



大凌集團有限公司  
STYLAND HOLDINGS LIMITED  
(股份代號 Stock Code: 0211)

金融服務 成就優裕未來  
FINANCIAL SERVICES for a  
WEALTHIER TOMORROW

2018/19  
INTERIM REPORT 中期報告



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Cheung Hoo Win (*Chief Executive Officer*)  
Mr. Ng Yiu Chuen  
Ms. Mak Kit Ping  
Ms. Zhang Yuyan  
Ms. Chen Lili

### Independent Non-Executive Directors

Mr. Zhao Qingji (*Chairman*)  
Mr. Yeung Shun Kee  
Mr. Li Hancheng  
Mr. Lo Tsz Fung Philip  
Mr. Lee Kwok Yin Denthur

## AUDIT COMMITTEE

Mr. Lo Tsz Fung Philip (*Chairman*)  
Mr. Zhao Qingji  
Mr. Yeung Shun Kee  
Mr. Li Hancheng  
Mr. Lee Kwok Yin Denthur

## REMUNERATION COMMITTEE

Mr. Yeung Shun Kee (*Chairman*)  
Mr. Zhao Qingji  
Mr. Li Hancheng  
Mr. Lo Tsz Fung Philip  
Mr. Lee Kwok Yin Denthur

## NOMINATION COMMITTEE

Mr. Li Hancheng (*Chairman*)  
Mr. Zhao Qingji  
Mr. Yeung Shun Kee  
Mr. Lo Tsz Fung Philip  
Mr. Lee Kwok Yin Denthur

## COMPANY SECRETARY

Mr. Wang Chin Mong

## AUDITOR

Grant Thornton Hong Kong Limited

## LEGAL ADVISERS

**As to Hong Kong Law**  
Michael Li & Co.  
TC & Co.

**As to Bermuda Law**  
Appleby

**As to the PRC Law**  
Hills & Co.

# Corporate Information

## PRINCIPAL BANKERS

China Everbright Bank Company Limited  
Hong Kong Branch  
Industrial and Commercial Bank of China (Asia)  
Limited  
Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation  
Limited  
OCBC Wing Hang Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
Nanyang Commercial Bank Limited  
DBS Bank (Hong Kong) Limited  
Chong Hing Bank Limited

## PRINCIPAL REGISTRAR

Appleby Management (Bermuda) Ltd.  
Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

## HONG KONG BRANCH REGISTRAR

Tricor Tengis Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

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Aitken Vanson Centre  
61 Hoi Yuen Road  
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## SHAREHOLDERS' SERVICE HOTLINE

Telephone: (852) 2959 7200  
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## WEBSITE

<http://www.styland.com>

## INVESTORS' WEBSITE

<http://www.irasia.com/listco/hk/styland/>

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 2018 (the “**Review Period**”) together with the comparative figures as follows:

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<i>Note</i>	Six months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Turnover</b>		<b>108,013</b>	130,220
Revenue	2	41,357	45,412
Costs of brokerage services		(3,960)	(5,665)
Other income		8,577	8,037
Administrative expenses		(51,856)	(41,063)
Selling and distribution expenses		(2,838)	(3,432)
Change in fair value of investment property		–	3,000
Change in fair value of financial assets at fair value through profit or loss		(30,256)	(12,310)
Gain on disposal of financial assets at fair value through profit or loss		3,552	1,569
Impairment loss recognised in respect of loan receivables		(2,803)	(346)
Impairment loss recognised in respect of accounts receivable		(2,661)	–
Reversal of impairment loss recognised in respect of loan receivables		2,135	333
Reversal of impairment loss recognised in respect of accounts receivable		503	–
Gain on disposal of subsidiaries	13(a)&(b)	–	27,101
Finance costs		(7,707)	(6,774)

	<i>Note</i>	<b>Six months ended 30 September</b>	
		<b>2018 (Unaudited) HK\$'000</b>	<b>2017 (Unaudited) HK\$'000</b>
<b>(Loss)/profit before taxation</b>	<i>3</i>	<b>(45,957)</b>	15,862
Income tax expense	<i>4</i>	–	–
<b>Total comprehensive (expenses)/income for the period</b>		<b>(45,957)</b>	15,862
<b>Total comprehensive (expenses)/income for the period attributable to</b>			
– Owners of the Company		<b>(39,154)</b>	4,594
– Non-controlling interests		<b>(6,803)</b>	11,268
		<b>(45,957)</b>	15,862
<b>(Loss)/earnings per share attributable to owners of the Company for the period</b>			
– Basic	<i>6</i>	<b>(HK0.79 cents)</b>	HK0.10 cents
– Diluted		<b>(HK0.79 cents)</b>	HK0.09 cents

## Condensed Consolidated Statement of Financial Position

	Note	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Furniture and equipment		2,600	2,975
Investment properties		279,440	268,446
Intangible asset		3,386	3,386
Loan receivables	7	60,357	55,039
		<b>345,783</b>	<b>329,846</b>
<b>Current assets</b>			
Loan receivables	7	184,309	193,413
Accounts receivable	8	43,370	58,770
Promissory note receivables	9	113,005	76,697
Other receivables, deposits and prepayments		23,112	21,157
Available-for-sale financial assets	10	–	73,279
Financial assets at fair value through other comprehensive income	10	73,279	–
Financial assets at fair value through profit or loss	11	41,894	79,963
Derivative financial instruments		5,177	5,306
Client trust funds		127,096	109,056
Pledged bank deposits		6,328	6,310
Cash and cash equivalents		77,947	119,630
		<b>695,517</b>	<b>743,581</b>
<b>Total assets</b>		<b>1,041,300</b>	<b>1,073,427</b>
<b>Current liabilities</b>			
Accounts payable	12	138,002	144,367
Other payables and accruals		9,517	8,549
Promissory note payables		149,272	140,810
Borrowings		156,136	145,242
Derivative financial instruments		5,177	5,306
		<b>458,104</b>	<b>444,274</b>
<b>Net current assets</b>		<b>237,413</b>	<b>299,307</b>

## Condensed Consolidated Statement of Financial Position

<i>Note</i>	At 30 September 2018 (Unaudited) HK\$'000	At 31 March 2018 (Audited) HK\$'000
<b>Total assets less current liabilities</b>	<b>583,196</b>	629,153
<b>Non-current liabilities</b>		
Bond payable	2,000	2,000
<b>Net assets</b>	<b>581,196</b>	627,153
<b>EQUITY</b>		
Share capital	49,461	49,461
Reserves	539,948	579,102
<b>Equity attributable to the owners of the Company</b>	<b>589,409</b>	628,563
<b>Non-controlling interests</b>	<b>(8,213)</b>	(1,410)
<b>Total equity</b>	<b>581,196</b>	627,153



## Condensed Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company										
	Share capital HK\$'000	Share premium* HK\$'000	Capital redemption reserve* HK\$'000	Special capital reserve* HK\$'000	Contributed surplus* HK\$'000	Reserve for available-for-sale financial assets* HK\$'000	Financial assets fair value reserve* HK\$'000	Accumulated losses* HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31 March 2018	49,461	187,245	7,480	571,147	530,341	33,734	-	(750,845)	628,563	(1,410)	627,153
Reclassification	-	-	-	-	-	(33,734)	33,734	-	-	-	-
At 1 April 2018	49,461	187,245	7,480	571,147	530,341	-	33,734	(750,845)	628,563	(1,410)	627,153
Loss and total comprehensive income for the period	-	-	-	-	-	-	-	(39,154)	(39,154)	(6,803)	(45,957)
At 30 September 2018	49,461	187,245	7,480	571,147	530,341	-	33,734	(789,999)	589,409	(8,213)	581,196
At 1 April 2017	47,848	172,723	7,480	571,147	536,152	-	-	(725,293)	610,057	(11,174)	598,883
Profit for the period	-	-	-	-	-	-	-	4,594	4,594	11,268	15,862
Exercise of bonus warrants	370	3,325	-	-	-	-	-	-	3,695	-	3,695
At 30 September 2017	48,218	176,048	7,480	571,147	536,152	-	-	(720,699)	618,346	94	618,440

\* These reserve accounts comprise the Group's reserve of HK\$539,948,000 in the condensed consolidated statement of financial position.

## Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash used in operating activities	(46,308)	(47,753)
Net cash (used in)/from investing activities	(7,006)	16,943
Net cash from financing activities	11,631	1,062
<b>Net decrease in cash and cash equivalents</b>	<b>(41,683)</b>	<b>(29,748)</b>
Cash and cash equivalents at beginning of the period	119,630	176,260
Cash and cash equivalent of the disposal group classified as held-for-sale at 1 April	–	2,340
<b>Cash and cash equivalents at end of the period</b>	<b>77,947</b>	<b>148,852</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

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

Certain comparative figures have been reclassified to conform to current period’s presentation.

### Principal accounting policies

The condensed consolidated interim financial statement have been prepared in accordance with the accounting policies adopted in the Group’s most recent annual consolidated financial statements for the year ended 31 March 2018, except for the adoption of new accounting policies as a result of the adoption of the new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) that have become effective for the accounting period beginning on 1 April 2018 and are relevant to the Group as set out below:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2017 Cycle
Amendments to HKAS 40	Transfer of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of these newly effective HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

### HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement”. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an “expected credit loss” (“**ECL**”) model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings. The adoption of HKFRS 9 has impacted the following areas:

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES *(Continued)*

### HKFRS 9 Financial instruments *(Continued)*

#### (a) Classification and measurement

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, available-for-sale financial assets under HKAS 39 has been reclassified as financial assets at fair value through other comprehensive income under HKFRS 9. Fair value changes previously accounted for in available-for-sale financial asset revaluation reserve has been transferred to the opening balance of financial assets at fair value through other comprehensive income reserve as at 1 April 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 April 2018):

	Carrying amount at 31 March 2018 under HKAS 39 HK\$'000	Reclassification HK\$'000	Carrying amount at 1 April 2018 under HKFRS 9 HK\$'000
<b>Current assets</b>			
Available-for-sale financial assets	73,279	(73,279)	–
Financial assets at fair value through other comprehensive income	–	73,279	73,279

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES *(Continued)*

### HKFRS 9 Financial instruments *(Continued)*

#### (a) Classification and measurement *(Continued)*

The impact of these changes on the Group's equity is as follows:

	Available-for-sale financial assets revaluation reserve HK\$'000	Financial assets at fair value through other comprehensive income reserve HK\$'000
Balance at 31 March 2018	33,734	–
Reclassification from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(33,734)	33,734
Balance at 1 April 2018	–	33,734

#### (b) Impairment

Under the ECL model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month ECL or a lifetime ECL, depending on the asset and the facts and circumstances.

For account receivables and contract assets, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

For all other financial assets at amortised cost, the Group adopted a “three-stage” model for impairment based on changes in credit quality since initial recognition as summarised below:

- The receivables with low credit risk on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to “Stage 2” but is not yet deemed to be credit impaired;
- If the receivables is credit-impaired, the financial instrument is then moved to “Stage 3”.

Receivables in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on ECL on a lifetime basis.

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES *(Continued)*

### **Measurement of ECLs**

When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

As at 1 April 2018, no additional credit loss allowance has been recognised against retained earnings.

### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations;
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES *(Continued)*

### **HKFRS 15 Revenue from Contracts with Customers** *(Continued)*

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods and services that are substantially the same. In determining the performance obligations, the Group considers whether the customer benefits from the good and service on its own and whether it is distinct in the context of the contract. Factors considered by the Group which indicate the goods and services are not separately identifiable would include:

- Whether a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted;
- Whether one or more of the goods or services significantly modifies or customises, or are significantly modified or customised by, one or more of the other goods or services promised in the contract;
- the goods or services are highly interdependent or highly interrelated. In other words, each of the goods or services is significantly affected by one or more of the other goods or services in the contract.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.





## Notes to the Condensed Consolidated Interim Financial Statements

### 2. SEGMENTAL INFORMATION *(Continued)*

#### Segment revenues and results *(Continued)*

For the six months ended 30 September 2017

	Financial services HK\$'000	Mortgage financing HK\$'000	Property development and investment HK\$'000	Securities Trading HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:						
External sales	29,404	14,832	932	244	-	45,412
Intersegment sales	651	-	-	-	(651)	-
	30,055	14,832	932	244	(651)	45,412
Segment profit/(loss) after intersegment transactions	32,845	8,668	(256)	(10,836)		30,421
Unallocated income						324
Unallocated expenses						(14,883)
Profit before income tax						15,862

# Notes to the Condensed Consolidated Interim Financial Statements

## 2. SEGMENTAL INFORMATION *(Continued)*

### Other segment information

For the six months ended 30 September 2018

	Financial services HK\$'000	Mortgage financing HK\$'000	Property development and investment HK\$'000	Securities trading HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
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	–	–	–	(30,256)	–	(30,256)
Gain on disposal of financial assets at fair value through profit or loss	–	–	–	3,552	–	3,552
Impairment loss recognised in respect of loan receivables	(2,700)	(103)	–	–	–	(2,803)
Impairment loss recognised in respect of accounts receivable	(2,661)	–	–	–	–	(2,661)
Reversal of impairment loss in respect of loan receivables	344	1,791	–	–	–	2,135
Reversal of impairment loss in respect of accounts receivable	503	–	–	–	–	503
Bad debts recovery	–	2,982	–	–	–	2,982
Depreciation	(428)	(24)	(31)	–	(219)	(702)
Additions to non-current assets <i>(note)</i>	306	6	10,994	–	15	11,321
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	–	–	–	–	65	65
Finance costs	–	–	–	–	(7,707)	(7,707)

Note: It excluded the additions to loan receivables and the intangible asset.

# Notes to the Condensed Consolidated Interim Financial Statements

## 2. SEGMENTAL INFORMATION *(Continued)*

### Other segment information *(Continued)*

For the six months ended 30 September 2017

	Financial services HK\$'000	Mortgage financing HK\$'000	Property development and investment HK\$'000	Securities trading HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measurement of segment profit or loss or segment assets:						
Change in fair value of investment property	-	-	3,000	-	-	3,000
Change in fair value of financial assets at fair value through profit or loss	-	-	-	(12,310)	-	(12,310)
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	1,569	-	1,569
Gain/(loss) on disposal of subsidiaries	30,406	-	(3,305)	-	-	27,101
Impairment loss recognised in respect of loan receivables	-	(346)	-	-	-	(346)
Reversal of impairment loss recognised in respect of loan receivables	-	333	-	-	-	333
Depreciation	(383)	(47)	(100)	-	(226)	(756)
Gain on disposal of furniture and equipment	-	-	-	-	40	40
Additions to non-current assets <i>(note)</i>	832	53	16,668	-	10	17,563
Amounts regularly provided to the chief operating decision maker but not included in the assessment of segment profit or loss or segment assets:						
Interest income	-	-	-	-	45	45
Finance costs	-	-	-	-	(6,774)	(6,774)

Note: It excluded the additions to loan receivables and the intangible asset.

## Notes to the Condensed Consolidated Interim Financial Statements

### 3. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation	702	756
Lease payments under operating leases for rental premises	4,409	3,712
Staff costs	28,312	23,748

### 4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements for the Review Period as the Company and its subsidiaries either have 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 (2017: nil).

### 5. DIVIDENDS

The Board did not recommend a payment of interim dividend for the Review Period (2017: HK\$0.12 or HK12 cents for every 100 shares).

## Notes to the Condensed Consolidated Interim Financial Statements

### 6. (LOSS)/EARNINGS PER SHARE

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

**(Loss)/earnings:**

	<b>Six months ended 30 September</b>	
	<b>2018 (Unaudited) HK\$'000</b>	<b>2017 (Unaudited) HK\$'000</b>
(Loss)/profit for the period attributable to the owners of the Company for the purposes of basic and diluted (loss)/earnings per share	<b>(39,154)</b>	4,594

**Number of shares:**

	<b>Six months ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares in issue during the Review Period for the purpose of basic (loss)/earnings per share	<b>4,946,132,082</b>	4,804,767,372
Effect of dilutive potential ordinary shares – bonus warrants	N/A	409,299,273
Weighted average number of ordinary shares in issue during the Review Period for the purpose of diluted (loss)/earnings per share	<b>4,946,132,082</b>	5,214,066,645

## Notes to the Condensed Consolidated Interim Financial Statements

### 7. LOAN RECEIVABLES

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Securities dealing and broking services:		
– secured margin loans	84,815	89,324
Less: Allowance for impairment losses	(30,272)	(27,916)
	54,543	61,408
Financing business:		
– unsecured loans	13,054	11,961
– secured loans	23,730	22,150
– secured mortgage loans	161,180	165,162
Less: Allowance for impairment losses	(7,841)	(12,229)
	190,123	187,044
	244,666	248,452
The Group's loan receivables (net of impairment losses) are analysed into:		
– non-current assets	60,357	55,039
– current assets	184,309	193,413
	244,666	248,452

The impairment losses for the loan receivables for the Review Period were HK\$2,803,000. For the mortgage financing business, the net balance of secured loans (net of impairment losses) was HK\$155,505,000 at 30 September 2018 (31 March 2018: HK\$155,219,000).

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

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
On demand or within 1 year	129,766	132,005
Over 1 year and up to 5 years	16,627	24,705
Over 5 years	43,730	30,334
	190,123	187,044

## Notes to the Condensed Consolidated Interim Financial Statements

### 8. ACCOUNTS RECEIVABLE

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Accounts receivable	50,754	63,996
Less: Allowance for impairment losses	(7,384)	(5,226)
	<b>43,370</b>	<b>58,770</b>

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

Within 6 months	38,038	51,864
Over 6 months and up to 1 year	1,076	1,269
Over 1 year	4,256	5,637
	<b>43,370</b>	<b>58,770</b>

### 9. PROMISSORY NOTE RECEIVABLES

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Promissory note receivables	114,662	78,354
Less: Allowance for impairment losses	(1,657)	(1,657)
	<b>113,005</b>	<b>76,697</b>

As at 30 September 2018, promissory note receivables bore interest at the rates ranging from 8% to 36% (31 March 2018: from 8% to 36%) per annum and were repayable on demand.

The Directors consider that the fair values of promissory note receivables, which are expected to be recovered within one year, are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

## Notes to the Condensed Consolidated Interim Financial Statements

### 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Unlisted investments		
– equity securities	4,637	4,637
– equity fund (“ <b>Equity Fund</b> ”) (note)	72,499	72,499
	77,136	77,136
Less: Allowance for impairment loss	(3,857)	(3,857)
	<b>73,279</b>	<b>73,279</b>

Note:

The investments of the Equity Fund mainly comprised (i) a listed equity security; (ii) unlisted equity securities; and (iii) a net amount of certain financial assets and financial liabilities measured at amortised costs, which included promissory note receivables, bank balances, promissory note payables and accruals. The fair value of the Equity Fund was substantially attributable to the unlisted equity securities.

The fair value of the Equity Fund was determined by the Directors with reference to the fair value of a listed equity security, unlisted equity securities and the carrying amount of financial assets and financial liabilities measured at amortised costs held by the Equity Fund.

The fair value of the listed equity security was determined based on the quoted market bid price available on the relevant exchange. The fair values of unlisted equity securities were determined by reference to the valuation reports issued by an independent valuer as at 31 December 2017 on the respective unlisted equity securities held by the Equity Fund by using the market approach with unobservable inputs including multiplier of revenue, earnings before income tax and price earnings, and adjusted for discounts or premiums where appropriate. The Directors were of the opinion that there were no material changes to the fair values of the unlisted equity securities held by the Equity Fund from 31 December 2017 to 31 March 2018 and 30 September 2018.



## Notes to the Condensed Consolidated Interim Financial Statements

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Securities held-for-trading:		
– listed equity securities – Hong Kong	31,103	53,286
– listed securities – overseas	8,791	20,427
– unlisted equity security – Hong Kong	–	6,250
	<b>39,894</b>	<b>79,963</b>
Other investment	2,000	–
	<b>41,894</b>	<b>79,963</b>

The fair values of the above listed securities were determined based on the quoted market bid prices available on the relevant exchanges.

### 12. ACCOUNTS PAYABLE

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

As at the reporting date, accounts payable were interest-bearing at the bank deposit saving rates (2017: bank deposit saving rates) per annum.

The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's accounts payable that are not denominated in the functional currency of the respective subsidiaries were as follows:

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
USD	9,836	22,694
RMB	446	1,118
NTD	21,656	7,011

# Notes to the Condensed Consolidated Interim Financial Statements

## 13. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of Full Bright Group

The formal sale and purchase agreement for the disposal of Full Bright Global Limited and its subsidiary (“**Full Bright Group**”) was entered into on 22 May 2017 and was completed on 31 July 2017. The net proceeds, after deducting liabilities and transaction costs, received by the Group was approximately HK\$37,915,000.

The major classes of assets and liabilities of Full Bright Group as at the date of the disposal were as follows:

	HK\$'000
<b>Net assets disposed of:</b>	
Investment property	108,000
Furniture and equipment	555
Other receivables	16
Bank borrowings	(66,707)
Other payables and accruals	(644)
	<u>41,220</u>
<b>Loss on disposal of subsidiaries:</b>	
Cash consideration received	108,000
Liabilities settled and transaction costs incurred	(70,085)
	<u>37,915</u>
Net cash consideration received	37,915
Net assets disposed of	(41,220)
	<u>(3,305)</u>
<b>Analysis of net cash flow on disposal:</b>	
Net cash consideration received	37,915
Cash disposed of	–
	<u>37,915</u>

## Notes to the Condensed Consolidated Interim Financial Statements

### 13. DISPOSAL OF SUBSIDIARIES *(Continued)*

#### (b) Disposal of BFL

On 31 August 2017, Brighten Int'l Holdings Limited, a non-wholly owned subsidiary of the Group, entered into two separate sales and purchases agreements in relation to the disposal of its subsidiary, Brighten Finance Limited (“BFL”). One of the agreements was related to the disposal of 75% equity interest in BFL to a fund (the “Fund”) at a consideration of HK\$22,500,000 while the other agreement was related to the disposal of the remaining 25% to an independent third party. On 27 September 2017, the disposal of the 75% equity interest to the Fund was completed. In respect of the disposal of the 25% equity interest in BFL, 12.5% was completed on 30 October 2017 and the remaining 12.5% was completed on 3 April 2018.

The major classes of assets and liabilities of BFL as at the date of the disposal were as follows:

	HK\$'000
<b>Net liabilities disposed of:</b>	
Furniture and equipment	39
Loan receivables	28,658
Other receivables	421
Amount due from the immediate holding company	10
Cash	325
Amount due to a fellow subsidiary	(29,846)
Other payables	(13)
	<u>(406)</u>
<b>Gain on disposal of a subsidiary:</b>	
Consideration received	22,500
Net liabilities disposed of	406
Fair value of equity interest retained by the Group	7,500
	<u>30,406</u>
<b>Analysis of net cash flow on disposal:</b>	
Cash consideration received	–
Cash disposed of	(325)
	<u>(325)</u>

## Notes to the Condensed Consolidated Interim Financial Statements

### 14. OPERATING LEASES

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

	As at 30 September 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
In the first year	8,820	6,004
In the second to fifth years, inclusive	14,251	477
	<b>23,071</b>	<b>6,481</b>

### 15. RELATED PARTY TRANSACTIONS

During the Review Period, the Group had the following related party transactions or continuing related party transactions, certain of which fall under the definition of connected transactions or continuing connected transactions in Chapter 14A of the Listing Rules, but are exempted from the reporting, announcement, shareholders' approval and annual review requirements under the Listing Rules.

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

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Short-term benefits	1,688	1,628
Post-employment benefits	40	39
	<b>1,728</b>	<b>1,667</b>

The remuneration for Directors and key executives is determined by the Remuneration Committee, which takes into consideration the individual's experience, duties and responsibilities in the Group and market trends.

# Notes to the Condensed Consolidated Interim Financial Statements

## 15. RELATED PARTY TRANSACTIONS (Continued)

- (b) During the Review Period, the Group had the following material transactions with its related parties:

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Consultancy fee paid to Mr. Ng Yiu Chuen (“ <b>Mr. Ng</b> ”) (note 1)	180	150
Interest paid to Mr. Cheung Chi Shing (“ <b>Mr. Cheung</b> ”) (note 2)	325	–
Interest paid to Elfie Limited (note 3)	60	–
Interest paid to Ms. Cheung Lok Chi (“ <b>Ms. Cheung</b> ”) (note 3)	40	–
Interest paid to Fintech Pte Limited (“ <b>Fintech</b> ”) (note 4)	543	383
Interest paid to Mr. So (note 4)	56	52
Interest paid to Hatton Investments Limited (“ <b>Hatton</b> ”) (note 5)	34	–
Interest paid to Ms. Cheng Chui Shan Phyllis (“ <b>Ms. Cheng</b> ”) (note 6)	68	150
Interest paid to Ms. Mak Yin Fun (“ <b>Ms. Mak</b> ”) (note 7)	10	3
Interest paid to Ms. Ng Kai Ning (“ <b>Ms. Ng</b> ”) (note 8)	86	47
Interest paid to Ms. Inez Lee (“ <b>Ms. Lee</b> ”) (note 9)	550	417

Note 1: Mr. Ng is an executive Director of the Company.

Note 2: Mr. Cheung, a substantial shareholder of the Company, is the father of Mr. Cheung Hoo Win (“**Mr. Hoowin Cheung**”), the executive Director and Chief Executive Officer of the Company.

Note 3: Elfie Limited is beneficially owned by Mr. Cheung and Ms. Yeung Han Yi Yvonne (“**Ms. Yeung**”). The directors of Elfie Limited are Mr. Hoowin Cheung, Ms. Cheung and Mr. Cheung Hoo Yin (“**Mr. Hooyin Cheung**”). Mr. Hoowin Cheung, Ms. Cheung and Mr. Hooyin Cheung are the children of Mr. Cheung and Ms. Yeung.

Note 4: Fintech is a company controlled by Mr. So Han Meng Julian (“**Mr. So**”) and Mr. Woo Peter Ping (“**Mr. Woo**”). Mr. So and Mr. Woo are substantial shareholders of a non-wholly owned subsidiary of the Group. Mr. So is a director of a subsidiary and Mr. Woo is a director of certain subsidiaries of the Group.

Note 5: Hatton is a company controlled by Mr. Woo.

Note 6: Ms. Cheng is the wife of Mr. Ng.

Note 7: Ms. Mak is the mother of Ms. Mak Kit Ping, an executive Director of the Company.

Note 8: Ms. Ng is the daughter of Mr. Ng.

Note 9: Ms. Lee is the wife of Mr. Woo.

# Notes to the Condensed Consolidated Interim Financial Statements

## 15. RELATED PARTY TRANSACTIONS (Continued)

- (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 2018 (Unaudited) HK\$'000	As at 31 March 2018 (Audited) HK\$'000
Accounts receivable:		
Amount due from Mr. Lau Bing Lam (“Mr. Lau”) (note 1)	290	512
Accounts payable:		
Amount due to Mr. Cheung (note 2)	108	14,180
Amount due to Ms. Yeung (note 2)	435	435
Amount due K.Y. Limited (“KY”) (notes 2 & 3)	23	1,293
Amount due to Mr. Hoowin Cheung (note 2)	2,685	2,935
Amount due to Ms. Cheung (note 2)	2,664	2,638
Amount due to Mr. Hooyin Cheung (note 2)	33	30
Amount due to Ms. Lee (note 2)	16	25
Amount due to Ms. Mak (note 2)	51	42
Promissory note receivable:		
Amount due from Fast LP (note 4)	2,900	2,900
Promissory note payables (note 5):		
Amount due to Mr. Cheung	13,000	13,000
Amount due to Elfie Limited	2,400	2,400
Amount due to Ms. Cheung	1,600	1,600
Amount due to Fintech	11,346	17,426
Amount due to Ms. Ng	2,720	3,500
Amount due to Ms. Cheng	2,700	3,500
Amount due to Ms. Lee	13,000	16,000
Amount due to Ms. Mak	400	400
Amount due to Mr. So	–	4,000
Amount due to Hatton	1,300	–

Note 1: Mr. Lau is the father-in-law of Mr. Tang Kwan Chung, a director of subsidiaries of the Group.

Note 2: The amount is unsecured, interest bearing at the bank deposit saving rate per annum and repayable on client’s demand.

Note 3: Mr. Cheung and Ms. Yeung are the directors of KY.

Note 4: The promissory note was issued by Fast Limited for and on behalf of Fast LP. Fast Limited is a company controlled by Mr. So and Mr. Woo. The interest rate for the promissory note is 36% per annum. This promissory note is repayable upon demand.

Note 5: The interest rates for the promissory note payables are at the range from 4% to 15% per annum and these promissory notes were repayable within one year.

# Notes to the Condensed Consolidated Interim Financial Statements

## 16. FAIR VALUE MEASUREMENTS

The following table provides an analysis of financial instruments that are measured on the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurements. The levels into which fair value measurement are classified are determined with reference to the observability and significance of the inputs used in the valuation technique are as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 30 September 2018 (unaudited)</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	–	–	73,279	73,279
Financial assets at fair value through profit or loss	39,894	–	2,000	41,894
Collar options	–	5,177	–	5,177
	39,894	5,177	75,279	120,350
<b>Financial liabilities</b>				
Collar options	–	5,177	–	5,177
<b>As at 31 March 2018 (audited)</b>				
<b>Financial assets</b>				
Available-for-sale financial assets	–	–	72,499	72,499
Financial assets at fair value through profit or loss	79,963	–	–	79,963
Collar options	–	5,306	–	5,306
	79,963	5,306	72,499	157,768
<b>Financial liabilities</b>				
Collar options	–	5,306	–	5,306

During the period ended 30 September 2018 and year ended 31 March 2018, there were no transfers between Level 1, Level 2 and Level 3.

The Directors consider that the other carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial statements approximate their fair values due to short-term or immediate maturities.

The fair value measurements for the collar options were determined by Black Scholes Option Pricing Model by recognised valuation specialist using observable market prices of underlying security, risk-free interest rate corresponding to the maturity of the contracts and expected volatility of security price.

# Management Discussion and Analysis

## RESULTS

During the Review Period, the turnover of the Group was HK\$108,013,000 as compared to HK\$130,220,000 for the corresponding period in 2017, while the net loss attributable to owners of the Company was HK\$39,154,000 as compared to the net profit of HK\$4,594,000 for the corresponding period in 2017.

## REVIEW OF OPERATIONS

- **Financial Services**

As a financial service provider, the Group is devoted to providing its clients comprehensive financial services. The Group, through its wholly owned subsidiaries Ever-Long Securities Company Limited, Ever-Long Futures Limited and Ever-Long Capital Management Limited, provides its clients a range of regulated services under Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (Advising on securities), Type 6 (Advising on corporate finance) and Type 9 (Asset management).

During the Review Period, the Hong Kong stock market was affected by various factors including the trade dispute between China and the United States. As a result, Hong Kong stocks experienced significant fluctuations. To respond to such a change in market sentiment, we continued to provide our customers highly competitive margin ratios and interest rates to facilitate their investment needs. Also, to cater to customers' rising interest in investing in the overseas markets, we continued to offer our clients overseas investment opportunities. To this end, in addition to offering our clients Hong Kong shares and shares of the Shanghai and Shenzhen Stock Connects, we also provided our clients the opportunity to subscribe for shares that were listed in Australia, Canada, Euronext Exchange, Germany, United Kingdom and most of the Asian markets.

In respect of our corporate finance services, the Group's wholly owned subsidiary Ever-Long Securities successfully completed the initial public offering ("IPO") project of Most Kwai Chung Limited (stock code: 1716) in March 2018, which set a record high for a Hong Kong IPO in terms of the number of times the IPO shares were oversubscribed. To take advantage of such a successful experience, the Group has completed its second IPO project of KOS International Holdings Limited (stock code: 8042), which was listed on 12 October 2018. During the Review Period, the Group also participated in a number of corporate finance deals including the placing and underwriting for new issues of shares, and acting as a sponsor in other IPO projects. The income for the corporate finance business was HK\$8,188,000 for the Review Period.

- **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 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 support our mortgage business development, in addition to internal resources, we had extended our funding channels to obtain external facilities at reasonable costs during the Review Period. As a result of this effort, the consolidated loan portfolio under the mortgage financing segment had reached HK\$155,505,000. Thanks to our professional experience and risk management skills, the impairment allowance continued to be maintained at its minimum level. The income for the mortgage financing business was HK\$12,975,000 for the Review Period.



## Management Discussion and Analysis

- **Property Development and Investment**

With respect to the Group's redevelopment project at Fei Ngo Shan Road with a gross site area of more than 16,000 square feet, the superstructure was being carried on during the Review Period. The redevelopment project is expected to be completed by 2018. In addition, the Group holds a residential property in Sai Kung. As at 30 September 2018, the combined carrying value of the Group's investment properties was approximately HK\$279,440,000.

- **Securities Trading**

As at 30 September 2018, the Group held securities investments in a total of 17 securities, which were engaged in the sectors of (i) information technology; (ii) natural resources; (iii) consumer goods; (iv) bank; (v) industrials; (vi) properties and construction; and (vii) others. For the Review Period, the investment portfolio recorded an aggregate net unrealised loss of approximately HK\$30,256,000. Out of those net unrealised losses, (i) approximately 45% was attributable to the Group's investment in a natural resources company (the "**Resources Company**"); and (ii) approximately 31% was attributable to an information technology company (the "**IT Company**").

The Resources Company is a company listed on the Main Board of the Stock Exchange and is principally engaged in the coalbed methane exploration and development as well as the sale of electronic components and treasury. The IT Company is a company listed on the Australian Securities Exchange and operates a web-based real estate and business crowd funding platform that connects investors with businesses requiring capital.

The decline in the share prices of the Resources Company and IT Company during the Review Period was because of various market factors. However, in the long term, in light of the emphasis on environmental protection and the future demand for natural resources, and the increasing popularity of information technology companies in the market, we believe that the businesses in which the Resources Company and the IT Company are mainly engaged will have positive prospects in the global market.

### PROSPECTS

In the second half of the 2018/19 financial year, the Hong Kong stock market is expected to be affected by the continued China-US trade dispute and the interest rate hike. The Group will closely monitor the market changes and continue to explore its business opportunities under such a market environment. The Group observed that as a result of the drop in value of the Renminbi against the US dollar, there may be a strong demand for overseas investments from its mainland clients to mitigate further depreciation of their Renminbi denominated investments. This is expected to benefit the Group's asset management business. In addition to the Group's existing funds, the Group plans to launch other new funds to attract more high net worth clients and provide them more tailor-made wealth management services.

## Management Discussion and Analysis

As for the Group's brokerage business, we shall continue to provide our clients greater flexibility in making investments in stocks by offering them attractive margin interest rates as well as financial products from various overseas stock markets. To provide our clients more comprehensive brokerage services, in addition to the securities brokerage service, the Group is in the process of carrying out preparation work to prepare the Group for offering clients brokerage service for futures products. As a financial service provider, we believe that the Guangdong-Hong Kong-Macau Greater Bay Area will be a gigantic market for the Group's development. We plan to strengthen our corporate finance business by extending our footprint to this region to provide debt or equity fund raising services.

Major banks in Hong Kong raised their prime rate in September 2018. However, in light of such a slight increase level in the prime rate, we believe this may not have a significant impact on property prices. Furthermore, we believe that there is still an immense market space for mortgage financing provided by financial companies like ours. To meet such demand, in addition to our internal resources, we will continue to leverage our other available facilities to support our mortgage financing business and utilise financial resources in effective ways to maintain our profitability. However, in view of the increasing concerns about rocketing property prices and the anticipated rise of interest rates, we will continue to strengthen our credit policy to maintain reasonable loan-to-value ratios to manage our market risk. We will also fine tune our business strategy from time to time to adapt to market changes.

Following the interaction of the Hong Kong stock market with the mainland stock markets, we believe the Hong Kong stock market will become more volatile in the foreseeable future. To cope with such an environment, we will adjust our investment strategies accordingly to mitigate any loss due to unstable market movements.

### FINANCIAL REVIEW ON LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2018, the Group's net asset value was approximately HK\$581,196,000 (31 March 2018: approximately HK\$627,153,000) and cash at bank and in hand totaled approximately HK\$77,947,000 (31 March 2018: HK\$119,630,000) of which approximately 91% were denominated in Hong Kong dollar, approximately 6% in US dollar and approximately 3% in Renminbi.

The Group's external financing including loans, promissory note payables and the bond payable as at 30 September 2018 amounted to approximately HK\$307,408,000 (31 March 2018: HK\$288,052,000), of which approximately HK\$291,363,000 (31 March 2018: HK\$271,615,000) were repayable within one year. All of the external financing were denominated in Hong Kong dollar. During the Review Period, the interest rates for the bank loans were charged (i) on a monthly basis at the rate of 2.75% below the prime rate of 5.25% per annum for Hong Kong dollars quoted by the bank, and the effective rates were 2.5% per annum; and (ii) on a quarterly basis at the rates of 2.875% and 3.05% over the 3-month Hong Kong Interbank Offered Rate. The other loans bore interest at the fixed rates of 7.5% and 7.75% per annum respectively. For the promissory notes issued by the Group, the interest rates were charged at the range of 4% to 15% per annum. The gearing ratio, being the ratio of total external financing to shareholders' fund, was about 0.53 (31 March 2018: 0.46).

As at 30 September 2018, time deposits totaling approximately HK\$6,328,000 and investment properties with a total market value of approximately HK\$279,440,000 were pledged to banks to secure the banking facilities that were granted to the Group.

# Management Discussion and Analysis

## 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 the customer is determined based on these factors. Generally, margin loans are demanded for repayment once a customer fails to maintain the maintenance margin or fails to repay the margin loan or another sum that is due to the Group.

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

## OPERATIONAL RISK

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

Type of license	Regulated activity	Number of responsible officers
Type 1	Dealing in securities	8
Type 2	Dealing in futures contracts	2
Type 4	Advising on securities	5
Type 6	Advising on corporate finance	4
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 standards at a satisfactory level. During the Review Period, our operation had complied with the SFO and clients were satisfied with our services.

To maintain the professionalism of the Board, three of the Board members were certified public accountants who monitored or advised the Group on internal control matters. Under the mortgage financing business, we had on hand net consolidated mortgage loans of approximately HK\$155,505,000 as at 30 September 2018 and the operation had complied with the Money Lenders Ordinance.

## INTEREST RATE RISK

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

# Management Discussion and Analysis

## LIQUIDITY RISK

The Group's policy is to regularly assess the current and expected liquidity requirements of the Group and ensure that the Group maintains reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. As at 30 September 2018, the amount of undrawn banking facilities of the Group was approximately HK\$33,450,000.

## PRICE RISK

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

## FOREIGN EXCHANGE EXPOSURE

During the Review Period, the Group's business activities as well as its assets and liabilities were mainly denominated in Hong Kong dollar, US dollar, New Taiwanese dollar and Renminbi. In light of (i) the exchange rate peg between the Hong Kong dollar and US dollar; (ii) the portions of the Group's assets or liabilities that were denominated in Renminbi were immaterial when compared to the Group's total assets or liabilities; and (iii) the exchange differences for the Group's assets and liabilities that were denominated in New Taiwanese dollar may be offset by each other, the Group considers its foreign exchange risk immaterial for the Review Period. It is the Group's treasury policy to manage its foreign currency exposure to minimise any material financial impact to the Group.

## STAFF

As at 30 September 2018, the Group had 123 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.

## Directors' Interest in Securities

As at 30 September 2018, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## Substantial Shareholders

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, as at 30 September 2018, the Company had been notified of the following interests in the Company:

	Number of ordinary shares	Percentage
Mr. Cheung ( <i>note 1</i> )	1,010,140,365	20.42%
Ms. Yeung ( <i>note 2</i> )	1,010,140,365	20.42%
Mr. Hooyin Cheung ( <i>note 3</i> )	269,558,209	5.45%

Note:

1. Mr. Cheung personally held 702,741,395 shares of the Company. As Mr. Cheung is the sole shareholder of KY, he was deemed to have interests in 180,318,870 shares of the Company held by KY. Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 127,080,100 shares of the Company beneficially interested by Ms. Yeung.
2. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 883,060,265 shares of the Company beneficially interested by Mr. Cheung.
3. Mr. Hooyin Cheung is the son of Mr. Cheung and Ms. Yeung.

Save as disclosed herein, so far as what is known to the Directors and the chief executive of the Company, as at 30 September 2018, there were no other persons that had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Corporate Governance

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

During the Review Period, the Company had strictly complied with all of the code provisions in the Corporate Governance Code contained in Appendix 14 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 special general meeting held during the Review Period due to their personal reasons.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code for securities transactions by Directors. All members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the Review Period.

## Share Option Scheme

The Company operates a share option scheme (the “**Scheme**”) which enables the Company to grant options to the participants in recognition of their contribution to the Group. Pursuant to the Scheme, the Directors may, within a period of 10 years from 21 September 2012 (the “**Adoption Date**”), grant options to any director or employee, adviser, consultant, agent, contractor, customer and supplier of the Group so that they can subscribe for the shares of the Company.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on the Adoption Date, the total maximum number of shares (the “**Scheme Limit**”) which may be issued upon exercise of all the options to be granted under the Scheme and any other share option schemes of the Company is 370,977,308 shares representing 10% of the issued share capital of the Company as at the Adoption Date. At the annual general meeting held on 15 September 2017, shareholders of the Company approved to refresh the Scheme Limit. As a result, the new Scheme Limit has been increased to 482,125,176 shares.

The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the INEDs.

The exercise price of the share options is determined by the Directors, however, the exercise price cannot be less than the higher of (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of the grant.

The share options do not confer rights onto the share option holders to receive dividends or vote at shareholders’ meetings.

Under the Scheme, there were no options granted, exercised, cancelled or lapsed during the Review Period.

As at 30 September 2018, the Company had no share options outstanding under the Scheme.



## 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.

## Review by Audit Committee

The Company has an Audit Committee comprising five INEDs. The Audit Committee has reviewed the unaudited interim financial statements for the Review Period and has discussed the financial related matters with the management.

On behalf of the Board

**Zhao Qingji**

*Chairman*

Hong Kong, 23 November 2018



大凌集團有限公司  
STYLAND HOLDINGS LIMITED  
(股份代號 Stock Code: 0211)

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