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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 2015

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 2015 (the “**Review Period**”) together with the comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
• <b>TURNOVER</b>		<b>104,422</b>	59,524
Revenue	2	31,482	22,874
Cost of sales		(3,523)	(2,356)
• <b>GROSS PROFIT</b>		<b>27,959</b>	20,518
Other income		46,946	462
Administrative expenses		(27,969)	(17,001)
Selling and distribution costs		(3,075)	(2,337)
Change in fair value of investment property		12,000	—
Change in fair value of financial assets at fair value through profit or loss		(58,672)	40,760
Gain on disposal of financial assets at fair value through profit or loss		5,046	11,630
Unrealised fair value gain of derivative financial instruments	10	2,490	—
Impairment loss recognised in respect of loan receivables		(373)	(1,043)
Reversal of impairment loss recognised in respect of loan receivables		193	370

\* For identification purposes only

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2015</b>	2014
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
• <b>PROFIT FROM OPERATIONS</b>		<b>4,545</b>	53,359
Finance costs		<b>(2,065)</b>	(1,351)
• <b>PROFIT BEFORE TAXATION</b>	3	<b>2,480</b>	52,008
Income tax expenses	4	<b>—</b>	—
• <b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,480</b>	52,008
• <b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>		<b>6,457</b>	52,008
• <b>NON-CONTROLLING INTERESTS</b>		<b>(3,977)</b>	—
		<b>2,480</b>	52,008
• <b>EARNINGS PER SHARE</b>	6		
— Basic		<b>HK0.16 cents</b>	HK1.44 cents
— Diluted		<b>HK0.15 cents</b>	HK1.35 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2015 (Unaudited) <i>HK\$'000</i>	At 31 March 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>• NON-CURRENT ASSETS</b>			
Fixed assets		4,267	4,104
Investment properties		248,000	236,000
Loan receivables	7	82,655	58,522
Deposits paid for the redevelopment project		6,100	4,356
Intangible assets		3,386	–
Available-for-sale investment		–	–
		<b>344,408</b>	<b>302,982</b>
<b>• CURRENT ASSETS</b>			
Inventories		326	361
Loan receivables	7	105,100	98,248
Trade receivables	8	26,630	47,389
Other receivables, deposits and prepayments	9	14,072	6,286
Derivative financial instruments	10	18,197	–
Financial assets at fair value through profit or loss		61,419	83,860
Tax recoverable		615	615
Client trust funds		88,330	74,031
Pledged bank deposits		6,324	6,307
Bank balances and cash		152,613	117,522
		<b>473,626</b>	<b>434,619</b>
<b>• CURRENT LIABILITIES</b>			
Trade payables	11	88,069	104,883
Other payables and accruals		5,821	5,196
Derivative financial instruments	10	15,707	–
Dividends payable		10,144	7,726
Promissory note payables	12	36,100	–
Borrowings		109,242	98,519
		<b>265,083</b>	<b>216,324</b>
<b>• NET CURRENT ASSETS</b>		<b>208,543</b>	<b>218,295</b>
<b>• TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>552,951</b>	<b>521,277</b>
<b>• NET ASSETS</b>		<b>552,951</b>	<b>521,277</b>
<b>• CAPITAL AND RESERVES</b>			
Share capital		42,623	38,906
Reserves		513,855	481,921
<b>• EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>		<b>556,478</b>	<b>520,827</b>
<b>• NON-CONTROLLING INTERESTS</b>		<b>(3,527)</b>	<b>450</b>
<b>• TOTAL EQUITY</b>		<b>552,951</b>	<b>521,277</b>

## 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 under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

#### Adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective in the Review Period

In the Review Period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19 (2011)	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The application of the above amendments to HKFRSs in the Review Period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 2. SEGMENTAL INFORMATION

Information reported to the Directors, 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. 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 property development and investment segment engages in property redevelopment and letting of properties;
- the securities trading segment engages in the dealing with securities or 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 six months ended 30 September 2015 and the corresponding period in 2014 respectively:

### For the six months ended 30 September 2015

	Securities dealing, broking and other financing <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	15,506	14,229	1,355	182	210	-	31,482
Inter-segment sales	318	-	-	-	20	(338)	-
	<u>15,824</u>	<u>14,229</u>	<u>1,355</u>	<u>182</u>	<u>230</u>	<u>(338)</u>	<u>31,482</u>
Segment profit/(loss) after inter-segment transactions	2,020	10,650	12,307	(53,767)	(1,580)	-	(30,370)
Unallocated income and expenses							<u>32,850</u>
Profit before taxation							<u>2,480</u>

### For the six months ended 30 September 2014

	Securities dealing, broking and other financing <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	7,924	13,217	1,104	286	343	-	22,874
Inter-segment sales	112	-	-	-	11	(123)	-
	<u>8,036</u>	<u>13,217</u>	<u>1,104</u>	<u>286</u>	<u>354</u>	<u>(123)</u>	<u>22,874</u>
Segment (loss)/profit after inter-segment transactions	(464)	9,119	599	52,676	(1,512)	-	60,418
Unallocated income and expenses							<u>(8,410)</u>
Profit before taxation							<u>52,008</u>

## Other segment information

For the six months ended 30 September 2015

	Securities dealing, broking and other financing <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	-	-	12,000	-	-	-	12,000
Change in fair value of financial assets at fair value through profit or loss	-	-	-	(58,672)	-	-	(58,672)
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	5,046	-	-	5,046
Unrealised fair value gain of derivative financial instruments	2,490	-	-	-	-	-	2,490
Impairment loss recognised in respect of other receivables	-	-	-	-	-	182	182
Impairment loss recognised in respect loan receivables	-	(373)	-	-	-	-	(373)
Reversal of impairment loss recognised in respect of loan receivables	-	193	-	-	-	-	193
Depreciation	(444)	(39)	(23)	-	(31)	(232)	(769)
Loss on disposals of fixed assets	(20)	-	-	-	-	-	(20)
Addition to non-current assets ( <i>note</i> )	3,683	41	2,526	-	10	7	6,267
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	8	-	-	-	-	25	33
Finance costs	(591)	-	(900)	-	-	(574)	(2,065)
Income tax expenses	-	-	-	-	-	-	-

*Note:* It excluded the additions to loan receivables or available-for-sale investment.

For the six months ended 30 September 2014

	Securities dealing, broking and other financing <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 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)
Loss on disposals of fixed assets	-	-	-	-	-	1	1
Addition to non-current assets ( <i>note</i> )	538	238	932	-	245	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 the additions to loan receivables or available-for-sale investment.

### 3. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Depreciation	<b>769</b>	734
Staff costs	<b>15,166</b>	8,890

#### 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 (2014: nil).

#### 5. DIVIDENDS

The Board did not recommend a payment of an interim dividend for the Review Period. (2014: HK0.2 cents 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:

	<b>Six months ended 30 September</b>	
	<b>2015</b>	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share	<u><u>6,457</u></u>	<u><u>52,008</u></u>

##### Number of shares:

	<b>Six months ended 30 September</b>	
	<b>2015</b>	2014
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share	<b>4,098,213,877</b>	3,604,765,726
Effect of dilutive potential ordinary shares — Bonus warrants	<u><u>89,764,805</u></u>	<u><u>252,810,742</u></u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>4,187,978,682</u></u>	<u><u>3,857,576,468</u></u>

## 7. LOAN RECEIVABLES

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Securities dealing and broking services:		
— Secured margin loans	59,593	58,345
Less: Impairment loss recognised	<u>(15,015)</u>	<u>(15,015)</u>
	<u>44,578</u>	<u>43,330</u>
Financing business:		
— Unsecured loans	6,877	7,054
— Secured mortgage loans	144,734	114,640
Less: Impairment loss recognised	<u>(8,434)</u>	<u>(8,254)</u>
	<u>143,177</u>	<u>113,440</u>
	<u>187,755</u>	<u>156,770</u>
The Group's loan receivables (net of impairment loss) are analysed into:		
— Non-current assets	82,655	58,522
— Current assets	<u>105,100</u>	<u>98,248</u>
	<u>187,755</u>	<u>156,770</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\$142,832,000 at 30 September 2015 (31 March 2015: HK\$113,040,000).

No aged analysis on secured margin loans was disclosed, as it is 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 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
On demand or within 1 year	60,576	54,918
Over 1 year and up to 5 years	42,971	22,112
Over 5 years	<u>39,630</u>	<u>36,410</u>
	<u>143,177</u>	<u>113,440</u>

## 8. TRADE RECEIVABLES

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Balances in relation to:		
— Securities dealing and broking services	26,608	47,345
— Others	22	44
	<u>26,630</u>	<u>47,389</u>

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

Within 6 months	26,308	46,326
Over 6 months and up to 1 year	120	684
Over 1 year	202	379
	<u>26,630</u>	<u>47,389</u>

## 9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Promissory note receivable ( <i>note</i> )	–	42,960
Deposits	10,352	2,766
Prepayments	683	1,061
Interest receivables	2,197	1,737
Other receivables	1,189	1,253
	<u>14,421</u>	<u>49,777</u>
Less: Impairment loss recognised	(349)	(43,491)
	<u>14,072</u>	<u>6,286</u>

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

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Assets	18,197	–
Liabilities	<u>(15,707)</u>	<u>–</u>
Unrealised fair value gain	<u><u>2,490</u></u>	<u><u>–</u></u>

During the Review Period, 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 increases. As at 30 September 2015, the assets and liabilities of the outstanding options were recorded and the net unrealised fair value gain of HK\$2,490,000 was recognised in the condensed consolidated statement of comprehensive income for the Review Period.

## 11. TRADE PAYABLES

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Balances in relation to:		
– Securities dealing and broking services ( <i>note</i> )	87,838	104,652
– Others	<u>231</u>	<u>231</u>
	<u><u>88,069</u></u>	<u><u>104,883</u></u>

*Note:* Trade payables in relation to securities dealing and broking services are repayable on demand. No aged analysis was disclosed, as it is 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 excluding those under the securities dealing and broking services is as follows:

Within 6 months	4	5
Over 6 months and up to 1 year	–	–
Over 1 year	<u>227</u>	<u>226</u>
	<u><u>231</u></u>	<u><u>231</u></u>

## 12. PROMISSORY NOTE PAYABLES

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

### 13. 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 or two years. The turnover-related rental income received during the Review Period amounted to HK\$1,355,000 (2014: HK\$1,104,000).

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

	<b>As at 30 September 2015 (Unaudited) HK\$'000</b>	<b>As at 31 March 2015 (Audited) HK\$'000</b>
Within one year	<b>1,726</b>	2,236
In the second to fifth years, inclusive	<b>1,022</b>	1,868
	<b><u>2,748</u></b>	<b><u>4,104</u></b>

#### (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:

	<b>As at 30 September 2015 (Unaudited) HK\$'000</b>	<b>As at 31 March 2015 (Audited) HK\$'000</b>
Within one year	<b>7,268</b>	6,330
In the second to fifth years, inclusive	<b>2,577</b>	3,493
	<b><u>9,845</u></b>	<b><u>9,823</u></b>

### 14. CONTINGENT LIABILITIES

As at 30 September 2015, the Group had no material contingent liabilities.

### 15. SUBSEQUENT EVENT

Subsequent to the Review Period, the Company has issued 857,125,280 listed warrants to its shareholders. The subscription period is from 5 November 2015 to 4 November 2016. For more details, please refer to the announcement of the Company dated 4 November 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

During the Review Period, the Group recorded a turnover of HK\$104,422,000 as compared to the HK\$59,524,000 for the corresponding period in 2014. As a result of the unrealised loss from changes in fair value of financial assets at fair value through profit or loss, the Group registered a significant decrease in its net profit for the Review Period. As the changes in fair value of financial assets remained unrealised, it had no impact on the cash flow of the Group. Other than the losses from the proprietary trading of securities, the Group continued to make profits from its other major segments of businesses, e.g. brokerage, mortgage financing and property development and investment.

### Review of Operations

- *Brokerage Business:*

As a financial service provider, the Group's broker firm Ever-Long Securities Company Limited benefited from the ample funds flow into the stock market in the second quarter of 2015. During the Review Period, the Hang Seng Index reached its record high since the 2008 financial crisis and the daily market turnover hit its historical high in April 2015. Thanks to that positive sentiment, the Group's brokerage commission and interest income have increased significantly by 105% and 58% respectively when compared to that in the corresponding period in 2014. The growth was in line with the Group's total securities dealing turnover for the Review Period, which had surged to HK\$6.6 billion, a rise of approximately 94%.

In the previous financial year, we introduced a sales promotional program pursuant to which we offered investors interest-free loans for the subscription of iBonds issued by the government of Hong Kong. The program was well received by clients. By virtue of such successful experience, we continued this marketing event for the new batch of government iBonds during the Review Period. Benefiting from this promotional event and the booming stock market condition, we have attracted 144 new account openings during the Review Period, which was an increase of more than 40% when compared to that in the second half of the 2014/2015 financial year.

In addition to the enhancement of our online trading platform, during the Review Period, we also launched the mobile application, “ 長雄證券”, so that our clients might place orders through their mobile phones. To install this application, clients may search it using “everlong securities” in their mobile phones. To facilitate our clients in making investment orders, we would continue to provide our clients other value-added services.

- *Mortgage Financing:*

Faced with the intense competition from the market, the Group had exercised a cautious approach for its mortgage financing business to strike a balance between the risk and reward. In light of the change of market environment, we adjusted our business strategy for new loan applications from time to time during the Review Period with a view to maintain a healthy loan portfolio.

To further expand our mortgage business, in addition to internal resources, we had extended our funding channels to obtain external facilities at a reasonable cost during the Review Period. As a result of this effort, the consolidated loan portfolio under the mortgage financing segment had reached HK\$144,734,000, representing an increase of 26% as compared to that at 31 March 2015. Taking advantage of our professional experience and our overdue payment management skills, notwithstanding the expansion of the loan portfolio, the bad debt provision continued to be maintained at its minimum level.

- *Property Development and Investment:*

We have obtained the government's approvals for our building plan for the redevelopment of our property located in Fei Ngo Shan during the Review Period. The building was demolished in July 2015, and the gross site area is more than 16,000 square feet. We believed that the fair value of our Fei Ngo Shan property would increase significantly after the redevelopment.

Other than the property under redevelopment, we also hold a residential property in Sai Kung and a commercial property in Central (the "**Central Property**"). The property in Central is next to the tram road. During the Review Period, 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.

## **Prospects**

Although investors are now concerned about the slowdown in the economic development in the PRC, 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 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, we believe the central government will also introduce the Shenzhen-Hong Kong Stock Connect in the foreseeable future. To capture such opportunities, in addition to our existing brokerage business, we have planned to diversify our financial services to asset management and other corporate finance services, e.g. sponsor and merger and acquisition financial services.

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

Despite the likelihood of the Federal Reserve increasing interest rates at the end of 2015 or early 2016, we expect that the first interest rate increase will likely be slight and followed by just a gradual pace on the ground that the considerable uncertainties still surround the outlook of economic activity in the United States. As such, we consider that the possible increase in interest rates would have no significant impact on the real estate 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 Central Property owned by us.

### **Financial Review on Liquidity and Financial Resources and Capital Structure**

As at 30 September 2015, the Group's net asset value was approximately HK\$552,951,000 (31 March 2015: approximately HK\$521,277,000) and cash at bank and in hand totaled approximately HK\$152,613,000 (31 March 2015: HK\$117,522,000) of which approximately 95.71% was held in Hong Kong dollar, approximately 4.05% in Renminbi and approximately 0.24% in US dollar.

Total borrowings including bank loans and promissory note payables as at 30 September 2015 amounted to approximately HK\$145,342,000 (31 March 2015: HK\$98,519,000), of which approximately HK\$38,620,000 (31 March 2015: HK\$4,476,000) 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 borrowings were charged (i) on a monthly basis at the rates of 2.85% and 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; and (ii) on a quarterly basis at the rates of 2.875% and 3.05% over the 3-month Hong Kong Interbank Offered Rate respectively for each drawing. For the promissory notes issued by the Group, the interest rates were charged at the range of 5% to 13.45% per annum. The gearing ratio, being the ratio of total borrowings to shareholders' fund of approximately HK\$556,478,000, was about 0.26 (31 March 2015: 0.19).

As at 30 September 2015, time deposits totaling approximately HK\$6,324,000, investment properties with a total market value of approximately HK\$248,000,000 were pledged to banks to secure the banking facilities that were granted to the Group.

### **Financial Assets at Fair Value Through Profit or Loss**

As at 30 September 2015, other than the holding of a portfolio of listed securities with a market value of approximately HK\$61,419,000 for the trading purpose, the Group did not make any other major investments during the Review Period. When compared to the individual market prices of the listed securities held by the Group, the Group recorded an unrealised loss of HK\$58,672,000 for the Review Period, and this was the main reason for the decrease in the profit for the Review Period. The Group will continue to adopt a prudent accounting approach for all its investments.

## 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.

## 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
Type 9	Asset management	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 the Review Period, we have properly managed a total securities dealing turnover of approximately HK\$6.6 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 mortgage loans of approximately HK\$144,734,000 as at 30 September 2015, 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 of over 17 years for certain of its borrowings. 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 30 September 2015, the amount of undrawn banking facilities of the Group was approximately HK\$94 million.

## **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 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 when compared to the Group's total assets or liabilities, the Group considers its foreign exchange risk immaterial for the six months ended 30 September 2015. 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 2015, the Group had 87 staff members including part-time 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 has strictly complied with all of the code provisions in the Corporate Governance 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 and a special 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 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.

## RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	1,464	1,379
Post-employment benefits	35	32
	<u>1,499</u>	<u>1,411</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 the following material transactions with its related parties:

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental income received from K.C. (Asset) Limited (note 1)	510	510
Fee income received from Mr. Woo Peter Ping (“Mr. Woo”) (note 2)	178	–
Interest paid to Ms. Ng Kai Ning (“Ms. Ng”) (note 3)	85	–
Interest paid to Ms. Inez Lee (note 4)	336	–
	<u>336</u>	<u>–</u>

*Note 1:* K.C. (Asset) Limited is beneficially owned by Mr. Cheung Chi Shing (“**Mr. Cheung**”), who is the father of Mr. Cheung Hoo Win (“**Mr. Hoowin Cheung**”), the executive Director and Chief Executive Officer of the Company. The director of the K.C. (Asset) Limited is Mr. Cheung Hoo Yin, the son of Mr. Cheung.

*Note 2:* Mr. Woo is a substantial shareholder of a non-wholly owned subsidiary of the Group and a director of certain subsidiaries of the Group.

*Note 3:* Ms. Ng is the daughter of Mr. Ng Yiu Chuen, an executive Director of the Company.

*Note 4:* Ms. Inez Lee is the wife of Mr. Woo.

**During the Review Period, the Group also entered into the following option transactions with its related parties:**

Date of confirmation	Type of option	Issuer of option	Holder of option	Exercise price	Subject Shares
1 April 2015	Put/call	The Group/ Mr. Woo	Mr. Woo/ The Group	HK\$0.462	10,000,000 shares of a listed company (the “ <b>Subject Company</b> ”) ( <i>note 1</i> )
10 April 2015	Put/call	The Group/ Mr. So ( <i>note 2</i> )	Mr. So/ The Group	HK\$0.50	2,500,000 shares of Subject Company
29 April 2015	Put/call	The Group/ Mr. Woo	Mr. Woo/ The Group	HK\$0.48	10,400,000 shares of Subject Company

*Note 1:* The Subject Company is a public company that is listed on the Main Board of the Stock Exchange.

*Note 2:* Mr. So Han Meng Julian (“**Mr. So**”) is a substantial shareholder of a non-wholly owned subsidiary of the Group.

(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 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Trade receivables:		
Amount due from Mr. Hoowin Cheung ( <i>note 1</i> )	<u>936</u>	<u>–</u>
Trade payables:		
Amount due to Mr. Cheung ( <i>note 2</i> )	9,497	670
Amount due to Mr. Hoowin Cheung ( <i>note 2</i> )	–	3,471
Amount due to Mr. Cheung Hoo Yin ( <i>note 2</i> )	1,137	9,917
Amount due to Ms. Cheung Lok Chi ("Ms. Cheung") ( <i>notes 2 &amp; 3</i> )	87	85
Amount due to Elfie Limited ( <i>notes 2 &amp; 4</i> )	<u>3,863</u>	<u>3,863</u>
Promissory note payables:		
Amount due to Fintech Pte Limited ("Fintech") ( <i>notes 5 &amp; 8</i> )	500	–
Amount due to Ms. Ng ( <i>note 8</i> )	5,800	–
Amount due to Ms. Inez Lee ( <i>note 8</i> )	10,000	–
Amount due to Ms. Lee Nga Yee ("Ms. Lee") ( <i>notes 6 &amp; 8</i> )	1,000	–
Amount due to Ms. Lee King Yee Ivy ("Ms. Ivy Lee") ( <i>notes 7 &amp; 8</i> )	<u>2,000</u>	<u>–</u>

*Note 1:* The amount is secured on relevant listed shares held by Mr. Hoowin Cheung, and interest bearing at 3% plus prime rate per annum.

*Note 2:* The amount is unsecured, interest bearing at the bank deposit saving rate per annum and repayable on clients' demand.

*Note 3:* Ms. Cheung is the daughter of Mr. Cheung.

*Note 4:* Elfie Limited is beneficially owned by Mr. Cheung and Ms. Yeung Han Yi Yvonne, the spouse of Mr. Cheung. The directors of Elfie Limited are Mr. Hoowin Cheung, Ms. Cheung and Mr. Cheung Hoo Yin.

*Note 5:* Fintech is a company controlled by Mr. So.

*Note 6:* Ms. Lee is the wife of Mr. Ozorio Joseph Marian Laurence ("Mr. Ozorio"), who was a substantial shareholder of a non-wholly owned subsidiary of the Group during the Review Period.

*Note 7:* Ms. Ivy Lee is the sister-in-law of Mr. Ozorio.

*Note 8:* The interest rates for the promissory note payables are at the range from 5% to 13.45% per annum and are repayable within one year.

## 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 of the Company 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 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 at 18 August 2015, 34,653,004 warrants were not exercised and have lapsed accordingly. Details of the exercise of warrants are set out as follows:

	<b>Number of warrants</b>	<b>Amount HK\$'000</b>
Number of warrants issued	713,154,617	71,315
Total warrants 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
Warrants exercised during the Review Period	<u>(353,699,858)</u>	<u>(35,370)</u>
Balance of warrants lapsed	<u><u>34,653,004</u></u>	<u><u>3,465</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 and potential investments as intended. As at 30 September 2015, a total amount of HK\$52,500,000 of the subscription monies had been used for general working capital of the Group, and the remaining balance was placed in a bank.

## REVIEW BY AUDIT COMMITTEE

The Company has an audit committee comprising four 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, 26 November 2015

*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.*