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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: 1054)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The board of directors (the “**Directors**” or the “**Board**”) of Styland Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2021 (“**FY2021**”) together with the comparative figures for the year ended 31 March 2020 (“**FY2020**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Turnover		213,256	207,293
Revenue	4	47,009	52,265
Cost of brokerage services		(3,919)	(2,408)
Other income		3,883	23,294
Administrative expenses	5	(68,114)	(104,185)
Selling and distribution expenses		(4,538)	(3,477)
Change in fair value of investment properties		(1,155)	(13,959)
Change in fair value of financial assets at fair value through profit or loss (“ FVTPL ”)		(2,299)	(4,191)

* *For identification purposes only*

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain/(Loss) on disposal of financial assets at FVTPL		2,950	(799)
Expected credit losses (“ECL”) recognized in respect of loan receivables		(8,089)	(4,534)
ECL recognized in respect of accounts receivable		(1,387)	(499)
ECL recognized in respect of other receivables		(3,846)	–
Reversal of ECL recognized in respect of loan receivables		7,177	1,510
Reversal of ECL recognized in respect of accounts receivable		629	4,549
Reversal of ECL recognized in respect of other receivables		390	39
Gain on disposal of subsidiaries		–	1,255
Finance costs		(7,586)	(12,881)
Loss before taxation	<i>6</i>	(38,895)	(64,021)
Income tax expense	<i>7</i>	–	(16)
Loss and total comprehensive expense for the year		(38,895)	(64,037)
(Loss)/Profit and total comprehensive (expense)/income for the year attributable to:			
— Owners of the Company		(38,895)	(66,661)
— Non-controlling interests		–	2,624
		(38,895)	(64,037)
			(Restated)
Loss per share			
— Basic	<i>9</i>	(HK\$0.06)	(HK\$0.12)
— Diluted	<i>9</i>	(HK\$0.06)	(HK\$0.12)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		33,256	30,462
Investment properties		360,673	353,000
Intangible assets		1,500	–
Financial asset at FVTPL		6,497	6,323
Loan receivables	10	34,201	48,254
		436,127	438,039
Current assets			
Loan receivables	10	137,017	148,940
Accounts receivable	11	26,844	13,964
Promissory note receivable	12	–	250
Contract assets		950	–
Other receivables, deposits and prepayments		12,172	11,168
Financial asset at fair value through other comprehensive income		–	–
Financial assets at FVTPL		23,405	32,596
Client trust funds		74,400	56,854
Cash and cash equivalents		114,614	53,308
		389,402	317,080
Total assets		825,529	755,119
Current liabilities			
Accounts payable	13	92,621	60,584
Contract liabilities		1,000	2,125
Other payables and accruals		5,329	10,115
Promissory note payables	14	57,650	16,020
Loans		172,555	156,190
Bond payable		–	2,000
Lease liabilities		4,403	5,627
Tax payable		–	16
		333,558	252,677
Net current assets		55,844	64,403
Total assets less current liabilities		491,971	502,442
Non-current liabilities			
Convertible bonds	15	21,213	–
Lease liabilities		437	3,208
		21,650	3,208
Net assets		470,321	499,234
EQUITY			
Share capital	16	70,189	59,125
Reserves		400,132	440,109
Total equity		470,321	499,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 31 July 1991 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and principal place of business of the Company are Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and 28th Floor, Aitken Vanson Centre, 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong respectively.

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

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

2. BASIS OF PREPARATION

The annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The consolidated financial statements have been prepared on the historical cost basis except for the following items which are stated at fair value:

- investment properties;
- financial asset at fair value through other comprehensive income; and
- financial assets at FVTPL

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the consolidated financial statements.

3. NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of these amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorization of this announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁶
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ⁷
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretations 5 (2020) ³
Amendments to HKAS 12	Income taxes — Recognition exemption ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ²
Accounting Guideline 5 (Revised)	Merge Accounting for Common Control Combinations ⁵

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective date not yet determined

⁵ Effective for business combinations/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 June 2020

⁷ Effective for annual periods beginning on or after 1 April 2021

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The adoption of these new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. SEGMENTAL INFORMATION

Information reported to the executive Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance, focuses on types of services provided or products traded. The Group's reportable segments under HKFRS 8 are as follows:

- the financial services segment provides securities and futures dealing, brokerage financing, corporate finance, asset management and other financing services;
- the mortgage financing segment provides corporate and personal financing that are secured by properties;
- the property development and investment segment engages in property development and letting of property; and
- the securities trading segment engages in trading of securities and derivative products;

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments:

For the year ended 31 March 2021

	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>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenues						
Revenue from external customers	25,001	21,566	–	442	–	47,009
Inter-segment revenue	335	–	–	–	(335)	–
	<u>25,336</u>	<u>21,566</u>	<u>–</u>	<u>442</u>	<u>(335)</u>	<u>47,009</u>
Segment results	(26,502)	13,858	(2,510)	274	–	(14,880)
Unallocated income						306
Unallocated expenses						<u>(24,321)</u>
Loss before taxation						<u>(38,895)</u>

For the year ended 31 March 2020

	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>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenues						
Revenue from external customers	30,301	21,442	–	522	–	52,265
Inter-segment revenue	511	–	–	–	(511)	–
	<u>30,812</u>	<u>21,442</u>	<u>–</u>	<u>522</u>	<u>(511)</u>	<u>52,265</u>
Segment results	(16,124)	13,840	(15,281)	(4,020)	–	(21,585)
Unallocated income						231
Unallocated expenses						<u>(42,667)</u>
Loss before taxation						<u>(64,021)</u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 31 March 2021

	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>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>149,132</u>	<u>137,937</u>	<u>389,300</u>	<u>23,405</u>	<u>125,755</u>	<u>825,529</u>
Segment liabilities	<u>134,562</u>	<u>24,119</u>	<u>144,172</u>	<u>24,035</u>	<u>28,320</u>	<u>355,208</u>

As at 31 March 2020

	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>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>164,077</u>	<u>123,869</u>	<u>372,475</u>	<u>32,596</u>	<u>62,102</u>	<u>755,119</u>
Segment liabilities	<u>75,046</u>	<u>22,094</u>	<u>156,516</u>	<u>34</u>	<u>2,195</u>	<u>255,885</u>

Other segment information

For the year ended 31 March 2021

	Financial services HK\$'000	Mortgage financing HK\$'000	Property development and investment HK\$'000	Securities trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measurement of segment profit or loss or segment assets:						
Change in fair value of investment property	-	-	(1,155)	-	-	(1,155)
Change in fair value of financial assets at FVTPL	-	-	-	(2,517)	218	(2,299)
Gain on disposal of financial assets at FVTPL	-	-	-	2,950	-	2,950
ECL recognized in respect of loan receivables	(4,639)	(3,450)	-	-	-	(8,089)
ECL recognized in respect of accounts receivable	(1,387)	-	-	-	-	(1,387)
ECL recognized in respect of other receivables	(3,733)	(113)	-	-	-	(3,846)
Reversal of ECL recognized in respect of loan receivables	2,664	4,513	-	-	-	7,177
Reversal of ECL recognized in respect of accounts receivable	629	-	-	-	-	629
Reversal of ECL recognized in respect of other receivables	-	390	-	-	-	390
Bad debt recovery for loan receivables	96	-	-	-	-	96
Impairment of right-of-use assets	(1,656)	-	-	-	-	(1,656)
Depreciation — owned assets	(795)	(26)	(192)	-	(161)	(1,174)
Depreciation — right-of-use assets	(5,022)	(277)	-	-	(1,304)	(6,603)
Loss on disposal of property, plant and equipment	(31)	-	-	-	(29)	(60)
Gain/(loss) on exchange difference, net	357	-	(9)	-	7	355
Additions to non-current assets (<i>note</i>)	315	-	16,224	-	4,421	20,960
Amounts regularly provided to the chief operating decision makers but not included in the measurement of segment profit or loss or segment assets:						
Bank interest income	-	-	-	-	151	151
Finance costs	(236)	(16)	-	-	(7,334)	(7,586)

Note: The amounts exclude the additions to loan receivables and financial asset at FVTPL.

For the year ended 31 March 2020

	Financial services HK\$'000	Mortgage financing HK\$'000	Property development and investment HK\$'000	Securities trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measurement of segment profit or loss or segment assets:						
Change in fair value of investment properties	–	–	(13,959)	–	–	(13,959)
Change in fair value of financial assets at FVTPL	–	–	–	(2,714)	(1,477)	(4,191)
Loss on disposal of financial assets at FVTPL	–	–	–	(799)	–	(799)
ECL recognized in respect of loan receivables	(4,534)	–	–	–	–	(4,534)
ECL recognized in respect of accounts receivable	(499)	–	–	–	–	(499)
Reversal of ECL recognized in respect of loan receivables	784	726	–	–	–	1,510
Reversal of ECL recognized in respect of accounts receivable	4,549	–	–	–	–	4,549
Reversal of ECL recognized in respect of other receivables	–	39	–	–	–	39
Bad debt recovery for loan receivables	192	–	–	–	–	192
Depreciation — owned assets	(1,188)	(33)	(188)	–	(358)	(1,767)
Depreciation — right-of-use assets	(4,947)	–	–	–	(1,203)	(6,150)
Gain on disposal of subsidiaries	1,255	–	–	–	–	1,255
Gain/(loss) on exchange difference, net	414	–	11	–	(3)	422
Additions to non-current assets (<i>note</i>)	294	582	31,432	–	419	32,727
Amounts regularly provided to the chief operating decision makers but not included in the measurement of segment profit or loss or segment assets:						
Bank interest income	–	–	–	–	200	200
Finance costs	(494)	–	–	–	(12,387)	(12,881)

Note: The amounts exclude the additions to loan receivables and financial asset at FVTPL.

5. ADMINISTRATIVE EXPENSES

For FY2020, it included (i) the administrative expenses attributable to the Group's then non-wholly owned subsidiaries, Brighten Int'l Holdings Limited and its subsidiaries (the "**Brighten Group**"), which were disposed by the Group on 31 July 2019. For more details of the disposal of the Brighten Group, please refer to notes 27 and 28 to the consolidated financial statements of the Company for the year ended 31 March 2020; and (ii) the share-based payment expenses for the share options granted by the Company on 16 May 2019, which were recognized as administrative expenses only for FY2020. For more details of the grant of share options, please refer to note 35 to the consolidated financial statements of the Company for the year ended 31 March 2020. The Group no longer recorded such administrative expenses for FY2021.

6. LOSS BEFORE TAXATION

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Staff costs (including Directors' emolument):		
— salaries, allowances and other benefits (<i>note</i>)	35,788	51,626
— retirement benefit scheme contributions	1,253	1,422
— share-based payment expenses	–	10,332
Auditor's remuneration	830	780
Bad debt written off	28	1,951
Depreciation of property, plant and equipment		
— owned asset	1,174	1,767
— right-of-use assets	6,603	6,150
Gain on exchange difference, net	355	422
Loss on disposal of property, plant and equipment	60	–
Lease payment for rented premises		
— short-term leases (2020: leases with remaining lease term shorter than 12 months as at initial application of HKFRS16 on 1 April 2019 or lease with lease term shorter than 12 months from lease commencement date)	225	577
Impairment of right-of-use assets	1,656	–
ECL recognized in respect of loan receivables	8,089	4,534
ECL recognized in respect of accounts receivable	1,387	499
ECL recognized in respect of other receivables	3,846	–
	<u>3,846</u>	<u>–</u>

Note: For FY2021, the Group has obtained the benefits of HK\$4,478,000 from the Employment Support Scheme under the Anti-epidemic Fund launched by the Government of Hong Kong Special Administrative Region (the "**HKSAR**") in respect of the outbreak of COVID-19 and are netted off from the salaries, allowances and other benefits.

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided in the consolidated financial statements for the year ended 31 March 2021 as the Company and its subsidiaries either has available losses brought forward from prior years to offset the assessable profits generated during the year or did not generate any assessable profits arising in Hong Kong during the year.

For the year ended 31 March 2020, Hong Kong profits tax was calculated at a flat rate of 16.5% based on the taxable profit for the year. A subsidiary of the Group is a qualifying corporation under the two-tiered profits tax rates regime.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of a qualifying entity will be taxed at 8.25% and the assessable profits above HK\$2,000,000 will be taxed at 16.5%.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax		
— Current year	—	6
— Under provision in respect of prior year	—	10
	<u>—</u>	<u>16</u>

8. DIVIDENDS

The Directors did not propose the payment of a final dividend for FY2021.

The Company rewards its shareholders with cash dividend, scrip dividend, bonus warrants or bonus shares depending on the business performance and liquidity position of the Group. Therefore, there is no assurance as to what extent a particular dividend amount will be declared for any given period. The Directors may review the dividend policy as and when appropriate.

9. LOSS PER SHARE

The calculation of basic loss per share was based on the loss for the year attributable to the owners of the Company of HK\$38,895,000 (2020: HK\$66,661,000) and the weighted average number of 662,615,885 ordinary shares (2020: 555,688,677 (restated) ordinary shares) in issue during the year ended 31 March 2021.

The weighted average number of ordinary shares in issue has taken into account of the effect of share consolidation on the basis that every ten ordinary shares of HK\$0.01 each in the capital of the Company would be consolidated into one ordinary share of HK\$0.1 each as if the consolidation had occurred at 1 April 2019, the beginning of the earliest period reported. For more details of the share consolidation, please refer to the announcement of the Company dated 28 July 2020.

Diluted loss per share for the years ended 31 March 2021 and 2020 were the same as the basic loss per share. The computation of diluted loss per share has not assumed the exercise or conversion of the Company's outstanding warrants or convertible bonds since the exercise or conversion would result in a decrease in loss per share. Also, it has not assumed the exercise of share options, since the exercise price for the share options was higher than the average market price of the shares in issue.

10. LOAN RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Securities dealing and brokerage services:		
— Secured margin loans (<i>note 1</i>)	30,010	24,452
Less: ECL allowance	(1,717)	(3,066)
	<u>28,293</u>	<u>21,386</u>
Financing business:		
— Secured mortgage loans (<i>note 2</i>)	137,767	126,677
— Secured loans	2,923	44,553
— Unsecured loans	14,829	17,411
Less: ECL allowance	(12,594)	(12,833)
	<u>142,925</u>	<u>175,808</u>
	<u>171,218</u>	<u>197,194</u>
The Group's loan receivables (net of ECL allowance) are analysed into:		
— Non-current assets	34,201	48,254
— Current assets	137,017	148,940
	<u>171,218</u>	<u>197,194</u>

Note:

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

The aging analysis of the Group's loan receivables for the financing business, net of ECL allowance, based on the loan release dates at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financing business:		
Within 6 months	68,967	99,096
Over 6 months but not more than 1 year	55,224	36,690
Over 1 year	18,734	40,022
	<u>142,925</u>	<u>175,808</u>

11. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable	32,791	19,153
Less: ECL allowance	<u>(5,947)</u>	<u>(5,189)</u>
Total	<u>26,844</u>	<u>13,964</u>
Balance in relation to:		
— Securities dealing and brokerage services	26,459	12,514
— Others	<u>385</u>	<u>1,450</u>
	<u>26,844</u>	<u>13,964</u>

An aging analysis of the Group's accounts receivable, net of ECL allowance, based on the invoice date at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 6 months	26,596	11,667
Over 6 months but not more than 1 year	185	795
Over 1 year	<u>63</u>	<u>1,502</u>
	<u>26,844</u>	<u>13,964</u>

12. PROMISSORY NOTE RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Promissory note receivable	<u>—</u>	<u>250</u>

It bore interest at the rate of 8% per annum and was repayable within one year.

13. ACCOUNTS PAYABLE

Accounts payable are in relation to the securities and futures dealing and brokerage services and are repayable on demand. No aging analysis is disclosed as, in the opinion of the Directors, an aging analysis does not give additional value in view of the nature of the business of securities and futures dealing and brokerage services. As at 31 March 2021 and 2020, accounts payable are interest-bearing at the bank deposit saving rate per annum.

As at 31 March 2021 and 2020, the Group's accounts payable that were not denominated in the functional currency of the respective subsidiaries are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
US dollar	16,161	4,499
New Taiwan dollar	11,024	1,124
Renminbi	141	82
Great British Pound	<u>1</u>	<u>—</u>

14. PROMISSORY NOTE PAYABLES

The Group has obtained additional working capital by issuing promissory notes. As at 31 March 2021, the promissory notes bore interest at 4% to 8% (2020: 8%) per annum and were repayable within one year.

15. CONVERTIBLE BONDS

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020	–	–	–
Issuance of convertible bonds	20,567	2,433	23,000
Interest at effective interest rate	1,342	–	1,342
Interest paid	(696)	–	(696)
	<hr/>	<hr/>	<hr/>
At 31 March 2021	<u>21,213</u>	<u>2,433</u>	<u>23,646</u>

On 16 July 2020, the Company entered into a conditional agreement to place up to HK\$23,000,000 convertible bonds (the “**Placement**”). The Placement was completed on 10 August 2020 (the “**Issue Date**”).

The coupon rate for the convertible bonds is 6% per annum. The maturity date is the third anniversary of the Issue Date, and the conversion period will commence from the thirty months after the Issue Date up to the maturity date. The convertible bonds were initially convertible into 1,045,454,545 ordinary shares at the conversion price of HK\$0.022 and were subsequently adjusted to 104,545,454 shares at the conversion price of HK\$0.22 upon the completion of the Share Consolidation (as defined in note 16 below). The Company may at any time before the maturity date with mutual written consent with the relevant holder to redeem the outstanding bond (in whole or in part) at 100 percent to the principal amount of the bond to be redeemed with the outstanding interest accrued thereon up to and including the date of early redemption. For more details of the Placement, please refer to the announcement of the Company dated 16 July 2020 and the supplemental announcement dated 21 July 2020 (collectively referred to as “**CB Announcements**”).

The initial fair values of the liability component and the equity component of the convertible bonds, based on proceeds, were determined at its issuance. On initial recognition, the fair value of the liability component, included in the convertible bonds, was calculated using a market interest rate of 10.44% for an equivalent non-convertible bond. The residual amount, representing the value of the equity component, is included in equity as convertible bonds reserve.

The initial fair value measurement of the liability component is classified in level 3. The fair value of the liability component is estimated as being the present value of future cash flows, discounted at the market interest rate for the equivalent non-convertible bonds as at 31 March 2021, adjusted for the Group’s own risk premium.

No convertible bonds were converted to ordinary shares of the Company during the year ended 31 March 2021 or subsequent to 31 March 2021 and up to the date of this announcement.

16. SHARE CAPITAL

	Number of shares		Amount	
	2021	2020	2021 HK\$'000	2020 HK\$'000
Authorized:				
Ordinary shares				
At 1 April (of HK\$0.01 each)	200,000,000,000	200,000,000,000	2,000,000	2,000,000
Share consolidation	(180,000,000,000)	–	–	–
At 31 March 2021 (of HK\$0.1 each)	<u>20,000,000,000</u>	<u>200,000,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:				
At 1 April	5,912,468,824	5,095,063,649	59,125	50,951
Shares issued in respect of warrants	482,337,285	774,444,756	4,823	7,744
	6,394,806,109	5,869,508,405	63,948	58,695
Share consolidation	(5,755,325,499)	–	–	–
	639,480,610	5,869,508,405	63,948	58,695
Shares issued in respect of warrants	61,329,883	–	6,133	–
Shares issued in respect of scrip dividends	1,081,095	42,960,419	108	430
At 31 March	<u>701,891,588</u>	<u>5,912,468,824</u>	<u>70,189</u>	<u>59,125</u>

On 28 July 2020, the Board proposed that every ten ordinary shares of HK\$0.01 each in the capital of the Company would be consolidated into one ordinary share of HK\$0.1 each (the “**Share Consolidation**”). For more details of the Share Consolidation, please refer to the announcement of the Company dated 28 July 2020. The Share Consolidation was approved by the shareholders on 24 September 2020, and became effective on 28 September 2020. Accordingly, the total number of the issued capital was consolidated from 6,394,806,109 into 639,480,610.

17. CONTINGENT LIABILITIES

As at 31 March 2021, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

FY2021 Results

In FY2021, the Group achieved a turnover of approximately HK\$213,256,000 (FY2020: approximately HK\$207,293,000), and recorded a loss of approximately HK\$38,895,000 for FY2021 (FY2020: a loss of approximately HK\$64,037,000).

Review of Operations

Financial Services

The Group is a reputable financial services provider. To offer our clients a wide range of financial products and services, we hold a total of five licenses granted by the Securities and Futures Commission (the “SFC”), namely 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).

- *Brokerage*

With global stock markets influenced by the new macroeconomic factors including the 2020 US Presidential Election that took place in November 2020, the Hong Kong stock market experienced some fluctuations during FY2021. On the other hand, the listing of China concept shares on the Stock Exchange has injected impetus into both the primary and secondary stock markets of Hong Kong. During the year, the Hang Seng Index surged from a low of 22,520 in May 2020 to a high of 31,183 in February 2021 and closed at 28,378 at 31 March 2021.

In FY2021, the Group’s brokerage business continued to be an important core business for contributing to the Group’s income for the year. Our brokerage business operated smoothly throughout FY2021 as we successfully tackled the ongoing operational challenges due to COVID-19. The COVID-19 pandemic has accelerated the use of financial technology. To facilitate the use of online transaction channels by our clients, we have enhanced the usage of our financial technology trading system. In addition to our online trading platform, we have continued to utilize our mobile apps under different application models to enable our clients to place their transactions online via their mobile devices. Thanks to these value-added services, we have attracted new clients during FY2021.

As the stock markets have become more volatile due to the more complicated political and economic situation, investors have become more cautious and would like to seek hedging tools for their investments or to diversify their investments. To accommodate to our clients’ needs, our futures brokerage service provided our clients a useful tool for hedging their risks in the equity market. Moreover, we offered our clients brokerage services for investing in shares that are listed in Australia, Canada, Euronext, Germany, Switzerland, the United Kingdom, the United States and most of the other Asian markets.

As a result of the continuous enhancement of our value-added services including futures brokerage services, we have assisted our clients to mitigate their exposure to market risks and to have good opportunities to make a competitive return-on-investment under such volatile market conditions. Our securities dealing turnover was approximately HK\$5.3 billion for FY2021.

- *Brokerage Financing*

During FY2021, the return of China concept stocks for listing in Hong Kong has aroused investors' interest in initial public offering (“**IPO**”) subscriptions. Also, investors were keen on making investments in the new economy sectors. To facilitate our clients' investments, in FY2021, we continued to offer our clients margin financing with highly competitive margin ratios and interest rates for trading listed securities and subscribing for new shares in IPOs. To further expand our client footprint in our brokerage financing business, during the year, in addition to the margin facilities we offered to our online margin clients, we also extended our offer of credit facilities to our online cash clients. In FY2021, we continued to maintain a healthy loan portfolio as the Group has implemented effective credit control procedures and has complied with the tightened margin-financing rules required by the SFC.

As at 31 March 2021, the net balance of brokerage loans stood at approximately HK\$43,639,000. The interest income arising from brokerage loans including IPO loans was approximately HK\$5,620,000. The bad debt provision for our brokerage financing business was kept at an immaterial level.

- *Corporate Finance*

Driven by the listings of new economy companies, the Hong Kong IPO market still outperformed its peers in year 2020. It is expected that there will be more China concept companies that pursue their secondary listings in Hong Kong, and that the Hong Kong IPO market continues to perform strongly in 2021. With our extensive knowledge and experience in assisting our corporate clients apply for the listing of their shares on the Stock Exchange, our corporate finance business would continue to benefit from such positive sentiment. During FY2021, we were engaged by a number of IPO clients in applying for the listing of their shares, and we acted as a financial adviser or compliance adviser for some of our listed clients in advising on their corporate finance transactions or their compliance with the rules.

Our equity capital team has built up close business relationships with the large and medium-sized broker firms and financial companies. Our finance professionals have formulated various financing plans which would match with our clients' development strategy. During FY2021, our equity capital team has acted as an underwriter, sub-underwriter or placing agent to assist our clients in raising funds from the capital market.

- *Asset Management*

Hong Kong is an international financial center that has the strength and resources to manage investments for investors. It serves as the gateway for overseas investors to invest in Mainland China, and at the same time, it also serves as the gateway for Chinese mainland investors to invest overseas. In order to attract more funds to operate in Hong Kong, the HKSAR Government has offered a tax concession for private equity funds operating in Hong Kong subject to the fulfillment of certain conditions. The Group, as an asset management service provider, would benefit from such a policy. During FY2021, in addition to the discretionary management service we have provided to the individual investor, we have also acted as a fund manager for a fund.

With the increasing population of high net worth investors in Mainland China, in particular, the Greater Bay Area, the demand for asset management services is expected to keep rising. Additionally, the low interest rate environment has stimulated growing interest in asset management services as investors strived to improve their investment returns. Our professionals in the asset management division will, based on each client's own unique investment needs and goals, provide our clients attractive, tailor-made investment solutions, which would allow clients to diversify their investments, minimize their investment risks, and obtain a competitive return on their investments.

With the cross-border Wealth Management Connect scheme on the horizon, although a launch date has yet to be announced, this brand new scheme, which allows residents of Hong Kong, Macau and nine Guangdong cities to buy wealth management products in each other's markets, is good news to our asset management business.

Mortgage Financing

The Group's mortgage financing arm Ever-Long Finance Limited is a reputable money lending service provider. During FY2021, the spread of COVID-19 continued to impact the HKSAR's economy as well as our mortgage financing business. As a result of our adoption of the predefined measures and procedures to control market risks, we have successfully overcome the economic downturn and maintained a healthy loan portfolio. Following the HKSAR Government's launch of the COVID-19 Vaccination Programme in February 2021, we believe that commercial activities will gradually return to normal for most Hong Kong businesses, and the labour market would be improved. This would be a positive sign for our mortgage financing business.

As at 31 March 2021, the consolidated loan portfolio under the mortgage financing segment of the Group was approximately HK\$135,159,000. The interest income for this segment was HK\$21,566,000 for FY2021. We have consistently maintained the loan-to-value ratios of our new loan drawdowns at a conservative level, and have continued to keep a close eye on the repayment status of clients. Thanks to such prudent and cautious measures, the Group's bad debt provision for FY2021 remained at an immaterial percentage to its loan portfolio.

Property Development and Investment

With respect to the Group's development project at Fei Ngo Shan Road, Hong Kong with a gross site area of more than 16,000 square feet, the superstructure has been completed and the occupation permit has been obtained. The interior decoration and other works for this property were still in progress during FY2021. In addition, the Group holds a residential property in Sai Kung, Hong Kong. As at 31 March 2021, the combined carrying value of the Group's investment properties was approximately HK\$360,673,000.

Securities Trading

As at 31 March 2021, the Group held a portfolio of listed securities investments consisting of 32 securities, which were engaged in the sectors of (i) properties and construction; (ii) information technology; (iii) healthcare; (iv) consumer discretionary; (v) financials; and (vi) others. For FY2021, the net realized gain was approximately HK\$2,950,000, and the net unrealized loss was approximately HK\$2,517,000.

Prospects

The Hong Kong economy saw a recovery in the first quarter of 2021, with real gross domestic product growing appreciably by 7.9% year-on-year. Looking ahead, for the remainder of the year 2021, we expect the Hong Kong economy to continue with its recovery from the local COVID-19 epidemic.

Furthermore, the growing take up of COVID-19 vaccines by Hong Kong residents is going to help stimulate Hong Kong's economy, and China's "14th Five-Year Plan" is also expected to bring Hong Kong great development opportunities and long-term prosperity given Hong Kong's important role in the Greater Bay Area.

The continuous positive economic growth in Mainland China is expected to attract investment fund flow into the mainland's stock markets, and some of this investment fund flow will likely be channeled to the stock connects, and thus, benefit the Hong Kong stock market. It was proposed in the 2020 Policy Address of the HKSAR, the stock connects between Mainland China and Hong Kong will be further deepened. It is good news for financial services providers like us, as the Group's wholly owned subsidiary Ever-Long Securities Company Limited is an eligible stock connects service provider, and is expected to benefit from such expansion.

To capitalize on the fast-growing consumer demand for wealth management services arising from the increasing number of middle class families in Mainland China that would like to preserve the value of their assets for their next generation, we have continued to enhance our asset management service. The fund we have launched would enable our clients to invest in projects of the Greater Bay Area and Greater China. Moreover, our asset management business would be a beneficiary of the proposed implementation of the cross-border Wealth Management Connect scheme.

In FY2021, we launched a brand new service to our clients — an insurance brokerage service. This was made possible by the Group's acquisition of an insurance broker company during the year. We expect that this insurance broker company would provide a synergistic effect to our asset management business as the technical representatives of this insurance broker company may assist in promoting our fund products.

With interest rates remaining at a low level for a period of time, this would support the valuations of the Group's investment properties. Despite the COVID-19 outbreak, we observed that the property market has remained relatively stable and there is still substantial customer demand for the mortgage financing services that are provided by financial companies like ours. However, in view of the growing concerns about the existing local property market conditions, we will continue to manage our credit policy with a prudent and conservative approach so as to maintain reasonable loan-to-value ratios to manage our market risks. We will also fine tune our business strategy from time to time to adapt to market changes.

FINANCIAL REVIEW ON LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2021, the Group's net asset value was approximately HK\$470,321,000 (FY2020: approximately HK\$499,234,000) and cash at bank and in hand totaled approximately HK\$114,614,000 (FY2020: approximately HK\$53,308,000) of which approximately 88% was held in Hong Kong dollar, approximately 5% in US dollar, approximately 4% in New Taiwan dollar, and approximately 3% in Renminbi.

As at 31 March 2021, the Group's borrowings included loans, convertible bonds, promissory note payables and lease liabilities amounted to approximately HK\$256,258,000 (FY2020: approximately HK\$183,045,000 inclusive of loans, promissory note payables, a bond payable and lease liabilities) of which approximately HK\$100,933,000 (FY2020: HK\$42,438,000) was repayable within one year. The gearing ratio, being the ratio of total borrowings to the shareholders' fund, was about 0.54 (FY2020: 0.37).

Investments in Financial Assets

As at 31 March 2021, the Group held a portfolio of listed securities with fair value of approximately HK\$23,405,000 (FY2020: approximately HK\$32,596,000). The Group will continue to adopt a prudent approach for its investments in financial assets.

Charges on Group Assets

As at 31 March 2021, the Group's investment properties of approximately HK\$360,673,000 (FY2020: approximately HK\$353,000,000) were pledged to banks to secure the banking facilities that were granted to the Group.

Credit Risk

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

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

Operational Risk

The Group has put in place effective internal control systems for its operations. Under the financial services businesses, 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 monitor the operations, the settlement matters of traded financial products and cash, and to provide clients services of the regulated activities. 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	7
Type 2	Dealing in futures contracts	2
Type 4	Advising on securities	3
Type 6	Advising on corporate finance	6
Type 9	Asset management	4

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 standard at a satisfactory level. During FY2021, the financial services operation of the Group had complied with the SFO. Clients were satisfied with our services. During FY2021, we have properly managed a total securities trading turnover of approximately HK\$5.3 billion under the securities brokerage business.

To maintain the professionalism of the Board, three of the Board members are certified public accountants who monitor or advise the Group on internal control matters. Under the mortgage financing business, we had net consolidated mortgage loans of approximately HK\$135,159,000 as at 31 March 2021, and the operation had complied with the Money Lenders Ordinance and the applicable guidelines.

Interest Rate Risk

All of the Group's borrowings bore interest at either a fixed interest rate or floating interest rate. Its risk arises from the interest payments which were charged according to floating interest rates. The Group monitors its interest rate exposure regularly to ensure that the underlying risk is within an acceptable range.

Liquidity Risk

The Group's policy is to regularly assess current and expected liquidity requirements of the Group 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 31 March 2021, the amount of undrawn banking facilities of the Group was approximately HK\$10,863,000.

Price Risk

The Group is exposed to listed equity price risk arising from individual equity investments 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 the individual securities. The Group's investments in listed shares are valued at the quoted market prices. The Group continues to monitor the movements in equity prices and will consider hedging the risk exposure should the need arise.

Foreign Exchange Exposure

During FY2021, 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 (i) the exchange rate peg between the Hong Kong dollar and US dollar; and (ii) the portions of the Group's assets or liabilities that were denominated in Renminbi and New Taiwan dollar were immaterial when compared to the Group's total assets or liabilities, the Group considers its foreign exchange risk immaterial for FY2021. It is the Group's treasury policy to manage its foreign currency exposure to minimize any material financial impact to the Group.

MATERIAL ACQUISITION AND DISPOSAL

On 30 November 2020, the Group acquired an insurance broker company, Choice Insurance Broker Limited (“**Choice**”), at a consideration of approximately HK\$1,813,000. Having acquired Choice, we are now able to offer our clients a comprehensive range of insurance products of the major insurance companies in Hong Kong. Other than the acquisition of Choice, the Group did not make any other material acquisitions or disposals in FY2021.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

The Directors have confirmed, following specific enquiry by the Company that in FY2021, they have complied with the required standard as set out in the Model Code.

BONUS ISSUE OF WARRANTS

Bonus Issue of Warrants-2021

On 23 December 2020, the Board proposed a new issue of bonus warrants to the shareholders on the basis of 1 warrant for every 5 shares (the “**Bonus Issue of Warrants-2021**”). For details of the Bonus Issue of Warrants-2021, please refer to the announcement of the Company dated 23 December 2020 (the “**Announcement-2020**”). On 26 January 2021, the shareholders approved the Bonus Issue of Warrants-2021, pursuant to which 138,997,618 warrants were issued. The initial subscription price was HK\$0.285 and the subscription period was from 17 February 2021 to 16 February 2022 (both days inclusive). Full exercise of the subscription rights attaching to the 138,997,618 warrants would result in the issue of 138,997,618 new shares. Details of the exercise of Bonus Issue of Warrants-2021 up to 31 March 2021 are set out as follows:

	Number of warrants	Amount HK\$'000
Warrants issued	138,997,618	39,614
Warrants exercised during FY2021	(6,903,498)	(1,967)
At 31 March 2021	<u>132,094,120</u>	<u>37,647</u>

As disclosed in the Announcement-2020, the Group would apply any subscription monies received as and when the subscription rights were exercised (the “**Subscription Monies**”) for the administrative expenses, and the financing or funding principal activities of the Group. As at 31 March 2021, approximately HK\$1,414,000 of the Subscription Monies has been applied for the purpose of financing and funding principal activities of the Group.

Bonus Issue of Warrants-2019

On 29 July 2019, 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-2019**”). For details of the Bonus Issue of Warrants-2019, please refer to the announcement of the Company dated 29 July 2019 (the “**Announcement-2019**”). On 3 September 2019, the shareholders approved the Bonus Issue of Warrants-2019, pursuant to which 1,176,096,375 warrants were issued. The initial subscription price was HK\$0.01 and the subscription period was from 18 November 2019 to 17 November 2020 (both days inclusive). Full exercise of the subscription rights attaching to the 1,176,096,375 warrants would result in the issue of 1,176,096,375 new shares.

As a result of the Share Consolidation, the subscription price of the warrants has been adjusted from HK\$0.01 to HK\$0.10 per share, and the number of shares to be issued upon the exercise of the subscription rights attaching to the warrants has also been adjusted and is set out as follows:

	Number of warrants	Amount HK\$'000
Warrants issued	1,176,096,375	11,761
Warrants exercised during FY2020	<u>(31,986,945)</u>	<u>(320)</u>
At 1 April 2020	1,144,109,430	11,441
Warrants exercised for the period from 1 April 2020 to the effective date for the Share Consolidation	<u>(482,337,285)</u>	<u>(4,823)</u>
Balance of warrants immediately before the Share Consolidation	661,772,145	6,618
Adjustment as a result of the Share Consolidation	<u>(595,594,931)</u>	<u>–</u>
Balance of warrants immediately after the Share Consolidation	66,177,214	6,618
Warrants exercised subsequent to the Share Consolidation	(54,426,385)	(5,443)
Rounding difference	<u>(13)</u>	<u>–</u>
Balance of warrants lapsed	<u>11,750,816</u>	<u>1,175</u>

Up to 31 March 2021, the Group has applied the subscription monies towards the general working capital of the Group as it disclosed in the Announcement-2019.

ISSUE OF CONVERTIBLE BONDS

Please refer to the note 15 of this announcement for the details about the issue of convertible bonds.

The net proceeds from the issue of convertible bonds were HK\$22,770,000. As disclosed in the CB Announcements, the Group would apply HK\$15,000,000 towards the development of the Group's financing businesses, and HK\$7,770,000 towards the Group's administrative expenses. Up to 31 March 2021, the net proceeds have been applied according to the designated usages.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2021.

REVIEW OF ACCOUNTS

The Company has an Audit Committee comprising three independent non-executive Directors (the "INEDs"), namely, Mr. Lo Tsz Fung Philip, Mr. Li Hancheng and Mr. Yeung Shun Kee. The Audit Committee has reviewed the Group's annual results for FY2021.

On behalf of the Board
Li Hancheng
Non-executive Chairman

Hong Kong, 24 June 2021

As at the date of this announcement, the Board comprises three executive Directors Mr. Cheung Hoo Win, Mr. Ng Yiu Chuen and Ms. Mak Kit Ping and three INEDs Mr. Li Hancheng, Mr. Yeung Shun Kee and Mr. Lo Tsz Fung Philip.