

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



STYLAND HOLDINGS LIMITED

大凌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 211)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board of directors (the “**Directors**” or the “**Board**”) of Styland Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020 (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	
		2020	2019
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
TURNOVER		116,268	98,098
Revenue	3	19,416	31,772
Costs of brokerage services		(1,476)	(2,045)
Other income		2,039	21,920
Administrative expenses	4	(31,714)	(61,856)
Selling and distribution costs		(2,514)	(2,489)
Change in fair value of financial assets at fair value through profit or loss (“ FVTPL ”)		(508)	(8,773)
Gain/(loss) on disposal of financial assets at FVTPL		513	(652)
Expected credit loss (“ ECL ”) recognized in respect of loan receivables		(1,951)	(226)
ECL recognized in respect of accounts receivable		(824)	(87)
Reversal of ECL recognized in respect of loan receivables		4,484	1,555
Reversal of ECL recognized in respect of accounts receivable		525	4,417
Bad debts written-off		–	(1,951)
Gain on disposal of subsidiaries		–	1,255
Finance costs		(2,723)	(9,803)

* For identification purposes only

		Six months ended	
		30 September	
		2020	2019
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
LOSS BEFORE INCOME TAX	5	(14,733)	(26,963)
Income tax expenses	6	<u>—</u>	<u>(24)</u>
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		<u>(14,733)</u>	<u>(26,987)</u>
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO			
— Owners of the Company		(14,733)	(29,611)
— Non-controlling interests		<u>—</u>	<u>2,624</u>
		<u>(14,733)</u>	<u>(26,987)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD			
Basic and diluted loss per share	8	<u>(HK\$0.023)</u>	<u>(Restated) (HK\$0.056)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		33,569	30,462
Investment properties		358,338	353,000
Intangible asset		–	–
Financial asset at FVTPL		6,243	6,323
Loan receivables	9	40,289	48,254
		438,439	438,039
CURRENT ASSETS			
Loan receivables	9	177,029	148,940
Accounts receivable	10	120,037	13,964
Promissory note receivables	11	–	250
Other receivables, deposits and prepayments		10,622	11,168
Financial assets at fair value through other comprehensive income (“FVOCI”)		–	–
Financial assets at FVTPL		12,211	32,596
Tax recoverable		24	–
Client trust funds		63,003	56,854
Cash and cash equivalents		124,787	53,308
		507,713	317,080
TOTAL ASSETS		946,152	755,119
CURRENT LIABILITIES			
Accounts payable	12	198,813	60,584
Contract liabilities		2,125	2,125
Other payables and accruals		4,610	10,115
Promissory note payables		42,900	16,020
Loans		175,273	156,190
Bond payable		2,000	2,000
Lease liabilities		6,350	5,627
Tax payable		–	16
		432,071	252,677
NET CURRENT ASSETS		75,642	64,403
TOTAL ASSETS LESS CURRENT LIABILITIES		514,081	502,442

		At 30 September 2020 (Unaudited) <i>HK\$'000</i>	At 31 March 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		1,458	3,208
Convertible bonds	<i>13</i>	20,859	–
		<u>22,317</u>	<u>3,208</u>
NET ASSETS		<u>491,764</u>	<u>499,234</u>
EQUITY			
Share capital	<i>15</i>	63,948	59,125
Reserves		427,816	440,109
TOTAL EQUITY		<u>491,764</u>	<u>499,234</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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 with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

2. ADOPTION OF NEW OR AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 April 2020

The condensed consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with the accounting policies adopted in the Group’s annual financial statements for the year ended 31 March 2020, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective as of 1 April 2020. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

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

The adoption of 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.

Issued but not yet effective HKFRSs

At the date of authorisation of these condensed consolidated interim financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 1	Classification of liabilities as current or non-current ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ³

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

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective date not yet determined

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

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

3. REVENUE AND SEGMENT INFORMATION

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

- the financial services segment provides securities and futures dealing, brokerage financing, corporate finance, asset management and other financing services;
- the mortgage financing segment provides corporate and personal 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.

Revenue

The Company acts as an investment holding company. The principal activities of its subsidiaries are provision of financial services, mortgage financing, property development and investment and securities trading. Details of the Group's revenue are analysed as follows:

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees and commission income from brokerage and corporate finance	4,876	6,552
Interest income from margin and other financing	3,680	13,317
Interest income from mortgage financing	10,459	11,382
Dividend income	401	521
	<hr/>	<hr/>
Total revenue	<u>19,416</u>	<u>31,772</u>

During the Review Period, the Group derived revenue recognized over time and at a point in time from its fees and commission income from brokerage and corporate finance as follows:

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Timing of revenue recognition		
— At a point in time	4,425	3,326
— Over time	451	3,226
	<hr/>	<hr/>
	<u>4,876</u>	<u>6,552</u>

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 2020 and the corresponding period in 2019 respectively:

For the six months ended 30 September 2020

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
Revenue from external customers	8,556	10,459	-	401	-	19,416
Inter-segment revenue	229	-	-	-	(229)	-
	<u>8,785</u>	<u>10,459</u>	<u>-</u>	<u>401</u>	<u>(229)</u>	<u>19,416</u>
Segment results	(11,962)	8,586	(651)	90	-	(3,937)
Unallocated income						77
Unallocated expenses						<u>(10,873)</u>
Loss before income tax						<u><u>(14,733)</u></u>

For the six months ended 30 September 2019

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

Other segment information

For the six months ended 30 September 2020

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measurement of segment profit or loss or segment assets:						
Change in fair value of financial assets at FVTPL	-	-	-	(508)	-	(508)
Gain on disposal of financial assets at FVTPL	-	-	-	513	-	513
ECL recognized in respect of loan receivables	(901)	(1,050)	-	-	-	(1,951)
ECL recognized in respect of accounts receivable	(824)	-	-	-	-	(824)
ECL recognized in respect of other receivables	-	(77)	-	-	-	(77)
Reversal of ECL recognized in respect of loan receivables	814	3,670	-	-	-	4,484
Reversal of ECL recognized in respect of accounts receivable	525	-	-	-	-	525
Reversal of ECL recognized in respect of other receivables	-	320	-	-	-	320
Depreciation — owned assets	(398)	(14)	(98)	-	(74)	(584)
Depreciation — right-of-use assets	(2,390)	(139)	-	-	(648)	(3,177)
Loss on disposal of property, plant and equipment	(31)	-	-	-	(29)	(60)
(Loss)/gain on exchange difference, net	(53)	-	28	1	41	17
Additions to non-current assets (<i>note</i>)	20	-	8,810	-	2,849	11,679
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	-	-	-	-	77	77
Finance costs	(142)	(10)	-	-	(2,571)	(2,723)

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

For the six months ended 30 September 2019

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measurement of segment profit or loss or segment assets:						
Change in fair value of financial assets at 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 debt 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 the financial asset at FVTPL.

4. ADMINISTRATIVE EXPENSES

For the six months ended 30 September 2019, it included (i) the administrative expenses attributable to Brighten Int'l Holdings Limited and its subsidiaries (the “Brighten Group”), which were disposed by the Group on 31 July 2019. For more details of the disposal of the Brighten Group, please refer to notes 27 and 28 to the consolidated financial statements of the Company for the year ended 31 March 2020; and (ii) the share-based payment expenses for the share options granted by the Company on 16 May 2019, which was recognized as administrative expenses only for the six months ended 30 September 2019. For more details of the grant of share options, please refer to note 35 to the consolidated financial statements of the Company for the year ended 31 March 2020. The Group no longer recorded such administrative expenses for the Review Period.

5. LOSS BEFORE INCOME TAX

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation		
— owned assets	584	1,189
— right-of-use assets	3,177	3,312
Loss on disposal of property, plant and equipment	60	—
Lease charges for short-term lease and lease with remaining lease term shorter than 12 months as of initial application of HKFRS16	108	329
Staff costs		
— salaries, allowances and other benefits (including retirement benefit scheme contributions) (note)	17,000	26,999
— share-based payment expenses	—	10,332
	<u> </u>	<u> </u>

Note: For the Review Period, the staff costs no longer included the salaries, allowances and other benefits that were attributable to the Brighten Group, which was disposed by the Group on 31 July 2019. In addition, the Group has obtained the benefits from the government’s Employment Support Scheme during the Review Period.

6. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements for the Review Period as the Company and its subsidiaries either had available losses brought forward from prior periods to offset the assessable profits generated during the Review Period or did not generate any assessable profits arising in Hong Kong during the Review Period.

For the six months ended 30 September 2019, Hong Kong profits tax was calculated at a flat rate of 16.5%.

A subsidiary of the Group is a qualifying corporation under the two-tiered profits tax rates regime.

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

7. DIVIDENDS

The Board resolved to recommend a payment of interim dividend of HK\$72.5 for every board lot (10,000 shares), equivalent to HK0.725 cents per share, with a scrip alternative (2019: nil). The scheduled dividend payment date is 22 January 2021.

For determination of the shareholders' entitlements to the proposed interim dividend, the register of members of the Company will be closed from 10 to 11 December 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9 December 2020.

8. LOSS PER SHARE

The calculation of basic loss per share was based on the loss for the Review Period attributable to the owners of the Company of HK\$14,733,000 (2019: HK\$29,611,000) and the weighted average number of 632,161,487 ordinary shares (2019 (restated): 529,032,034 ordinary shares as adjusted for the Share Consolidation (as defined in note 15)) in issue for the Review Period.

Diluted losses per share for the Review Period and for the six months ended 30 September 2019 were the same as their respective basic losses per share. The computation of diluted losses per share had not assumed the exercise of subscription rights attaching to the outstanding warrants, the exercise of share options or conversion of convertible bonds for the reasons that the exercise or conversion would result in a decrease in loss per share or the exercise price exceeded the average market price of the shares during the Review Period (as the case may be).

9. LOAN RECEIVABLES

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Securities dealing and brokerage services:		
— Secured margin loans	71,246	24,452
Less: ECL allowance	<u>(3,152)</u>	<u>(3,066)</u>
	68,094	21,386
Financing business:		
— Secured mortgage loans	137,589	126,677
— Secured loans	2,941	44,553
— Unsecured loans	18,908	17,411
Less: ECL allowance	<u>(10,214)</u>	<u>(12,833)</u>
	149,224	175,808
	217,318	197,194
The Group's loan receivables (net of ECL allowance) were analysed into:		
— Non-current assets	40,289	48,254
— Current assets	<u>177,029</u>	<u>148,940</u>
	217,318	197,194

There were no significant movements in the impairment of loan receivables during the Review Period. The balance of loan receivables included the unsettled financial assistances to clients for their applications for the initial public offerings (the “**IPOs**”) that still went on as at 30 September 2020.

For the mortgage financing business, the net balance of loans (net of ECL allowance) was HK\$135,381,000 at 30 September 2020 (31 March 2020: HK\$121,201,000).

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

	As at 30 September 2020 (Unaudited) <i>HK\$’000</i>	As at 31 March 2020 (Audited) <i>HK\$’000</i>
On demand or within 1 year	108,935	127,554
In more than 1 year but not more than 5 years	9,609	11,879
Over 5 years	30,680	36,375
	<u>149,224</u>	<u>175,808</u>

10. ACCOUNTS RECEIVABLE

	As at 30 September 2020 (Unaudited) <i>HK\$’000</i>	As at 31 March 2020 (Audited) <i>HK\$’000</i>
Accounts receivable	125,525	19,153
Less: ECL allowance	(5,488)	(5,189)
	<u>120,037</u>	<u>13,964</u>
Balance in relation to:		
— Securities and futures dealing and brokerage services	118,386	12,514
— Others	1,651	1,450
	<u>120,037</u>	<u>13,964</u>

The balance of accounts receivable mainly included the unsettled financial assistances to the clients for their applications for the IPOs that still went on as at 30 September 2020. An aging analysis of the Group’s accounts receivable (net of ECL allowance) based on the invoice dates is as follows:

Within 6 months	119,920	11,667
Over 6 months and up to 1 year	76	795
Over 1 year	41	1,502
	<u>120,037</u>	<u>13,964</u>

11. PROMISSORY NOTE RECEIVABLES

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Promissory note receivables	–	250

As at 31 March 2020, promissory note receivables bore interest at the rate of 8% per annum and were repayable within one year.

12. ACCOUNTS PAYABLE

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

As at 30 September 2020, accounts payable were interest bearing at the bank deposit savings rate (31 March 2020: bank deposit savings rates) per annum. The balance mainly included the unsettled funding for IPOs the Group has obtained to finance its clients for their applications for the IPOs that still went on as at 30 September 2020.

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 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
United States dollar	9,197	4,499
New Taiwan dollar	1,787	1,124
Renminbi and others	120	82

13. CONVERTIBLE BONDS

	Liability component (Unaudited) HK\$'000	Equity component (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 31 March 2020 and 1 April 2020	–	–	–
Upon issue of convertible bonds	20,560	2,440	23,000
Interest at effective interest rate	299	–	299
	<hr/>	<hr/>	<hr/>
At 30 September 2020	<u>20,859</u>	<u>2,440</u>	<u>23,299</u>

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

The coupon rate for the convertible bonds is 6% per annum. The maturity date is the third anniversary of the Issue Date, and the conversion period will commence from the thirty months after the Issue Date up to the maturity date. Based on the initial conversion price of HK\$0.022 per share and subsequently was adjusted to be HK\$0.22 per share when the Share Consolidation (as defined in note 15 below) became effective on 28 September 2020, a maximum number of 104,545,454 shares will be issued upon exercise of the conversion rights attached to the convertible bonds in full. The Company may at any time before the maturity date with mutual written consent of the relevant holder to redeem the outstanding bond (in whole or in part) at 100 percent to the principal amount of the bond to be redeemed with the outstanding interest accrued thereon up to and including the date of early redemption. For more details of the Placement, please refer to the announcement of the Company dated 16 July 2020 and the supplemental announcement dated 21 July 2020 (collectively referred to as “**CB Announcements**”).

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

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

No convertible bonds were converted to ordinary shares of the Company during the Review Period or subsequent to 30 September 2020 and up to the date of this announcement.

14. FAIR VALUE MEASUREMENTS

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

Level 1	fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 September 2020				
Financial assets				
Financial assets at FVTPL				
— Listed equity securities (<i>note a</i>)	12,211	–	–	12,211
— Investment in a life insurance policy (<i>note b</i>)	–	6,243	–	6,243
Financial assets at FVOCI				
— An unlisted equity security (<i>note c</i>)	–	–	–	–
	<u>12,211</u>	<u>6,243</u>	<u>–</u>	<u>18,454</u>

As at 31 March 2020

Financial assets				
Financial assets at FVTPL				
— Listed equity securities (<i>note a</i>)	32,596	–	–	32,596
— Investment in a life insurance policy (<i>note b</i>)	–	6,323	–	6,323
Financial assets at FVOCI				
— An unlisted equity security (<i>note c</i>)	–	–	–	–
	<u>32,596</u>	<u>6,323</u>	<u>–</u>	<u>38,919</u>

Note a: The fair values of the listed securities are determined based on the quoted market bid prices available on the relevant exchange.

Note b: The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of termination. The cash value is determined by the premium paid plus accumulated interest earned minus the accumulated insurance policy charges and any applicable surrender charge (“**Cash Value**”). The fair value of the investment in a life insurance policy is determined by reference to the Cash Value at reporting date as provided by the insurance company.

Note c: As at 30 September 2020, the investment in unlisted equity securities represented 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 assets value approach of the entity. The effects of unobservable inputs are not significant.

During the Review Period, there were no transfers between Level 1, Level 2 and Level 3.

The Directors consider that the carrying amounts of other financial assets and financial liabilities measured at amortised cost in the condensed consolidated interim financial statements approximated to their fair values due to short-term or immediate maturities. For loan receivables with over one year of maturity, the Company considers that there is no significant change to their discount rate and its carrying amounts are approximate the fair values.

15. SHARE CAPITAL

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

16. CONTINGENT LIABILITIES

As at 30 September 2020, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the Review Period, the turnover of the Group was HK\$116,268,000 as compared to HK\$98,098,000 for the corresponding period in 2019, while the loss attributable to the owners of the Company was HK\$14,733,000 as compared to the loss of HK\$29,611,000 for the corresponding period in 2019.

Review of Operations

- *Financial Services*

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

During the Review Period, the COVID-19 pandemic dragged down global stock markets and investors were more cautious about their investments. However, in Hong Kong, the successful listing of Alibaba in 2019 which was followed suit by other sizeable China-related companies in 2020 have injected impetus into the primary and secondary markets of Hong Kong. With respect to investment products, we offered more channels to our clients to trade global market products with higher investment return. Thanks to our ability to provide a full range of financial services, we have attracted new clients, and the securities dealing turnover has reached approximately HK\$2.2 billion for the Review Period.

The COVID-19 outbreak has accelerated the development of online transaction channels for financial services. We have also enhanced our financial technology trading system. In addition to our online trading platform, we have also developed mobile applications under different application models to enable our clients to place their transactions online via their mobile devices. During the Review Period, we have launched a Wechat Official Account to strengthen our brand and to provide information of the market and our company to the interested parties in the mainland China.

On the corporate finance front, our corporate finance team acted as a sponsor for our clients' IPOs, and acted as a compliance adviser or financial advisor for certain listed corporate clients. In addition, our equity capital team acted as a underwriter or sub-underwriter to assist our clients in raising funds from the capital market.

- *Mortgage Financing*

During the Review Period, the spread of COVID-19 continued to impact the HKSAR's economy as well as our mortgage financing business. As a result of our adoption of the predefined measures and procedures to minimize credit risk, we have successfully overcome the economic downturn and maintained a healthy loan portfolio. As at 30 September 2020, the consolidated loan portfolio under the mortgage financing segment of the Group was approximately HK\$135,381,000, representing an increase of 12% compared to that at 31 March 2020. Also, benefiting from our vast experience in managing overdue payments and the measures we have taken to control operating costs, the segment results for the mortgage financing business reached HK\$8,586,000 for the Review Period, representing an increase of 16% when compared to that in the corresponding period in 2019.

- *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 has been obtained. The interior decoration and other works for this property were still going on during the Review Period. In addition, the Group holds a residential property in Sai Kung, Hong Kong. As at 30 September 2020, the combined carrying value of the Group's investment properties was approximately HK\$358,338,000.

- *Securities Trading*

As at 30 September 2020, the Group held a portfolio of listed securities investments consisting of 27 securities, which were engaged in the sectors of (i) information technology; (ii) consumer goods; (iii) industrials; (iv) financials; and (v) others. The net realized gains and the net unrealized losses for the listed securities investments were immaterial for the Review Period.

Prospects

Mainland China is globally recognized for its outstanding performance in controlling COVID-19 in its own country. It was the first country that achieved economic recovery in 2020 in the world. In fact, China's GDP growth for the third quarter of 2020 was 4.9%. The continuous positive economic growth in Mainland China is expected to attract investment fund flow into the mainland's stock markets, and some of this investment fund flow will likely be channeled to the stock connects which is good news for financial services providers like us. As the Group's wholly owned subsidiary is an eligible stock connects service provider, the Group is expected to benefit from the growing demand for the investment opportunities from Mainland China.

Furthermore, as part of the Guangdong-Hong Kong-Macau Greater Bay Area (the “**Greater Bay Area**”), Hong Kong will certainly take advantage of the recovery of the Chinese mainland’s economy. China’s central government is granting Shenzhen autonomy to make decisions on a wide range of local policies, hoping that Shenzhen will become a global leader in technology and finance. Hong Kong is known for its status as an international financial centre and we believe that Hong Kong will play a crucial role in the development of the Greater Bay Area in the financial aspect, leveraging its many years of international financial expertise and its global status as an international financial centre. To capitalize on these opportunities, the Group has launched a fund for its client which targets its investment in projects of the Greater Bay Area.

To deal with the downturn in the global economy, many central banks around the world have cut interest rates, and their governments have rolled out a number of stimulus measures including the loosening of reserve requirement ratio, tax relief and fee deduction policies to support their countries’ economic development. In Hong Kong, the Hong Kong Government’s stimulus measures included the provision of COVID-19 relief funding to support Hong Kong businesses. These measures have improved the liquidity in the system, and we expect that commercial activities will gradually return to normal for most Hong Kong businesses.

As a result of the monetary policies laid down by the governments around the world to spur the economy, interest rates are expected to remain low for a period of time. This would support the valuations of the Group’s investment properties. Despite the COVID-19 outbreak, we observe that the property market remains relatively stable and there is still substantial customer demand for the mortgage financing services that are provided by financial companies like ours. However, in view of the growing concerns about the existing local market conditions, we will continue to manage our credit policy with a prudent and conservative approach as to maintain reasonable loan-to-value ratios to manage our market risks. We will also fine tune our business strategy from time to time to adapt to market changes.

Financial Review on Liquidity, Financial Resources and Capital Structure

As at 30 September 2020, the Group’s net asset value was approximately HK\$491,764,000 (31 March 2020: approximately HK\$499,234,000) and cash at bank and in hand totaled approximately HK\$124,787,000 (31 March 2020: HK\$53,308,000) of which approximately 91% was held in Hong Kong dollar, approximately 6% in United States dollar and approximately 3% in Renminbi. The balance of cash and cash equivalents represented 25% of the net asset value of the Group.

As at 30 September 2020, borrowings, including loans, promissory note payables, a bond payable, convertible bonds and lease liabilities, amounted to approximately HK\$248,840,000 (31 March 2020: HK\$183,045,000) of which approximately HK\$91,511,000 (31 March 2020: HK\$42,438,000) was repayable within one year. Ninety-eight percent of the Group’s borrowings were denominated in Hong Kong dollar. The gearing ratio, being the ratio of total borrowings to shareholders’ fund, was about 0.51 (31 March 2020: 0.37).

As at 30 September 2020, the interest rates for the borrowings were as follows:

- (a) the bank loans bore different interest rates over different interest payment periods, namely (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 the effective rate was 2.5% per annum; (ii) on a quarterly basis at the rate of 1.9% per annum over the 3-month Hong Kong Interbank Offered Rate; and (iii) on a quarterly basis at the rate of 1% per annum over the 3-month London Interbank Offered Rate;
- (b) the promissory note payables bore interest at the rates ranging from 3% to 8% per annum;
- (c) the bond bore interest at a rate of 8% per annum;
- (d) the coupon rate for the convertible bonds was 6% per annum; and
- (e) the effective interest rates for lease liabilities ranged from 2.34% to 4.3% per annum.

As at 30 September 2020, investment properties with a total fair value of approximately HK\$358,338,000 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 loan or another sum that is due to the Group.

For the mortgage financing business, mortgage loans are granted to clients based on the aggregate market value of the pledged properties as confirmed by independent valuers. To lower the Group’s exposure to risk in its mortgage financing business, the mortgage amount 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	7
Type 2	Dealing in futures contracts	2
Type 4	Advising on securities	3
Type 6	Advising on corporate finance	5
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\$2.2 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\$135,381,000 as at 30 September 2020 and 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 2020, the amount of undrawn banking facilities of the Group was approximately HK\$11,166,000.

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, United States dollar, New Taiwan dollar and Renminbi. In light of the exchange rate peg between the Hong Kong dollar and United States dollar, and the immaterial balance of assets and liabilities denominated in New Taiwan 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 minimise any material financial impact to the Group.

Staff

As at 30 September 2020, the Group had 88 employees (at 31 March 2020: 88 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 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 strictly complied with the code provisions in the Corporate Governance Practices Code (the "**Code**") contained in Appendix 14 of the Listing Rules.

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.

BONUS ISSUE OF WARRANTS

New Bonus Issue of Warrants

The Company would propose a new issue of bonus warrants to shareholders on the basis of 1 warrant for every 5 shares with the subscription price of HK\$0.285 per share. Details of the new issue of bonus warrants will be announced in due course.

Existing Bonus Issue of Warrants

On 29 July 2019, the Board proposed an issue of bonus warrants to the shareholders on the basis of 1 warrant for every 5 shares (the "**Bonus Issue of Warrants**"). For details of the Bonus Issue of Warrants, please refer to the announcement of the Company dated 29 July 2019 (the "**Warrant Announcement**"). On 3 September 2019, the shareholders approved the Bonus Issue of Warrants, pursuant to which 1,176,096,375 warrants were issued. The initial subscription price was HK\$0.01 and the subscription period was from 18 November 2019 to 17 November 2020 (both days inclusive). Full exercise of the subscription rights attaching to the 1,176,096,375 warrants would result in the issue of 1,176,096,375 new shares.

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

	Number of warrants	Amount HK\$'000
Warrants issued	1,176,096,375	11,761
Warrants exercised during the year ended 31 March 2020	<u>(31,986,945)</u>	<u>(320)</u>
At 1 April 2020	1,144,109,430	11,441
Warrants exercised during the Review Period	(482,337,285)	(4,823)
Adjustment due to the Share Consolidation	<u>(595,594,931)</u>	<u>–</u>
At 30 September 2020	<u><u>66,177,214</u></u>	<u><u>6,618</u></u>

As disclosed in the Warrant Announcement, the Group would apply any subscription monies received as and when the subscription rights were exercised (the "**Subscription Monies**") towards the general working capital of the Group. As at 30 September 2020, HK\$4,000,000 of the Subscription Monies was utilized as working capital of the Group.

ISSUE OF CONVERTIBLE BONDS

Please refer to note 13 above for details of the convertible bonds. The net proceeds from the issue of convertible bonds were HK\$22,770,000. As disclosed in the CB Announcements, the Group would apply HK\$15,000,000 towards the development of the Group's financing businesses, and HK\$7,770,000 towards the administrative expenses. Up to 30 September 2020, HK\$15,000,000 has been used for the Group's mortgage financing business, and the HK\$7,770,000 was still placed in a bank.

REVIEW BY AUDIT COMMITTEE

The Company has an audit committee comprising three independent non-executive directors ("INEDs"). The audit committee has reviewed the unaudited condensed consolidated interim financial statements for the Review Period and has discussed the financial related matters with the management.

On behalf of the Board
Li Hancheng
Non-Executive Chairman

Hong Kong, 24 November 2020

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