing turnover of HK\$4.2 billion. At the end of the Review Period, the receivables under the brokerage business was HK\$145,024,000. Thanks to the efficiency of our credit control measures, the Group did not record a material bad debt provision for the Review Period.

Regarding the provision of sponsor services for initial public offerings, we had a number of mandates in the pipeline, two of which their relevant applications have been lodged with the Stock Exchange.

Mortgage Financing:

During the Review Period, the Hong Kong property market continued to be prosperous. In combination with the prudential measures taken by Hong Kong Monetary Authority, during the Review Period, we witnessed the continued, strong demand from the market for mortgage financing services offered by licensed money lenders. However, in light of the keen competition in the mortgage loan market, we continued to diversify funding resources at a reasonable cost so as to maintain our profit margin at a justifiable level.

At 30 September 2017, the net balance of our loan receivables stood at HK\$123,795,000, and interest income for the Review Period was HK\$14,832,000. To adhere to our policy of maintaining a healthy loan portfolio, we continued to focus on first and second mortgage loans to minimise the credit risks of our loan receivables. The benefit that stemmed from these effective credit review procedures was that the bad debt provision for our mortgage financing was kept at a low level.

Property Development and Investment:

During the Review Period, the Group disposed of subsidiaries which then held an investment property located in Central at a consideration of HK\$108,000,000. The transaction was properly completed on 31 July 2017, and the net proceeds were used as working capital of the Group.

With respect of the Group's redevelopment project at Fei Ngo Shan Road with a gross site area of more than 16,000 square feet, the site formation and foundation works of the building have been almost completed during the Review Period. The redevelopment project is expected to be completed in the first half of 2018. In addition, the Group holds a residential property in Sai Kung. As at 30 September 2017, the combined carrying value of the Group's investment properties was approximately HK\$263,838,000.

Securities Trading:

As at 30 September 2017, the Group held securities investments in a total of 21 securities, which were engaged in the sectors of (i) natural resources; (ii) information technology; (iii) consumer goods; (iv) industrials; (v) banks; (vi) properties and construction; and (vii) others. During the Review Period, the investment portfolio recorded an aggregate net unrealised loss of approximately HK\$12,310,000.

The losses were mainly due to the unrealised losses of approximately HK\$14,318,000 for the Group's investment in a natural resources company (the "Resources Company"). The Resources Company is a company listed on the Main Board of the Stock Exchange and is principally engaged in the coalbed methane exploration and development as well as the sale of electronic components and treasury. The decline in the share price of the Resources Company during Review Period, among other things, might be because natural resource prices were still at their lower levels. However, in the long term, in light of the emphasis on environmental protection and the future demand for natural resources, we believe that the coalbed methane business in which the Resources Company is mainly engaged will have positive prospects in the global market.

Following the interaction of the Hong Kong market 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 unstable market movements.

PROSPECTS

Although the Federal Reserve stated that it would begin the process of shrinking its balance sheet, it is believed that such move would not affect the pricing pressures. In China, the economy had shown sustainable improvement and the gross domestic product was maintained at a satisfactory level. All of these economic factors have strengthened investors' confidence and boosted market sentiment. In addition, the Stock Connects between Mainland China and Hong Kong, as well as the allowance for the PRC insurance funds to subscribe shares of the Hong Kong stock market have facilitated cross-border investments and had provided favourable conditions for southbound capital flows to Hong Kong. We believe that the Hong Kong financial market will continue to be supported by the funds from the PRC, and our financial services businesses will certainly benefit from such policy.

We believe there is still an immense market space for mortgage financing provided by financial institutions. To accommodate such demand, in addition to our internal resources, we will continue to leverage on other available facilities to support our mortgage financing business and utilise financial resources in effective ways to maintain our profitability. However, in view of the increasing concerns about rocketing property prices and the anticipated rise of interest rates, we will continue to strengthen our credit policy to maintain reasonable loan-to-value ratios to lower our market risk and fine tune our business strategy from time to time to adapt to market changes.

Despite the upward trend in interest rates in the United States, the liquidity of fund flows in Hong Kong is still at a high level, thus interest rates in Hong Kong are expected to remain at a low level. The Group's investments in properties and securities will continue to benefit from such a low interest rate environment in the foreseeable future. However, given the pegged exchange rate between the Hong Kong dollar and the US dollar, it is generally expected that Hong Kong will need to follow suit in adjusting Hong Kong interest rates in due course, and this is expected to have an impact on the valuation of shares and real properties. As such, the Group will continue to review its property investment strategy and adjust its investment portfolio of securities.

FINANCIAL REVIEW ON LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2017, the Group's net asset value was approximately HK\$618,440,000 (31 March 2017: approximately HK\$598,883,000) and cash at bank and in hand totaled approximately HK\$148,852,000 (31 March 2017: HK\$176,260,000) of which approximately 94% was held in Hong Kong dollar, approximately 3% in Renminbi and approximately 3% in US dollar.

Borrowings including bank loans, other borrowings and promissory note payables as at 30 September 2017 amounted to approximately HK\$274,691,000 (31 March 2017: HK\$337,240,000 including bank loans contained in the disposal group classified as held-for-sale), of which approximately HK\$259,864,000 (31 March 2017: HK\$289,630,000) were repayable within one year. All of the borrowings were denominated in Hong Kong dollar. During the Review Period, the interest rates for the bank loans were charged (i) on a monthly basis at the rate of 2.75% below the prime rate of 5.25% per annum for Hong Kong dollar quoted by the bank, and the effective rates were 2.5% per annum; and (ii) on a quarterly basis at the rates of 2.875% and 3.05% over the 3-month Hong Kong Interbank Offered Rate. The other borrowings bore interest at the fixed rate of 7.5% per annum. For the promissory notes issued by the Group, the interest rates were charged at the range of 1% to 8% per annum. The gearing ratio, being the ratio of total borrowings to shareholders' fund, was about 0.44 (31 March 2017: 0.56).

As at 30 September 2017, time deposits totaling approximately HK\$6,291,000 and investment properties with a total market value of approximately HK\$263,838,000 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 is determined based on these factors. Generally, margin loans are 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 are 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.

OPERATIONAL RISK

The Group has put in place effective internal control systems for its operations. Under the financial service businesses, the relevant monitoring teams comprised of licensed responsible officers registered under the SFO and senior management who have acted in compliance with the SFO, have been set up to oversee the operations of each regulated activity. The following chart provides information on the number of responsible officers of the Group for each regulated activity:

Type of license	Regulated activity	Number of responsible officers
Type 1	Dealing in securities	9
Type 2	Dealing in futures contracts	2
Type 4	Advising on securities	4
Type 6	Advising on corporate finance	5
Type 9	Asset management	3

In order to safeguard clients' interests and comply with the requirements of the SFO, our monitoring teams have carried out ongoing checks and verifications so that we are able to maintain our service standards at a satisfactory level. During the Review Period, we have properly managed a total securities trading turnover of approximately HK\$4.2 billion under the securities brokerage business and our operation had complied with the SFO. During the Review Period, clients were satisfied with our services.

To enhance the professionalism of the management force, three of the Board members were certified public accountants who monitored or advised the Group on internal control matters. Under the mortgage financing business, we had on hand net consolidated mortgage loans of approximately HK\$123,795,000 as at 30 September 2017 and the operation had complied with the Money Lenders Ordinance.

INTEREST RATE RISK

All of the Group's borrowings are 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 the current and expected liquidity requirements of the Group and ensure that the Group 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 30 September 2017, the amount of undrawn banking facilities of the Group was approximately HK\$54,704,000.

PRICE RISK

The Group is exposed to equity price risk arising from individual equity investment classified as financial assets at fair value through profit and loss. This risk results from the decrease in the levels of equity indices and the value of individual securities. The Group's investments are the listed shares or the derivative products linked to the listed shares, which are valued at the quoted market prices or based on the independent valuation. The Group continues to monitor the movements in equity price and will consider hedging the risk exposure should the need arise.

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, New Taiwan dollar 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 New Taiwan dollar or Renminbi 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 2017, the Group had 109 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, hospitalisation 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 had strictly complied with all of the code provisions in the Corporate Governance Code contained in Appendix 14 to 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 reasons.

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 have 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.

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 13 December 2016, the Board proposed an issue of bonus warrants to the shareholders on the basis of 1 warrant for every 5 shares (the "Bonus Issue of Warrants"). For details on the Bonus Issue of Warrants, please refer to the announcement of the Company dated 13 December 2016 (the "Announcement"). On 17 January 2017, the shareholders approved the Bonus Issue of Warrants, pursuant to which 952,202,016 warrants were issued. The initial subscription price was HK\$0.10 per share and the subscription period was from 14 February 2017 to 13 February 2018 (both days inclusive). Full exercise of the subscription rights attaching to the 952,202,016 warrants would result in the issue of 952,202,016 shares. Details of the exercise of warrants are set out as follows:

	Number of warrants	Amount HK\$'000
Number of warrants issued	952,202,016	95,220
Warrants exercised during the year ended 31 March 2017	<u>(23,774,504)</u>	<u>(2,377)</u>
At 1 April 2017	928,427,512	92,843
Warrants exercised during the Review Period	<u>(36,953,974)</u>	<u>(3,695)</u>
At 30 September 2017	<u><u>891,473,538</u></u>	<u><u>89,148</u></u>

As disclosed in the Announcement, the Group will apply any subscription monies received as and when subscription rights are exercised towards the general working capital of the Group. As at 30 September 2017, the total amount of subscription monies HK\$6,072,000 was placed in a bank.

REVIEW BY AUDIT COMMITTEE

The Company has an Audit Committee comprising five INEDs. 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, 23 November 2017

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 the INEDs are Mr. Zhao Qingji, Mr. Yeung Shun Kee, Mr. Li Hancheng, Mr. Lo Tsz Fung Philip and Mr. Lee Kwok Yin Denthur.