STYLAND HOLDINGS LIMITED

大凌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 211)

(Warrant Code: 1435)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

		Six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'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)

* *For identification purposes only*

	Note	Six months ended 30 September 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
(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)
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

	Note	At 30 September 2019 (Unaudited) *HK$'000*	At 31 March 2019 (Audited) *HK$'000*
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

	Note	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

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" replaces 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.

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

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 leases 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.

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.

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.

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.

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.

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)

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 *(note)*	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.

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 *(note)*	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.

3. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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 leases 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 an interim dividend for the Review Period (2018: nil).

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

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 impairment) 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)	As at 31 March 2019 (Audited)
	HK$'000	*HK$'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)	As at 31 March 2019 (Audited)
	HK$'000	*HK$'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

9. PROMISSORY NOTES RECEIVABLE

	As at 30 September 2019 (Unaudited)	As at 31 March 2019 (Audited)
	HK$'000	*HK$'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.

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
Assets of disposal group held for sale	210,304
Other payables and accruals	9,381
Borrowings	11,200
Promissory notes payable	201,007
Liabilities of disposal group held for sale	221,588
Net liabilities of disposal group held for sale	11,284

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)
	(1,282)
Gain on disposal of subsidiaries:	
Cash consideration received	550
Net liabilities (attributable to the owners of the Company) disposed of	705
	1,255
Analysis of net cash flow on disposal:	
Net cash consideration received	550
Cash and cash equivalents disposed of	(5,028)
	(4,478)

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)	As at 31 March 2019 (Audited)
	HK$'000	*HK$'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)	As at 31 March 2019 (Audited)
	HK$'000	*HK$'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.

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 Options. The options carry neither rights to dividends nor voting rights.

The movement of 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**

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.

- **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 (the "**Fei Ngo Shan Property**") 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.

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.

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 rates were 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.

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.

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.

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

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

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

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

As at the date of this announcement, the executive Directors are Mr. Cheung Hoo Win, Mr. Ng Yiu Chuen, Ms. Mak Kit Ping, Ms. Zhang Yuyan and Ms. Chen Lili and the INEDs are Mr. Zhao Qingji, Mr. Yeung Shun Kee, Mr. Li Hancheng, Mr. Lo Tsz Fung Philip and Mr. Lee Kwok Yin Denthur.