



大凌集團有限公司 STYLAND HOLDINGS LIMITED

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with limited liability)
(股份代號 Stock Code: 0211)

Interim Report 中期報告
2019/20



Making A
Positive
Impact
多元業務
恩澤四方

創立於1977年
Established in 1977

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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

Estera Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH REGISTRAR

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REGISTERED OFFICE

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SHAREHOLDERS' SERVICE HOTLINE

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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 2019 (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 | |
|--|-------------|----------------------------------|---------------------------------|
| | | 2019 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 |
| Turnover | | 98,098 | 108,013 |
| Revenue | | 31,772 | 41,357 |
| Costs of brokerage services | | (2,045) | (3,960) |
| Other income | | 21,920 | 8,577 |
| Administrative expenses | | (61,856) | (50,745) |
| Selling and distribution expenses | | (2,489) | (2,838) |
| Change in fair value of financial assets at fair value through profit or loss (“ FVTPL ”) | | (8,773) | (30,256) |
| (Loss)/gain on disposal of financial assets at FVTPL | | (652) | 3,552 |
| Expected credit losses (“ ECL ”) recognized in respect of loan receivables | | (226) | (2,803) |
| ECL recognized in respect of accounts receivable | | (87) | (2,661) |
| Reversal of ECL recognized in respect of loan receivables | | 1,555 | 2,135 |
| Reversal of ECL recognized in respect of accounts receivable | | 4,417 | 503 |
| Bad debts written-off | | (1,951) | (1,111) |
| Gain on disposal of subsidiaries | 12 | 1,255 | – |
| Finance costs | | (9,803) | (7,707) |
| Loss before income tax | 3 | (26,963) | (45,957) |
| Income tax expenses | 4 | (24) | – |
| Loss and total comprehensive expense for the period | | (26,987) | (45,957) |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | | Six months ended 30 September | |
|--|------|----------------------------------|---------------------------------|
| | | 2019 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 |
| | Note | | |
| Loss and total comprehensive expense for the period attributable to | | | |
| – Owners of the Company | | (29,611) | (39,154) |
| – Non-controlling interests | | 2,624 | (6,803) |
| | | (26,987) | (45,957) |
| Loss per share attributable to owners of the Company for the period | 6 | | |
| – Basic | | (HK0.56 cents) | (HK0.79 cents) |
| – Diluted | | (HK0.56 cents) | (HK0.79 cents) |

Condensed Consolidated Statement of Financial Position

| | | At 30 September 2019 (Unaudited) HK\$'000 | At 31 March 2019 (Audited) HK\$'000 |
|---|------|---|---|
| | Note | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 14,408 | 7,478 |
| Investment properties | | 367,825 | 347,800 |
| Loan receivables | 7 | 65,375 | 46,127 |
| | | 447,608 | 401,405 |
| Current assets | | | |
| Loan receivables | 7 | 154,459 | 177,245 |
| Accounts receivable | 8 | 10,259 | 30,457 |
| Promissory notes receivable | 9 | 9,300 | 18,600 |
| Contract assets | | 2,712 | 997 |
| Other receivables, deposits and prepayments | | 15,691 | 16,262 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | 10 | – | – |
| Financial assets at FVTPL | | 28,510 | 27,721 |
| Client trust funds | | 73,527 | 90,781 |
| Pledged bank deposit | | – | 5,000 |
| Cash and cash equivalents | | 67,192 | 112,372 |
| | | 361,650 | 479,435 |
| Assets of disposal group classified as held for sale | 11 | – | 210,304 |
| | | 361,650 | 689,739 |
| Total assets | | 809,258 | 1,091,144 |

Condensed Consolidated Statement of Financial Position

| | <i>Note</i> | At 30 September 2019 (Unaudited) HK\$'000 | At 31 March 2019 (Audited) HK\$'000 |
|---|-------------|---|---|
| Current liabilities | | | |
| Accounts payable | 13 | 72,721 | 106,438 |
| Contract liabilities | | 3,396 | 1,721 |
| Other payables and accruals | | 9,756 | 12,819 |
| Promissory notes payable | | 23,840 | 63,840 |
| Tax liabilities | | 24 | – |
| Lease liabilities | | 5,723 | – |
| Borrowings | | 150,160 | 134,228 |
| | | 265,620 | 319,046 |
| Liabilities of disposal group classified as held for sale | 11 | – | 221,588 |
| | | 265,620 | 540,634 |
| Net current assets | | 96,030 | 149,105 |
| Total assets less current liabilities | | 543,638 | 550,510 |
| Non-current liabilities | | | |
| Bond payable | | 2,000 | 2,000 |
| Lease liabilities | | 5,371 | – |
| | | 7,371 | 2,000 |
| Net assets | | 536,267 | 548,510 |
| EQUITY | | | |
| Share capital | | 53,817 | 50,951 |
| Reserves | | 482,450 | 500,761 |
| Equity attributable to the owners of the Company | | 536,267 | 551,712 |
| Non-controlling interests | | – | (3,202) |
| Total equity | | 536,267 | 548,510 |

Condensed Consolidated Statement of Changes in Equity

| | Attributable to the owners of the Company | | | | | | | | | | | Total HK\$'000 |
|---|---|-------------------------------|---|--|-------------------------------------|---|---------------------------------------|---|------------------------------------|-----------------------|--|-------------------|
| | 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 | Fair value reserve* HK\$'000 | Share option reserve* HK\$'000 | Accumulated losses* HK\$'000 | Sub-total HK\$'000 | Non- controlling interests HK\$'000 | |
| At 1 April 2019 | 50,951 | 187,245 | 7,480 | 571,147 | 524,406 | - | (2,305) | - | (787,212) | 551,712 | (3,202) | 548,510 |
| Loss and total comprehensive expense for the period | - | - | - | - | - | - | - | - | (29,611) | (29,611) | 2,624 | (26,987) |
| Reclassification | - | - | - | - | - | - | 2,305 | - | (2,305) | - | - | - |
| Disposal of subsidiaries (note 12) | - | - | - | - | - | - | - | - | - | - | 578 | 578 |
| Transaction with owners: | | | | | | | | | | | | |
| Exercise of bonus warrants | 2,866 | - | - | - | - | - | - | - | - | 2,866 | - | 2,866 |
| Recognition of equity-settled share-based payment (note 15) | - | - | - | - | - | - | - | 11,300 | - | 11,300 | - | 11,300 |
| Total transactions with owners | 2,866 | - | - | - | - | - | - | 11,300 | - | 14,166 | - | 14,166 |
| At 30 September 2019 | 53,817 | 187,245 | 7,480 | 571,147 | 524,406 | - | - | 11,300 | (819,128) | 536,267 | - | 536,267 |
| At 1 April 2018, as previously reported | 49,461 | 187,245 | 7,480 | 571,147 | 530,341 | 33,734 | - | - | (750,845) | 628,563 | (1,410) | 627,153 |
| Prior year adjustments | - | - | - | - | - | (32,531) | - | - | - | (32,531) | (1,480) | (34,011) |
| | 49,461 | 187,245 | 7,480 | 571,147 | 530,341 | 1,203 | - | - | (750,845) | 596,032 | (2,890) | 593,142 |
| Reclassification | - | - | - | - | - | (1,203) | 1,203 | - | - | - | - | - |
| Adjusted balance at 1 April 2018 | 49,461 | 187,245 | 7,480 | 571,147 | 530,341 | - | 1,203 | - | (750,845) | 596,032 | (2,890) | 593,142 |
| Loss and total comprehensive expense for the period | - | - | - | - | - | - | - | - | (39,154) | (39,154) | (6,803) | (45,957) |
| Adjusted balance at 30 September 2018 | 49,461 | 187,245 | 7,480 | 571,147 | 530,341 | - | 1,203 | - | (789,999) | 556,878 | (9,693) | 547,185 |

* The reserves accounts comprise the Group's total reserves of HK\$482,450,000 in the condensed consolidated statement of financial position as at 30 September 2019.

Condensed Consolidated Statement of Cash Flows

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2019 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 |
| Net cash used in operating activities | (4,365) | (46,308) |
| Net cash used in investing activities | (21,416) | (7,006) |
| Net cash (used in)/generated from financing activities | (32,756) | 11,631 |
| Net decrease in cash and cash equivalents | (58,537) | (41,683) |
| Cash and cash equivalents of the Group at 1 April | 112,372 | 119,630 |
| Cash and cash equivalents of disposal group classified as held for sale at 1 April (<i>note 11</i>) | 13,357 | – |
| Cash and cash equivalents at 30 September | 67,192 | 77,947 |

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 (the “**HKICPA**”).

Changes in significant accounting policies

The condensed consolidated interim financial statements for the Review Period 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 2019, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective as of 1 April 2019. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments |

Other than the impact of the adoption of HKFRS 16 as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 16 “Leases”

HKFRS 16 “Leases” replaced HKAS 17 “Leases” along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC) Int-15 “Operating Leases-Incentives” and HK(SIC) Int-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognized in equity as an adjustment to the opening balance of accumulated losses for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application of HKFRS 16 (i.e. 1 April 2019), the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to those arrangements that were not previously identified as lease under HKAS 17.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of initial application.

Notes to the Condensed Consolidated Interim Financial Statements

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

HKFRS 16 “Leases” *(Continued)*

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under HKFRS 16 was 5.84%.

The Group has used of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognized at 1 April 2019:

| | HK\$'000 |
|---|----------------|
| Total operating lease commitments disclosed at 31 March 2019 | 18,346 |
| Recognition exemptions: | |
| • Leases with remaining lease term of less than 12 months | (477) |
| Operating leases liabilities before discounting | 17,869 |
| Discounting using incremental borrowing rate as at 1 April 2019 | (1,262) |
| Total lease liabilities recognized under HKFRS 16 at 1 April 2019 | 16,607 |
| Classified as: | |
| Current lease liabilities | 6,721 |
| Non-current lease liabilities | 9,886 |
| | 16,607 |

Notes to the Condensed Consolidated Interim Financial Statements

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

HKFRS 16 “Leases” *(Continued)*

The following table summarizes the impact of transition to HKFRS 16 on the Group’s condensed consolidated statement of financial position at 1 April 2019:

| | HK\$’000 |
|--|---------------|
| Increase in right-of-use assets (presented in property, plant and equipment) | 16,607 |
| Increase in lease liabilities (non-current liabilities) | 9,886 |
| Increase in lease liabilities (current liabilities) | 6,721 |

The right-of-use assets and lease liabilities recognized at 1 April 2019 represent the Group’s leases of four office properties with an initial period of two to three years.

The adoption of HKFRS 16 result in change in accounting policy of lease as follow:

(a) The Group as a lessee

Applicable from 1 April 2019

For any new contracts entered into on or after 1 April 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Notes to the Condensed Consolidated Interim Financial Statements

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

HKFRS 16 “Leases” *(Continued)*

(a) The Group as a lessee *(Continued)*

Applicable from 1 April 2019 (Continued)

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of office properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Notes to the Condensed Consolidated Interim Financial Statements

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

HKFRS 16 “Leases” *(Continued)*

(a) The Group as a lessee *(Continued)*

Applicable from 1 April 2019 (Continued)

Measurement and recognition of leases as a lessee (Continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the condensed consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been presented separately.

Notes to the Condensed Consolidated Interim Financial Statements

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

HKFRS 16 “Leases” *(Continued)*

Applicable before 1 April 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases except that property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

ii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognized in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Notes to the Condensed Consolidated Interim Financial Statements

2. SEGMENT INFORMATION

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

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

Notes to the Condensed Consolidated Interim Financial Statements

2. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments for the six months ended 30 September 2019 and the corresponding period in 2018 respectively:

For the six months ended 30 September 2019

| | Financial services HK\$'000 | Mortgage financing HK\$'000 | Property development and investment HK\$'000 | Securities trading HK\$'000 | Eliminations HK\$'000 | Total HK\$'000 |
|---------------------------------|-----------------------------------|-----------------------------------|--|-----------------------------------|--------------------------|-------------------|
| Segment revenue: | | | | | | |
| Revenue from external customers | 19,868 | 11,382 | – | 522 | – | 31,772 |
| Inter-segment revenue | 218 | – | – | – | (218) | – |
| | 20,086 | 11,382 | – | 522 | (218) | 31,772 |
| Segment results | 4,894 | 7,400 | (469) | (9,294) | – | 2,531 |
| Unallocated income | | | | | | 115 |
| Unallocated expenses | | | | | | (29,609) |
| Loss before income tax | | | | | | (26,963) |

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 | Eliminations HK\$'000 | Total HK\$'000 |
|---------------------------------|-----------------------------------|-----------------------------------|--|-----------------------------------|--------------------------|-------------------|
| Segment revenue: | | | | | | |
| Revenue from external customers | 28,151 | 12,975 | – | 231 | – | 41,357 |
| Inter-segment revenue | 177 | – | – | – | (177) | – |
| | 28,328 | 12,975 | – | 231 | (177) | 41,357 |
| Segment results | (13,876) | 11,379 | (238) | (26,774) | – | (29,509) |
| Unallocated income | | | | | | 65 |
| Unallocated expenses | | | | | | (16,513) |
| Loss before income tax | | | | | | (45,957) |

Notes to the Condensed Consolidated Interim Financial Statements

2. SEGMENT INFORMATION *(Continued)*

Other segment information

For the six months ended 30 September 2019

| | 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 financial assets at FVTPL | – | – | – | (8,773) | – | (8,773) |
| Loss on disposal of financial assets at FVTPL | – | – | – | (652) | – | (652) |
| ECL recognized in respect of loan receivables | (226) | – | – | – | – | (226) |
| ECL recognized in respect of accounts receivable | (87) | – | – | – | – | (87) |
| Reversal of ECL recognized in respect of loan receivables | 1,089 | 466 | – | – | – | 1,555 |
| Reversal of ECL recognized in respect of accounts receivable | 4,417 | – | – | – | – | 4,417 |
| Reversal of ECL recognized in respect of other receivables | – | 22 | – | – | – | 22 |
| Bad debts written-off | (1,951) | – | – | – | – | (1,951) |
| Gain on disposal of subsidiaries | 1,255 | – | – | – | – | 1,255 |
| Depreciation – owned assets | (824) | (19) | (90) | – | (256) | (1,189) |
| Depreciation – right-of-use assets | (2,752) | – | – | – | (560) | (3,312) |
| Additions to non-current assets <i>(note)</i> | 203 | – | 16,835 | – | 10 | 17,048 |
| 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 | – | – | – | – | 115 | 115 |
| Finance costs | (382) | – | – | – | (9,421) | (9,803) |

Note: The amounts excluded those additions to loan receivables and right-of-use assets.

Notes to the Condensed Consolidated Interim Financial Statements

2. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

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 | Total HK\$'000 |
|---|-----------------------------------|-----------------------------------|--|-----------------------------------|-------------------------|-------------------|
| Amounts included in the measurement of segment profit or loss or segment assets: | | | | | | |
| Change in fair value of financial assets at FVTPL | – | – | – | (30,256) | – | (30,256) |
| Gain on disposal of financial assets at FVTPL | – | – | – | 3,552 | – | 3,552 |
| ECL recognized in respect of loan receivables | (2,700) | (103) | – | – | – | (2,803) |
| ECL recognized in respect of accounts receivable | (2,661) | – | – | – | – | (2,661) |
| Reversal of ECL recognized in respect of loan receivables | 344 | 1,791 | – | – | – | 2,135 |
| Reversal of ECL recognized in respect of accounts receivable | 503 | – | – | – | – | 503 |
| Bad debts recovery | – | 2,982 | – | – | – | 2,982 |
| Bad debts written-off | (62) | (1,049) | – | – | – | (1,111) |
| 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: The amounts excluded those additions to loan receivables and intangible assets.

Notes to the Condensed Consolidated Interim Financial Statements

3. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2019 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 |
| Depreciation | | |
| – owned assets | 1,189 | 702 |
| – right-of-use assets | 3,312 | – |
| Lease payment under operating leases | – | 4,409 |
| Lease charges for short-term lease and lease with remaining lease term shorter than 12 months as of initial application of HKFRS 16 | 329 | – |
| Staff costs | | |
| – salaries, allowance and other benefits (including retirement benefit scheme contribution) | 26,999 | 28,312 |
| – share-based payment expenses | 10,332 | – |

4. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the applicable tax rate on the estimated assessable profits arising in Hong Kong during the Review Period (2018: no provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements as the Company and its subsidiaries either has available losses brought forward from the prior period to offset the assessable profits generated or did not generate any assessable profits arising in Hong Kong).

5. DIVIDENDS

The Board did not recommend a payment of interim dividend for the Review Period (2018: nil).

Notes to the Condensed Consolidated Interim Financial Statements

6. LOSS PER SHARE

The calculation of basic loss per share was based on the loss for the period attributable to the owners of the Company of HK\$29,611,000 (2018: loss for the period attributable to the owners of the Company of HK\$39,154,000) and the weighted average number of 5,290,320,343 ordinary shares (2018: 4,946,132,082 ordinary shares) in issue for the Review Period.

Diluted loss per share for the Review Period was the same as basic loss per share. The computation of diluted loss per share had not assumed the conversion of the Company's outstanding warrants or the exercise of share options since the conversion or exercise would result in a decrease in loss per share.

Diluted loss per share for the six months ended 30 September 2018 was the same as basic loss per share as there were no potential ordinary shares outstanding for that period.

7. LOAN RECEIVABLES

| | As at 30 September 2019 (Unaudited) HK\$'000 | As at 31 March 2019 (Audited) HK\$'000 |
|---|---|---|
| Securities dealing and broking services: | | |
| – Secured margin loans | 25,778 | 69,212 |
| Less: ECL allowance | (2,368) | (15,302) |
| | 23,410 | 53,910 |
| Financing business: | | |
| – Unsecured loans | 28,091 | 14,504 |
| – Secured loans | 33,911 | 23,857 |
| – Secured mortgage loans | 143,601 | 141,413 |
| Less: ECL allowance | (9,179) | (10,312) |
| | 196,424 | 169,462 |
| | 219,834 | 223,372 |
| The Group's loan receivables (net of ECL allowance) were analysed into: | | |
| – Non-current assets | 65,375 | 46,127 |
| – Current assets | 154,459 | 177,245 |
| | 219,834 | 223,372 |

Notes to the Condensed Consolidated Interim Financial Statements

7. LOAN RECEIVABLES *(Continued)*

There were no significant movements in the impairment of loan receivables during the Review Period. For the mortgage financing business, the net balance of secured loans (net of ECL allowance) was HK\$136,339,000 at 30 September 2019 (31 March 2019: HK\$133,138,000).

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 ECL for the financing business based on contractual maturity dates is as follows:

| | As at 30 September 2019 (Unaudited) HK\$'000 | As at 31 March 2019 (Audited) HK\$'000 |
|-------------------------------|---|---|
| On demand or within 1 year | 131,049 | 123,335 |
| Over 1 year and up to 5 years | 27,358 | 7,201 |
| Over 5 years | 38,017 | 38,926 |
| | 196,424 | 169,462 |

8. ACCOUNTS RECEIVABLE

| | As at 30 September 2019 (Unaudited) HK\$'000 | As at 31 March 2019 (Audited) HK\$'000 |
|---------------------|---|---|
| Accounts receivable | 15,169 | 39,696 |
| Less: ECL allowance | (4,910) | (9,239) |
| | 10,259 | 30,457 |

Balance in relation to:

| | | |
|---|---------------|---------------|
| – Securities dealing and broking services | 9,626 | 30,307 |
| – Others | 633 | 150 |
| | 10,259 | 30,457 |

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

| | | |
|--------------------------------|---------------|---------------|
| Within 6 months | 6,284 | 22,352 |
| Over 6 months and up to 1 year | 769 | 3,402 |
| Over 1 year | 3,206 | 4,703 |
| | 10,259 | 30,457 |

Notes to the Condensed Consolidated Interim Financial Statements

9. PROMISSORY NOTES RECEIVABLE

| | As at 30 September 2019 (Unaudited) HK\$'000 | As at 31 March 2019 (Audited) HK\$'000 |
|-----------------------------|---|---|
| Promissory notes receivable | 9,300 | 18,600 |

As at 30 September 2019, promissory notes receivable bore interest at the rate of 8% (31 March 2019: 8%) per annum and were repayable within one year.

10. FINANCIAL ASSETS AT FVOCI

As at 30 September 2019 and 31 March 2019, the investment in unlisted equity securities represented the equity interest in a private entity that offers the Group the opportunity for return through distribution and is measured at fair value.

The fair value of unlisted equity investment is determined using the net asset value approach of the entity. The effects of unobservable input are not significant.

11. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 20 February 2019, Ever-Long Holdings Limited (the “**Grantor**”), a wholly owned subsidiary of the Company, entered into an agreement (the “**Agreement**”) in relation to a grant of call option (the “**Call Option**”) to an independent third party (the “**First Purchaser**”) to acquire the 55% of the issued shares (the “**Sale Shares**”) of Brighten Int’l Holdings Limited (“**Brighten Int’l**”) held by the Grantor at the cash consideration of HK\$550,000. The exercise period of the Call Option was from the date of the Agreement to 31 July 2019. Brighten Int’l is the holding company of Brighten Management Limited (“**Brighten Management**”).

Pursuant to the Agreement, the Grantor acquired certain promissory notes in the principal amount of HK\$20,000,000 from Brighten Management at the consideration of HK\$39,000,000 which was settled by the balance of HK\$39,000,000 due from Brighten Int’l and its subsidiaries (the “**Brighten Group**”) to the Grantor. The difference between the principal amount of the promissory notes and the consideration was HK\$19,000,000, and the portion of HK\$8,550,000 shared by the non-controlling interests of Brighten Int’l was regarded as the deemed distribution to those non-controlling interests. Details of the Agreement are set out in the Company’s announcement dated 20 February 2019.

Notes to the Condensed Consolidated Interim Financial Statements

11. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

On 27 March 2019, the Group further entered into a conditional sale and purchase agreement (the “SPA”) with another independent third party (the “**Second Purchaser**”). Pursuant to the further SPA, the Group would dispose of the Sale Shares to the Second Purchaser at the cash consideration of HK\$440,000 upon the lapse of the Call Option. Details of the SPA are set out in the Company’s announcement dated 27 March 2019.

On the above basis, the respective assets and liabilities of Brighten Group were presented as held for sale in the Group’s consolidated statement of financial position as at 31 March 2019.

The Brighten Group operated in the financial services and securities trading segments.

The major classes of assets and liabilities of the Brighten Group classified as held for sale as at 31 March 2019 were as follows:

| | As at 31 March 2019 (Audited) HK\$’000 |
|---|---|
| Furniture and equipment | 1,224 |
| Promissory notes receivable | 128,897 |
| Financial assets at FVTPL | 20,860 |
| Financial assets at FVOCI | 766 |
| Other receivables, deposits and prepayments | 45,200 |
| Cash and cash equivalents | 13,357 |
| | <hr/> |
| Assets of disposal group held for sale | 210,304 |
| | <hr/> |
| Other payables and accruals | 9,381 |
| Borrowings | 11,200 |
| Promissory notes payable | 201,007 |
| | <hr/> |
| Liabilities of disposal group held for sale | 221,588 |
| | <hr/> |
| Net liabilities of disposal group held for sale | 11,284 |
| | <hr/> |

Notes to the Condensed Consolidated Interim Financial Statements

12. GAIN ON DISPOSAL OF SUBSIDIARIES

Refer to note 11, the First Purchaser exercised the Call Option on 29 July 2019 and the Agreement was completed on 31 July 2019 (the “**Completion Date**”). Accordingly, the SPA lapsed on 31 July 2019.

The major classes of assets and liabilities of the Brighten Group as at the Completion Date were as follows:

| | As at 31 July 2019 (Unaudited) HK\$'000 |
|---|--|
| Net liabilities disposed of: | |
| Property, plant and equipment | 3,831 |
| Promissory notes receivable | 151,179 |
| Financial assets at FVTPL | 18,654 |
| Financial assets at FVOCI | 766 |
| Amounts due from fellow subsidiaries | 715 |
| Other receivables, deposits and prepayments | 40,923 |
| Cash and cash equivalents | 5,028 |
| Promissory notes payable | (197,389) |
| Borrowings | (11,200) |
| Lease liability | (2,782) |
| Amounts due to immediate holding company | (632) |
| Other payables and accruals | (10,375) |
| | <u>(1,282)</u> |
| Gain on disposal of subsidiaries: | |
| Cash consideration received | 550 |
| Net liabilities (attributable to the owners of the Company) disposed of | 705 |
| | <u>1,255</u> |
| Analysis of net cash flow on disposal: | |
| Cash consideration received | 550 |
| Cash and cash equivalents disposed of | (5,028) |
| | <u>(4,478)</u> |

Notes to the Condensed Consolidated Interim Financial Statements

13. ACCOUNTS PAYABLE

Accounts payable in relation to securities dealing and broking 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 broking services.

As at 30 September 2019, accounts payable were interest bearing at the bank deposit savings rate (31 March 2019: bank deposit savings 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 are as follows:

| | As at 30 September 2019 (Unaudited) HK\$'000 | As at 31 March 2019 (Audited) HK\$'000 |
|------------------------------|---|---|
| United States dollar ("USD") | 5,654 | 32,013 |
| New Taiwanese dollar ("NTD") | 5,090 | 3,496 |
| Renminbi ("RMB") | 461 | 531 |

14. OPERATING LEASES

The Group as lessee

At the end of the Review Period, the Group had commitments for short-term leases (31 March 2019: total future minimum lease payments under non-cancellable operating leases) in respect of the office properties that fall due as follows:

| | As at 30 September 2019 (Unaudited) HK\$'000 | As at 31 March 2019 (Audited) HK\$'000 |
|---|---|---|
| In the first year | 139 | 7,990 |
| In the second to fifth years, inclusive | – | 10,356 |
| | 139 | 18,346 |

As at 30 September 2019, the Group's leases in respect of office properties with a lease period of one year or remaining lease period less than 12 months upon initial recognition of HKFRS 16 which are qualified to be accounted for under short term leases exemption under HKFRS 16.

Notes to the Condensed Consolidated Interim Financial Statements

15. SHARE-BASED PAYMENT TRANSACTION

The Company has a share option scheme which was adopted on 21 September 2012 and refreshed on 15 September 2017 (the “**Share Option Scheme**”). On 16 May 2019, the Company granted share options (the “**Share Options**”) to certain employees and a consultant of the Group (the “**Grantees**”) under the Share Option Scheme. The Share Options were vested immediately upon the date of grant and then exercisable within a period of three years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

All share-based compensation will be settled in equity when they are exercised. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company’s ordinary shares. Payment of HK\$1.00 was made by each of the Grantees upon acceptance of the Share Option. The options carry neither rights to dividends nor voting rights.

The movement of the Share Options for the Review Period are as follows:

| | Six months ended 30 September 2019 Number ’000 |
|-----------------------------|---|
| Outstanding at 1 April | – |
| Granted | 455,000 |
| Lapsed | (1,450) |
| Outstanding at 30 September | 453,550 |
| Exercisable at 30 September | 453,550 |

Notes to the Condensed Consolidated Interim Financial Statements

15. SHARE-BASED PAYMENT TRANSACTION *(Continued)*

The fair value of Share Options was determined using the Binomial Options Pricing Model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

| | Six months ended 30 September 2019 |
|---------------------------------|---------------------------------------|
| Share price at date of grant | HK\$0.083 |
| Expected volatility | 53% - 68% |
| Expected option life | 0.9 - 3 years |
| Dividend yield | 1.7% |
| Risk-free interest rate | 1.65% - 1.8% |
| Exercise price at date of grant | HK\$0.083 |

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of Share Options. Expectations of early exercise were incorporated into the Binomial Options Pricing Model. No special features pertinent to the options granted were incorporated into measurement of fair value.

In total, HK\$11,300,000 of share-based payment has been recognized in profit or loss for the six months ended 30 September 2019 and the corresponding amount of which has been credited share option reserve. No liabilities were recognized due to share-based payment transactions.

16. CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no material contingent liabilities.

Management Discussion and Analysis

RESULTS

During the Review Period, the turnover of the Group was HK\$98,098,000 as compared to HK\$108,013,000 for the corresponding period in 2018, while the loss attributable to the owners of the Company was HK\$29,611,000 as compared to the loss of HK\$39,154,000 for the corresponding period in 2018.

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, Ever-Long Research 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).

The Group is eligible to offer brokerage services in the trading of shares of the Shanghai and Shenzhen Stock Connects. Following the interaction of the Hong Kong stock market with the mainland stock markets, we expect that the Hong Kong stock market will continue to be volatile in the future. To accommodate to our clients' needs, we have launched our futures brokerage service that provides our clients a useful tool for hedging their risks in the equity market so as to mitigate their exposure to market risks. Furthermore, with respect to our futures brokerage service, to cater to our clients' growing interest in investing in global financial products, in addition to the provision of stock broking service for subscription of shares that are listed in Australia, Canada, Euronext Exchange, Germany, the United Kingdom, the United States and most of the other Asian markets, we have also managed to extend our futures broking service to allow our clients to make investments in futures products of major overseas markets. Thanks to the continuous enhancement of our value added services, during the Review Period, we have attracted new clients for our financial services business.

In light of the recent social unrest in Hong Kong and the protracted China-US trade tension which have both affected the market sentiment, we have changed the way of our operation by adopting a conservative strategy for our brokerage financing business. Also, to minimize the Group's market risks, the Group has enhanced its credit controls over the margin ratio for brokerage loans, which helped to maintain a healthy loan portfolio. As a result of the stringent credit policy that the Group has adopted, the overall loan balance under the brokerage financing business declined for the Review Period. As at 30 September 2019, the total balance of accounts and loans receivable under the brokerage business was HK\$33,036,000.

Management Discussion and Analysis

REVIEW OF OPERATIONS *(Continued)*

- **Mortgage financing**

During the Review Period, the demand for mortgage loans remained strong, and this gave rise to new business opportunities for growing our loan portfolio. However, the outbreak of the social unrest in the territory has created economic uncertainty in the property market, and this posed as a challenge to our mortgage financing business. As such, we have continued to stick to our prudent and cautious approach toward our mortgage financing business development during the Review Period. As at 30 September 2019, the consolidated loan portfolio under the mortgage financing segment of the Group was approximately HK\$136,339,000, representing a slight increase as compared to that at 31 March 2019. The income for the mortgage financing business was HK\$11,382,000 for the Review Period.

In addition to the guidelines for the money lending business issued in November 2016, the SAR government imposed additional licensing conditions in September 2018 to require money lenders to comply with the “Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Licensed Money Lenders”. We have fulfilled the applicable guidelines. Thanks to our strict compliance with the relevant ordinance and guidelines, and our effective internal control policies, we continued to maintain a track record of immaterial bad debts provision during the Review Period.

- **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 has been completed and the occupation permit was obtained in April 2019. The interior decoration work has been carrying out for this property. In addition, the Group holds a residential property in Sai Kung. As at 30 September 2019, the combined carrying value of the Group’s investment properties was approximately HK\$367,825,000.

- **Securities trading**

As at 30 September 2019, the Group held a portfolio of listed securities investments consisting of 16 securities, which were engaged in the sectors of (i) natural resources; (ii) consumer goods; (iii) banks; (iv) information technology; (v) consumer services; and (vi) others. During the Review Period, the investment portfolio recorded an aggregate net unrealized loss of approximately HK\$8,773,000. Out of those net unrealized losses, approximately 66% was attributable to the Group’s investment in a natural resources company (the “**Resources Company**”).

The Resources Company is listed on the Main Board of the Stock Exchange. The Resources Company was principally engaged in the coalbed methane exploration and development as well as the sale of electronic components and treasury. The decline in the share price of the Resources Company during 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, we believe that the business in which the Resources Company is mainly engaged in will have positive prospects in the global market.

Management Discussion and Analysis

PROSPECTS

The outlook of the Hong Kong economy is dependent on the continued China-US trade dispute as well as the recent political and social unrest in Hong Kong. However, to deal with the possibility of a downturn in the global economy, many central banks around the world have already started to cut interest rates, and Hong Kong may benefit from such a low-interest environment. In China, the central government has rolled out a number of measures to support its economic development, including the loosening of its reserve requirement ratio. Also, as a result of the tax and fee deduction policies implemented by the central government to stimulate the economic activities in the PRC, the GDP of mainland China maintained its steady growth. We believe that Hong Kong will benefit from the economic growth of mainland China due to its geographical proximity to mainland China. Moreover, we expect that Hong Kong will be able to recover quickly once the social upheaval comes to an end. In addition, China and the United States have reached a tentative agreement for the first phase of their trade deal, which has loosened the trade tension between them, and this has been regarded as a positive sign for the Hong Kong economy.

MSCI has proceeded to increase the weighting of China A-shares in the MSCI Indexes by increasing the inclusion factor from its initial level of 5% to the new level of 20% in three steps, and it is expected that the international fund flow into China A-shares via the stock connects will increase. The Group is an eligible participant of the stock connects so that clients can use our stock broking service to invest in the shares of the Shanghai and Shenzhen Stock Exchanges. The increase of the inclusion factor is expected to benefit the Group's stock broking and margin financing businesses. Also, due to the volatility of the Chinese stock markets, investors who trade in China A-shares would need a hedging tool to manage the relevant risks. To facilitate clients' decision making in investments, the Group is now ready to offer its clients opportunities to buy index futures products to match their hedging needs.

As for the Group's brokerage business, we shall continue to provide our clients greater flexibility in making investments in stocks by offering clients attractive margin interest rates as well as financial products from various overseas stock markets. In respect of our corporate finance services, we have obtained the SFC's approval to permit us to provide financial advisory on takeovers and mergers transactions. By leveraging our professional teams of corporate finance services, we believe our provision of financial advisory on takeovers and mergers deals will generate synergy with our existing financial advisor services, compliance adviser and sponsor service.

Following the possible end of the interest rate hike cycle in the US, interest rates in Hong Kong are expected to remain low for a period of time. This would benefit the valuations of the Group's investment properties. 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 utilize financial resources in effective ways to maintain our profitability. However, in view of the growing concerns about rocketing property prices, we will continue to strengthen our credit policy 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.

Management Discussion and Analysis

FINANCIAL REVIEW ON LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2019, the Group's net asset value was approximately HK\$536,267,000 (31 March 2019: approximately HK\$548,510,000) and cash at bank and in hand totaled approximately HK\$67,192,000 (31 March 2019: HK\$112,372,000) of which approximately 85.64% was held in Hong Kong dollar, approximately 7.43% in US dollar, approximately 4.68% in Renminbi and approximately 2.25% in New Taiwanese dollar.

As at 30 September 2019, the Group's external financing, including borrowings, promissory notes payable and a bond payable, amounted to approximately HK\$176,000,000 (31 March 2019: HK\$200,068,000) of which approximately HK\$160,743,000 (31 March 2019: HK\$184,412,000) were repayable within one year. All of the borrowings were denominated in Hong Kong dollar. During the Review Period, the interest rates for the bank loans were charged (i) on a monthly basis at the rate of 2.75% below the prime rate per annum for Hong Kong dollars quoted by the bank; and (ii) on a quarterly basis at the rates of 2.875% per annum and 3.05% per annum over the 3-month Hong Kong Interbank Offered Rate. The other loans bore interest at the fixed rate of 10% per annum. For the promissory notes issued by the Group, the interest rate was charged at 8% per annum. The bond payable bore interest at the fixed rate of 8% per annum. The gearing ratio, being the ratio of total external financing to shareholders' fund, was about 0.33 (31 March 2019: 0.36).

As at 30 September 2019, investment properties with a total market value of approximately HK\$367,825,000 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 the customer is determined based on these factors. Generally, margin loans will be demanded for repayment once a customer fails to maintain the maintenance margin or fails to repay the margin loans 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.

Management Discussion and Analysis

OPERATIONAL RISK

The Group has put in place effective internal control systems for its operations. Under the financial services 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 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 | 9 |
| Type 2 | Dealing in futures contracts | 4 |
| Type 4 | Advising on securities | 5 |
| Type 6 | Advising on corporate finance | 6 |
| Type 9 | Asset management | 2 |

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 the Review Period, we have properly managed a total securities trading turnover of approximately HK\$1.2 billion under the securities brokerage business.

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\$136,339,000 as at 30 September 2019 and the operation had complied with the Money Lenders Ordinance and the applicable guidelines.

INTEREST RATE RISK

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

LIQUIDITY RISK

The Group's policy is to regularly assess the current and expected liquidity requirements of the Group and ensure that the Group maintains reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. As at 30 September 2019, the amount of undrawn banking facilities of the Group was approximately HK\$777,000.

Management Discussion and Analysis

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 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 the exchange rate peg between the Hong Kong dollar and US dollar, and the immaterial balance of assets and liabilities denominated in New Taiwanese dollar or Renminbi when compared to the Group's total assets or liabilities, the Group considers its foreign exchange risk immaterial for the Review Period. It is the Group's treasury policy to manage its foreign currency exposure to minimize any material financial impact to the Group.

STAFF

As at 30 September 2019, the Group had 89 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 appraisals and other relevant factors. The Group also maintains certain staff benefit plans including medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

Directors' Information

INTERESTS IN SECURITIES

As at 30 September 2019, 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 as set out in Appendix 10 to the Listing Rules (the “**Model Code**”).

CHANGES IN BIOGRAPHICAL DETAILS

In addition to the information as disclosed in the annual report for the year ended 31 March 2019, the Company would like to update that Mr. Lo Tsz Fung Philip (“**Mr. Lo**”), an independent non-executive Director (“**INED**”) of the Company, has been appointed as an executive director, the company secretary, authorised representative and chief financial officer of International Standard Resources Holdings Limited, a company listed on the Main Board of the Stock Exchange since 11 September 2019. Mr. Lo is also the director and listing executive of Great Vision Capital Limited which is a listing advisor approved by the Dutch Caribbean Securities Exchange.

Substantial Shareholders

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, as at 30 September 2019, the Company had been notified of the following interests in the Company:

| | Number of ordinary shares | Underlying shares | Total | Percentage |
|---|------------------------------|----------------------|---------------|------------|
| Mr. Cheung Chi Shing ("Mr. Cheung") (note 1) | 1,148,428,437 | 155,020,000 | 1,303,448,437 | 24.22% |
| Ms. Yeung Han Yi Yvonne ("Ms. Yeung") (note 1) | 1,148,428,437 | 155,020,000 | 1,303,448,437 | 24.22% |
| Mr. Cheung Hoo Yin ("Mr. Hooyin Cheung") (note 2) | 269,558,209 | 53,911,641 | 323,469,850 | 6.01% |

Note:

1. Mr. Cheung is the spouse of Ms. Yeung. Mr. Cheung and Ms. Yeung directly held 934,569,673 and 152,496,120 ordinary shares and/or underlying shares of the Company respectively. They were also deemed to have interest in 216,382,644 ordinary shares and/or underlying shares held by K.Y. Limited ("KY"). KY is a wholly owned subsidiary of Kenvonnia Holdings Limited, which was in turn held equally by Mr. Cheung and Ms. Yeung.
2. 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 2019, 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 complied with the code provisions in the Corporate Governance Code contained in Appendix 14 of the Listing Rules except that two INEDs, one of whom also 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 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 the Share Option Scheme which enables the Company to grant options to the participants in recognition of their contributions to the Group. Pursuant to the Share Option 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 Share Option 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 Share Option 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 Share Option Scheme, there were 455,000,000 options granted during the Review Period.

The following table discloses the movements in the share options of the Company during the Review Period.

| Category of participants | Date of Grant | Number of share options | | | | | Exercise period | Exercise price HK\$ | Average closing price for five business days preceding the date of grant HK\$ |
|--------------------------|---------------|-------------------------|---------------------------|-----------------------------|---------------------------------------|----------------------|----------------------------|---------------------|---|
| | | At 1 April 2019 | Granted during the period | Exercised during the period | Lapsed or cancelled during the period | At 30 September 2019 | | | |
| Employees | 16 May 2019 | – | 407,000,000 | – | 1,450,000 | 405,550,000 | 16 May 2019 to 16 May 2022 | 0.083 | 0.083 |
| Consultant | 16 May 2019 | – | 48,000,000 | – | – | 48,000,000 | 16 May 2019 to 16 May 2022 | 0.083 | 0.083 |
| | | | 455,000,000 | – | 1,450,000 | 453,550,000 | | | |

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 | |
|--------------------------|----------------------------------|---------------------------------|
| | 2019 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 |
| Short-term benefits | 1,786 | 1,688 |
| Post-employment benefits | 41 | 40 |
| | 1,827 | 1,728 |

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.

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

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2019 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 |
| Interest paid to Mr. Cheung (<i>note 1</i>) | 217 | 325 |
| Interest paid to Ms. Cheung Lok Chi (" Ms. Cheung ") (<i>note 2</i>) | 27 | 40 |
| Interest paid to Elfie Limited (<i>note 2</i>) | 40 | 60 |
| Consultancy fee paid to Mr. Ng Yiu Chuen (" Mr. Ng ") (<i>note 3</i>) | 120 | 180 |
| Commission paid to Mr. Ng | 92 | — |
| Commission paid to Mr. Woo Peter Ping (" Mr. Woo ") (<i>note 7</i>) | 100 | 315 |
| Interest paid to Ms. Cheng Chui Shan Phyllis (" Ms. Cheng ") (<i>note 4</i>) | 137 | 68 |
| Interest paid to Ms. Ng Kai Ning (" Ms. Ng ") (<i>note 5</i>) | 81 | 86 |
| Interest paid to Ms. Mak Yin Fun (" Ms. Mak ") (<i>note 6</i>) | — | 10 |
| Interest paid to Mr. So Han Meng Julian (" Mr. So ") (<i>note 7</i>) | — | 52 |
| Interest paid to Fintech Pte Limited (" Fintech ") (<i>notes 7 & 8</i>) | — | 543 |
| Interest paid to Hatton Investments Limited (" Hatton ") (<i>notes 7 & 9</i>) | — | 34 |
| Interest paid to Ms. Inez Lee (" Ms. Lee ") (<i>notes 7 & 10</i>) | 117 | 550 |
| Interest received from Mr. Lau Bing Lam (" Mr. Lau ") (<i>note 11</i>) | 9 | 16 |

Related Party Transactions

- Note 1: Mr. Cheung, a substantial shareholder of the Company, is the father of Mr. Cheung Hoo Win (“**Hoowin Cheung**”), an executive Director and the Chief Executive Officer of the Company.
- Note 2: Elfie Limited is beneficially owned by Mr. Cheung and Ms. Yeung. The directors of Elfie Limited are Mr. Hoowin Cheung, Ms. Cheung and Mr. Hooyin Cheung. Ms. Cheung is the daughter of Mr. Cheung and Ms. Yeung.
- Note 3: Mr. Ng is an executive Director of the Company. The payments were made by Brighten Group. As such, the amount was related to the payments for the period from 1 April 2019 to the date of disposal of Brighten Group, i.e. 31 July 2019.
- Note 4: Ms. Cheng is the wife of Mr. Ng.
- Note 5: Ms. Ng is the daughter of Mr. Ng.
- Note 6: Ms. Mak is the mother of Ms. Mak Kit Ping, an executive director of the Company.
- Note 7: The consolidated accounts of the Brighten Group were deconsolidated upon the disposal of the Brighten Group on 31 July 2019, and the payments (if any) to Mr. Woo and Mr. So and their respective associates (see notes 8, 9 & 10) were for the period from 1 April 2019 to 31 July 2019. At the time of disposal, Mr. Woo and Mr. So were the substantial shareholders of Brighten Group, and Mr. Woo was a director of all the Brighten Group companies while Mr. So was a director for only one company in the Brighten Group.
- Note 8: Mr. Woo and Mr. So are shareholders of Fintech.
- Note 9: Hatton is a company controlled by Mr. Woo.
- Note 10: Ms. Lee is the wife of Mr. Woo.
- Note 11: Mr. Lau is the father-in-law of Mr. Tang Kwan Chung, who is a director of certain subsidiaries of the Group.

Related Party Transactions

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

| | As at 30 September 2019 (Unaudited) HK\$'000 | As at 31 March 2019 (Audited) HK\$'000 |
|---|--|--|
| Accounts payable (<i>note 1</i>): | | |
| Amount due to Mr. Cheung | 497 | 3,172 |
| Amount due to Ms. Yeung | 332 | 332 |
| Amount due to K.Y. Limited ("KY") (<i>note 2</i>) | 7 | 7 |
| Amount due to Mr. Hoowin Cheung | 2,671 | 2,671 |
| Amount due to Ms. Cheung | 1,280 | 1,422 |
| Amount due to Mr. Hooyin Cheung | 273 | 185 |
| Amount due to Ms. Mak | – | 52 |
| Accounts receivable: | | |
| Amount due from Mr. Lau | 247 | 672 |
| Amount due from Ms. Lee (<i>note 3</i>) | n/a | 715 |
| Promissory notes receivable: | | |
| Amount due from Fast LP (<i>note 3</i>) | n/a | 2,900 |
| Promissory notes payable (<i>note 4</i>): | | |
| Amount due to Mr. Cheung | – | 26,500 |
| Amount due to Elfie Limited | – | 28,900 |
| Amount due to Ms. Cheung | – | 1,600 |
| Amount due to Ms. Cheng | 1,200 | 4,820 |
| Amount due to Ms. Ng | 2,020 | 2,020 |
| Amount due to Ms. Lee (<i>note 3</i>) | n/a | 10,000 |

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

Note 2: Mr. Cheung and Ms. Yeung are the directors of KY.

Note 3: The consolidated accounts of the Brighten Group were deconsolidated upon the disposal of the Brighten Group on 31 July 2019, and the Group no longer maintained a balance with the relevant related party.

Note 4: The interest rate for the promissory notes payable is 8% (31 March 2019: at the range from 5% to 8%) per annum and repayable within one year.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Bonus Issue of Warrants

On 15 August 2018, the Board proposed an issue of bonus warrants to the shareholders on the basis of 1 warrant for every 5 shares (the “**Bonus Issue of Warrants**”). For details on the Bonus Issue of Warrants, please refer to the announcement of the Company dated 15 August 2018 (the “**Announcement**”). On 24 September 2018, the shareholders approved the Bonus Issue of Warrants, pursuant to which 989,226,416 warrants were issued. The initial subscription price was HK\$0.01 per share and the subscription period was from 6 November 2018 to 5 November 2019 (both days inclusive). Full exercise of the subscription rights attaching to the 989,226,416 warrants would result in the issue of 989,226,416 new shares. Details of the exercise of Bonus Issue of Warrants are set out as follows:

| | Number of warrants | Amount HK\$'000 |
|--|--------------------|-----------------|
| Number of warrants issued | 989,226,416 | 9,892 |
| Warrants exercised during the year ended 31 March 2019 | (148,931,567) | (1,489) |
| At 1 April 2019 | 840,294,849 | 8,403 |
| Warrants exercised during the Review Period | (286,664,415) | (2,866) |
| At 30 September 2019 | 553,630,434 | 5,537 |

As disclosed in the Announcement, the Group would apply any subscription monies received as and when subscription rights were exercised (the “**Subscription Monies**”) towards the general working capital of the Group. As at 30 September 2019, approximately HK\$1,403,000 of the Subscription Monies were used as general working capital of the Group.

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, 25 November 2019



大凌集團有限公司
STYLAND HOLDINGS LIMITED

(股份代號 Stock Code: 0211)

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