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## STYLAND HOLDINGS LIMITED

大凌集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 211)

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The board of directors (the “**Directors**”) of Styland Holdings Limited (the “**Company**”) (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2015 (“**FY2015**”) together with the comparative figures for the year ended 31 March 2014 (“**FY2014**”) as follows:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Turnover</b>		<b>184,373</b>	143,212
Revenue	4	57,885	44,183
Cost of sales		(4,788)	(5,214)
<b>Gross profit</b>		<b>53,097</b>	38,969
• Other income		2,331	72,926
• Administrative expenses		(42,397)	(32,653)
• Selling and distribution expenses		(5,807)	(3,804)
• Change in fair value of investment properties		30,000	(4,800)
• Change in fair value of financial assets			
at fair value through profit or loss		43,959	7,757
• Gain on disposal of financial assets			
at fair value through profit or loss		15,393	10,881
• Impairment loss recognized in respect of trade receivable		–	(5,038)
• Impairment loss recognized in respect of loan receivables		(1,384)	(496)
• Reversal of impairment loss recognized in respect of loan receivables		1,437	972
• Finance costs		(2,548)	(3,111)

\* For identification purposes only

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit before taxation</b>	5	<b>94,081</b>	81,603
• Income tax expenses	6	<u>—</u>	<u>—</u>
<b>Profit and total comprehensive income for the year</b>		<b><u>94,081</u></b>	<u>81,603</u>
<b>Profit and total comprehensive income for the year attributable to the owners of the Company</b>		<b><u>94,081</u></b>	<u>81,603</u>
<b>Earnings per share</b>			
• Basic	8	<b><u>HK2.51 cents</u></b>	<u>HK2.28 cents</u>
• Diluted	8	<b><u>HK2.34 cents</u></b>	<u>HK2.26 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
• Fixed assets		4,104	1,276
• Investment properties		236,000	206,000
• Loan receivables	9	58,522	48,840
• Deposits paid for the redevelopment project		4,356	2,275
• Available-for-sale investment		–	–
		<b>302,982</b>	258,391
<b>CURRENT ASSETS</b>			
• Inventories		361	330
• Loan receivables	9	98,248	92,584
• Trade receivables	10	47,389	15,989
• Other receivables, deposits and prepayments	11	6,286	5,085
• Financial assets at fair value through profit or loss		83,860	46,183
• Tax recoverable		615	–
• Client trust funds		74,031	46,081
• Pledged bank deposits		6,307	6,280
• Bank balances and cash		117,522	95,247
		<b>434,619</b>	307,779
<b>CURRENT LIABILITIES</b>			
• Trade payables	12	104,883	48,151
• Other payables and accruals		5,196	5,480
• Dividend payable		7,726	4,924
• Borrowings		98,519	98,911
		<b>216,324</b>	157,466
<b>NET CURRENT ASSETS</b>		<b>218,295</b>	150,313
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>521,277</b>	408,704
<b>NET ASSETS</b>		<b>521,277</b>	408,704
<b>CAPITAL AND RESERVES</b>			
• Share capital		38,906	35,694
• Reserves		481,921	373,010
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>		<b>520,827</b>	408,704
<b>NON-CONTROLLING INTEREST</b>		<b>450</b>	–
<b>TOTAL EQUITY</b>		<b>521,277</b>	408,704

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and by the disclosure requirement of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

#### **New and revised standards, amendments and interpretations applied in the current year**

The Group has adopted the following revised HKFRSs for the first time for its current year’s consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The adoption of the revised HKFRSs has had no significant financial impact on these financial statements.

### 3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in its consolidated financial statements.

Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
Amendments to HKFRS 10 to HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 10, HKAS 12 and HKAS 28	Investment entities: Applying the consolidation exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operation <sup>2</sup>
Amendment to HKAS 1	Disclosure initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>

The Group has not early adopted these new standards, amendments and interpretations to existing standards in the consolidated financial statements for the year ended 31 March 2015. The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

In addition, the "HKICPA" also published a number of amendments to existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results of operations and financial position of the Group.

The Group will adopt the above new standards, amendments and interpretations when they become effective.

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2014
- <sup>2</sup> Effective for annual periods beginning on or after 1 March 2016
- <sup>3</sup> Effective for annual periods beginning on or after 1 March 2017
- <sup>4</sup> Effective for annual periods beginning on or after 1 March 2018

#### 4. SEGMENTAL 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 types of goods or services delivered or provided. In light of the insignificant turnover of the Group's retail and trading segment, that segment was classified as others segment in the segmental analysis. The Group's reportable segments under HKFRS 8 are as follows:

- the securities dealing, broking and other financing segment provides securities broking, margin and corporate finance 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 properties;
- the securities trading segment engages in trading of securities or underlying securities; and
- the segment of others includes retail and trading of food products.

#### Segment revenues and results

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

#### For the year ended 31 March 2015

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenues:</b>							
External sales	28,160	26,395	2,215	296	819	-	57,885
Inter-segment sales	371	-	-	-	149	(520)	-
	<u>28,531</u>	<u>26,395</u>	<u>2,215</u>	<u>296</u>	<u>968</u>	<u>(520)</u>	<u>57,885</u>
<b>Segment profit/(loss) after inter-segment transactions</b>	4,681	19,648	31,142	59,346	(3,179)	-	111,638
<b>Unallocated income and expenses</b>							<u>(17,557)</u>
<b>Profit before taxation</b>							<u>94,081</u>

For the year ended 31 March 2014

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenues:							
External sales	18,063	23,425	1,657	98	940	–	44,183
Inter-segment sales	467	–	–	–	–	(467)	–
	<u>18,530</u>	<u>23,425</u>	<u>1,657</u>	<u>98</u>	<u>940</u>	<u>(467)</u>	<u>44,183</u>
Segment profit/(loss) after inter-segment transactions	2,810	17,566	(3,623)	18,478	(11,552)	–	23,679
Unallocated income and expenses							<u>57,924</u>
Profit before taxation							<u>81,603</u>

### Segment assets and liabilities

The segment assets and liabilities as at 31 March 2015 by reportable segments are as follows:

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	169,126	115,844	240,507	83,860	1,168	127,096	<u>737,601</u>
Segment liabilities	107,410	639	753	5	292	107,225	<u>216,324</u>

The segment assets and liabilities as at 31 March 2014 by reportable segments are as follows:

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	104,372	102,976	208,355	46,184	908	103,375	<u>566,170</u>
Segment liabilities	50,690	15,340	452	216	973	89,795	<u>157,466</u>

## Other segment information

For the year ended 31 March 2015:

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<u>Amounts included in the measurement of segment profit or loss or segment assets:</u>							
Change in fair value of investment properties	-	-	30,000	-	-	-	30,000
Change in fair value of financial assets at fair value through profit or loss	-	-	-	43,959	-	-	43,959
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	15,393	-	-	15,393
Impairment loss recognized in respect of other receivables	-	(124)	-	-	-	-	(124)
Reversal of impairment loss recognized in respect of other receivables	-	176	-	-	-	-	176
Impairment loss recognized in respect of loan receivables	(311)	(1,073)	-	-	-	-	(1,384)
Reversal of impairment loss recognized in respect of loan receivables	6	1,431	-	-	-	-	1,437
Bad debt recovery for loan receivables	96	-	-	-	-	-	96
Depreciation	(835)	(76)	(4)	-	(46)	(756)	(1,717)
Gain on exchange difference, net	-	-	-	-	-	12	12
(Loss)/gain on disposal of fixed assets	(4)	-	-	-	(8)	52	40
Addition to non-current assets ( <i>note</i> )	2,123	238	2,167	-	303	2,009	6,840
<u>Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:</u>							
Interest income	8	-	-	-	-	43	51
Finance costs	(3)	(173)	(384)	-	-	(1,988)	(2,548)
Income tax expenses	-	-	-	-	-	-	-

*Note:* The amounts exclude the additions to loan receivables and available-for-sale investment.



For the year ended 31 March 2014:

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<u>Amounts included in the measurement of segment profit or loss or segment assets:</u>							
Change in fair value of investment properties	-	-	(4,800)	-	-	-	(4,800)
Change in fair value of financial assets at fair value through profit or loss	-	-	-	7,757	-	-	7,757
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	10,881	-	-	10,881
Impairment loss recognized in respect of other receivables	-	(206)	-	-	-	-	(206)
Impairment loss recognized in respect of trade receivable	-	-	-	-	(5,038)	-	(5,038)
Reversal of impairment loss recognized in respect of other receivables	-	46	-	-	-	-	46
Impairment loss recognized in respect of loan receivables	-	(496)	-	-	-	-	(496)
Reversal of impairment loss recognized in respect of loan receivables	602	370	-	-	-	-	972
Bad debt recovery for loan receivables	96	-	-	-	-	-	96
Depreciation	(136)	(20)	(1)	-	(6)	(631)	(794)
Gain on exchange difference, net	-	-	-	-	-	44	44
Loss on disposal of fixed assets	-	-	-	-	-	(2)	(2)
Addition to non-current assets ( <i>note</i> )	134	15	45,832	-	108	40	46,129
<u>Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:</u>							
Interest income	5	-	-	-	-	58	63
Finance costs	(3)	(1,032)	-	-	-	(2,076)	(3,111)
Income tax expenses	-	-	-	-	-	-	-

*Note:* The amounts exclude the additions to loan receivables and available-for-sale investment.

## 5. PROFIT BEFORE TAXATION

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Staff costs (including Directors' remuneration):		
— Salaries, allowances and other benefits	23,401	18,073
— Retirement benefit scheme contributions	721	621
Auditor's remuneration	780	750
Depreciation	1,717	794
Gain on exchange difference, net	(12)	(44)
(Gain)/loss on disposal of fixed assets	(40)	2
Lease payments under operating leases for rented premises	3,800	2,474
Impairment loss recognized in respect of trade receivable	–	5,038
Impairment loss recognized in respect of other receivables	124	206
Impairment loss recognized in respect of loan receivables	1,384	496
Cost of inventories recognized as an expense	421	762

## 6. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made in the consolidated financial statements for FY2015 as the Company and its subsidiaries either has available losses brought forward from prior years to offset the assessable profits generated during FY2015 or did not generate any assessable profits arising in Hong Kong during FY2015 (FY2014: nil).

## 7. DIVIDENDS

### *Interim Dividend*

Cash or scrip shares in respect of the interim dividend of HK0.2 cent per share with a scrip alternative for FY2015 (FY2014: cash dividend of HK0.138 cent per share) were paid or issued to shareholders of the Company (the "Shareholders") on 10 April 2015.

### *Final Dividend*

A final dividend of HK0.238 cent per share with a scrip alternative for FY2015 has been proposed (FY2014: cash dividend of HK0.168 cent per share) by the Directors and is subject to approval by Shareholders at the forthcoming annual general meeting of the Company.

## 8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following data:

### Earnings:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share	<u>94,081</u>	<u>81,603</u>

### Number of shares:

	2015	2014
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	3,748,811,696	3,578,078,349
Effect of dilutive potential ordinary shares — Bonus warrants	<u>275,252,543</u>	<u>37,352,108</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,024,064,239</u>	<u>3,615,430,457</u>

## 9. LOAN RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Securities dealing and broking services: — Secured margin loans ( <i>note 1</i> )	58,345	55,586
Less: Impairment loss recognized	<u>(15,015)</u>	<u>(15,015)</u>
	<u>43,330</u>	<u>40,571</u>
Financing business: — Unsecured loans	7,054	7,571
— Secured mortgage loans ( <i>note 2</i> )	114,640	101,589
Less: Impairment loss recognized	<u>(8,254)</u>	<u>(8,307)</u>
	<u>113,440</u>	<u>100,853</u>
Total	<u>156,770</u>	<u>141,424</u>
The Group's loan receivables (net of impairment loss) are analysed into: — Non-current assets	58,522	48,840
— Current assets	<u>98,248</u>	<u>92,584</u>
	<u>156,770</u>	<u>141,424</u>

Notes:

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

The aging analysis of the Group's loan receivables for the financing business, net of accumulated impairment losses, based on the loans release date at the end of the reporting period for the financing business is as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 6 months	<b>78,391</b>	56,722
Over 6 months but not more than 1 year	<b>23,503</b>	34,807
Over 1 year	<b>11,546</b>	9,324
	<u><b>113,440</b></u>	<u>100,853</u>

#### 10. TRADE RECEIVABLES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	<b>47,389</b>	21,354
Less: Impairment loss recognized	–	(5,365)
Total	<u><b>47,389</b></u>	<u>15,989</u>
Balance in relation to:		
— Securities dealing and broking services	<b>47,345</b>	15,928
— Others	<b>44</b>	61
	<u><b>47,389</b></u>	<u>15,989</u>

An aging analysis of the Group's trade receivables net of impairment presented based on the invoice date at the end of the reporting period is as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 6 months	<b>46,326</b>	14,461
Over 6 months but not more than 1 year	<b>684</b>	131
Over 1 year	<b>379</b>	1,397
	<u><b>47,389</b></u>	<u>15,989</u>

## 11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Promissory note receivable ( <i>note</i> )	42,960	42,960
Deposits	2,766	1,737
Prepayments	1,061	881
Interest receivable	1,737	1,687
Other receivables	1,253	1,487
	<u>49,777</u>	<u>48,752</u>
Less: Impairment losses recognized	(43,491)	(43,667)
	<u><u>6,286</u></u>	<u><u>5,085</u></u>

*Note:* Reference is made to the note 22 to the consolidated financial statements of the Company for the year ended 31 March 2014. Subsequent to the year end, the note issuer's subsidiary has received the balance sum from that subsidiary's joint venture partner in the toll road project in Wuhan, the PRC. The Group has approached the note issuer to discuss the payment and time schedule for the settlement of the promissory note receivable as soon as possible.

## 12. TRADE PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Balance in relation to:		
— Securities dealing and broking services ( <i>Note</i> )	104,652	47,924
— Others	231	227
	<u>104,883</u>	<u>48,151</u>

*Note:* Trade payables 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.

An aging analysis of the Group's trade payables excluding those under the securities dealing and broking services is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 6 months	5	1
Over 6 months but not more than 1 year	—	—
Over 1 year	226	226
	<u>231</u>	<u>227</u>

### **13. EVENTS AFTER THE REPORTING PERIOD**

- After the year end, the Group entered into a banking facility of up to HK\$133,000,000 consisting of tranche A of HK\$50,000,000 and tranche B of HK\$83,000,000 which bear interest rates of 2.875% and 3.05% per annum, respectively, over Hong Kong Interbank Offered Rate. Part of the new loan under the banking facility has been used for settlement of an existing loan due to another bank, and the remaining balance of which will be used to finance the redevelopment costs of the Group's investment property. The facility was secured by the Company's corporate guarantee, the shares of the Company's subsidiary holding the said investment property and the relevant building mortgage and debenture.
- The Group has acquired a company that engages in asset management services at a consideration of approximately HK\$3,653,000. The acquisition was approved by the Securities and Futures Commission in May 2015 and was completed in June 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

#### FY2015 Results and Dividends

In FY2015, the Group achieved a turnover of approximately HK\$184,373,000, an increase of 29% compared to that in FY2014 (approximately HK\$143,212,000 in FY2014). Benefiting from the encouraging results from our business, the Group's net profit in FY2015 had risen to approximately HK\$94,081,000, an increase of 15% compared to that in FY2014 (approximately HK\$81,603,000 in FY2014).

The dividends paid or to be paid for FY2015 amount to HK0.438 cent per share, an increase of 43% compared to that in FY2014 (HK0.306 cent per share in FY2014).

#### Review of Operations

##### *Brokerage Business:*

The Group is a financial services provider. Our wholly-owned subsidiary Ever-Long Securities Company Limited is a reputable broker firm in Hong Kong that offers clients a range of financial services such as securities broking, margin financing and corporate finance services.

- *Securities Broking*

After the launch of the Shanghai-Hong Kong Stock Connect (the “**Stock Connect**”) in November 2014, our brokerage arm Ever-Long Securities Company Limited has been recognised as one of the market participants that is allowed to provide brokerage services for the Stock Connect transactions. To prepare ourselves for the Stock Connect, we upgraded our computer hardware and software system, which not only enabled us to handle transaction orders under the Stock Connect, but also let us provide our clients a more efficient and reliable trading platform for even larger transaction volumes. During FY2015, the turnover contributed by our online trading transactions continued to account for an important portion of our overall brokerage turnover.

To broaden our client base, during the year under review, we introduced new marketing promotional programs to the market. The programs were well received by our clients. Not only did the programs expedite the growth of new accounts, they also encouraged dormant clients to reactivate their accounts. Moreover, to capture new clients from the mainland China market, the Group has set up a representative office in Jiangmen City, Guangdong Province to facilitate the development of our financial services business in mainland China. Thanks to such efforts, we have attracted a number of new clients in FY2015. The number of active accounts has increased approximately 15% in FY2015.

During FY2015, the Group recorded a total securities dealing turnover of approximately HK\$7 billion, an increase of approximately 7% when compared to that in FY2014. All of the transactions were completed smoothly and clients were satisfied with our services.

- *Margin Financing*

To provide flexibility to our clients, we offer clients margin financing for trading listed securities and subscribing for new shares in initial public offerings (“**IPOs**”). During FY2015, with our improved working capital level and efficient credit control measures in place, we extended our margin financing services to online clients who have a sound credit record. We closely monitored the margin levels maintained by our margin clients, and there was no record of additional bad debts provision for our margin financing business during FY2015.

With our enhanced capacity in offering margin financing services to clients, coupled with the exceptionally low interest rates in the territory, we believe these factors encouraged our clients to use our margin loans for their investment transactions. As at 31 March 2015, the Group’s margin loan balance was increased by 5% when compared to that in FY2014.

- *Corporate Finance*

In the past years, the Group had undertaken a variety of corporate finance projects. In order to capture more business referrals, we strive to maintain good relationships with major investment banks and other business partners. Boasting on our established business connections and extensive experience, our corporate finance business had performed well in FY2015. During the year, we were engaged in over 10 corporate finance deals including IPO underwriting deals, placement of bonds, convertible notes and new shares. The commission income from the corporate finance exercises during the year amounted to approximately HK\$12,560,000.

***Mortgage Financing:***

We observed that the growth momentum of real estate-backed loan service was sustained throughout FY2015. With our strong cash flow position, we were able to provide sufficient resources to develop our mortgage financing business, thus the balance of loan receivables remained as high as approximately HK\$114,640,000 as at 31 March 2015. For the whole year, revenue earned by the mortgage financing segment was approximately HK\$26,395,000, representing an increase of 13% as compared to that of FY2014.

To sustain the growth of our mortgage financing business, during the year, we demonstrated our ability to effectively manage the credit risk of our loan portfolio. As such, even though our mortgage financing business had grown substantially, the Group did not record any material bad debt provisions over the past years. Benefiting from our long-standing, cordial business connections, which have been in place since the inception of this business, we believe that the revenue from our mortgage financing division will continue to be one of our major sources of income.



### ***Property Development and Investment:***

As at 31 March 2015, our property portfolio included residential and commercial properties located in Sai Kung, Fei Ngo Shan and Central. As at 31 March 2015, the combined market value of our properties totaled HK\$236,000,000. The rental revenue from our Sai Kung and Central properties provided us stable rental income. With regard to the Fei Ngo Shan property, we have planned to redevelop this property into a two-storey dignitary house to maximize its value.

The property in Central is next to the tram road. During FY2015, we have made certain renovation works to this property. After the announcement of the Stock Connect, we observed the ever-increasing demand for commercial properties in Central, the heart of Hong Kong's financial hub; thus we believe that the rental value of the Group's Central property will still have an upside potential.

### **Prospects**

With the US Federal Reserve having ended its latest round of quantitative easing in October 2014, we continue to hold a positive view on the territory's economy, mainly because of its close proximity to mainland China, where the growth of gross domestic product will still be maintained at a reasonable level. Also, after the launch of the Stock Connect, we believe that the central government will also introduce the Shenzhen-Hong Kong Stock Connect in 2015. We expect that cross-border stock trading activities will continue to boom in the long term, and this will bring us positive development.

To capture the business opportunity from the recovery of investment sentiment in the mainland market, we will allocate more resources to strengthen our development in mainland China. The representative office in Jiangmen City, Guangdong Province will facilitate the promotion of our business in the mainland. The Group plans to organize a business presentation in the PRC to introduce the Group's business. Subsequent to FY2015, to diversify our financial services, we have acquired a company that engages in asset management services. The transaction was approved by the Securities and Futures Commission in May 2015 and was completed in June 2015. The scheme of Mainland-Hong Kong Mutual Recognition of Funds will be implemented on 1 July 2015. We expect our business will benefit from such scheme.

Faced with keen competition in the mortgage financing market, the Group will consolidate and reinforce its competitive advantages in risk management. In light of the continued demand for mortgage loans, in addition to our own internal resources, we will also consider to diversify our financing channels by expanding our funding source in order to further grow our loan portfolio.

The Group holds a cautiously optimistic view on Hong Kong's economy as well as the prospect of the property market. During and after FY2015, the property price index has rebounded notwithstanding the government's measures to stabilize property prices. We believe that the prices of the Group's properties will stay at a stable level in the foreseeable future. In order to raise the rental value of the Group's Central property, we will continue to make refurbishments to that property to upgrade its standard.

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

As at 31 March 2015, the Group's net asset value was approximately HK\$521,277,000 (FY2014: approximately HK\$408,704,000) and cash at bank and in hand totaled approximately HK\$117,522,000 of which approximately 95.6% was held in Hong Kong dollar, approximately 4.2% in Renminbi and approximately 0.2% in US dollar (FY2014: approximately HK\$95,247,000).

Borrowings as at 31 March 2015 amounted to approximately HK\$98,519,000 (FY2014: approximately HK\$98,911,000) of which approximately HK\$4,476,000 (FY2014: HK\$17,808,000) is repayable within one year. The gearing ratio, being the ratio of total borrowings to shareholders' fund, was about 0.19 (FY2014: 0.24).

### **Investment in Financial Assets**

Other than the holding of a portfolio of listed securities with market value of approximately HK\$83,860,000 as at 31 March 2015 for the trading purpose, the Group did not make any other major investments during FY2015. The Group will continue to adopt a prudent approach for its investments.

### **Charges on Group Assets**

As at 31 March 2015, time deposits of approximately HK\$6,307,000 and investment properties at a total valuation of HK\$236,000,000 were pledged to the bank to secure the banking facilities that were granted to the Group.

### **Credit Risk**

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

For the mortgage financing business, mortgage loans will be 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 an effective internal controls system for its operations. Under the brokerage business, a monitoring team comprised of licensed responsible officers registered under the SFO and senior management who have acted in compliance with the SFO, has been set up to monitor the settlement matters of traded securities and cash, and to provide clients services of the regulated activities. Set out below is the information for the number of responsible officers of the Group for each regulated activity:

Type of Licence	Regulated activity	Number of responsible officers
Type 1	Dealing in securities	6
Type 4	Advising on securities	4
Type 6	Advising on corporate finance	3

In order to safeguard clients' interests and comply with the requirements of the SFO, our monitoring team has carried out ongoing checks and verifications so that we are able to maintain our service standard at a satisfactory level. During FY2015, the brokerage operation of the Group had complied with the SFO. Our clients were satisfied with our services. During FY2015, we have properly managed a total securities trading turnover of approximately HK\$7 billion without any customer complaints.

To enhance the professionalism of the management force, the Group has four certified public accountants, three of them are Board members, who will monitor or advise the Group of its internal control matters. Under the mortgage financing business, we have offered a loan portfolio of approximately HK\$114,640,000 at 31 March 2015, and customers were satisfied with our services.

## Interest Rate Risk

All the Group's borrowings were denominated in Hong Kong dollar, and its risk arises from interest payments which are charged according to a floating interest rate with remaining repayment periods of over 17 years. The Group monitors its interest rate exposure regularly to ensure that the underlying risk is within an acceptable range.

## Liquidity Risk

The Group's policy is to regularly assess current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. As at 31 March 2015, the amount of undrawn banking facilities of the Group was approximately HK\$18,950,000.

## **Foreign Exchange Exposure**

During FY2015, the Group's business activities as well as its assets and liabilities were mainly denominated in Hong Kong dollar, US dollar, Euro and Renminbi. In light of the exchange rate peg between the Hong Kong dollar and US dollar, and the immaterial balance of the assets and liabilities denominated in Renminbi and Euro when compared to the Group's total assets or liabilities, the Group considers its foreign exchange risk immaterial for FY2015. It is the Group's treasury policy to manage its foreign currency exposure to minimise any material financial impact to the Group.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 5 October to 7 October 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders of the Company are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 2 October 2015.

## **MATERIAL ACQUISITION AND DISPOSAL**

There was no material acquisition or disposal of subsidiaries or associated companies during FY2015.

## **CONTINGENT LIABILITIES**

As at 31 March 2015, the Group did not have any material contingent liabilities (FY2014: immaterial).

## **CORPORATE GOVERNANCE**

Other than the following deviations, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules.

According to the code provision A.6.7 of the CG Code, independent non-executive Directors (the "INEDs") should attend general meetings of the Company, and according to E.1.2, the Chairman of the Board should attend the annual general meeting of the Company. During FY2015, two INEDs, one of them is the Chairman of the Company, were unable to attend the annual general meeting of the Company due to their other business commitments.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

The Directors have confirmed, following specific enquiry by the Company that in FY2015, they have complied with the required standard as set out in the Model Code.

## BONUS ISSUE OF WARRANTS

On 27 November 2013, the Board proposed an issue of bonus warrants to Shareholders on the basis of 2 warrants for every 10 shares (the “**Bonus Issue of Warrants**”). For details of the Bonus Issue of Warrants, please refer to the announcement of the Company dated 30 December 2013 (the “**Announcement**”). On 27 January 2014, Shareholders approved the Bonus Issue of Warrants, pursuant to which 713,154,617 warrants were issued. The initial subscription price is HK\$0.10 and the subscription period will be from 19 February 2014 to 18 August 2015 (both days inclusive). Full exercise of the subscription rights attaching to the 713,154,617 warrants would result in the issue of 713,154,617 new shares. Details of exercise of warrants during FY2014 and FY2015 are set out as follows:

	<b>Number of warrants</b>	<b>Amount HK\$'000</b>
Number of warrants issued	713,154,617	71,315
Exercised during FY2014	<u>(3,663,126)</u>	<u>(366)</u>
At 1 April 2014	709,491,491	70,949
Exercised during FY2015	<u>(321,138,629)</u>	<u>(32,114)</u>
At 31 March 2015	<u><u>388,352,862</u></u>	<u><u>38,835</u></u>

As disclosed in the Announcement, the Group will apply any subscription monies received as and when subscription rights are exercised (the “**Subscription Monies**”) towards general working capital of the Group and potential investments to be identified. Up to 31 March 2015, an amount of approximately HK\$28 million of the Subscription Monies had been used for general working capital, and the remaining balance was placed in a bank.

To act in the best interest of the Shareholders, the Directors will consider proposing an issue of new bonus warrants to the Shareholders (the “**New Bonus Issue of Warrants**”). Details of the New Bonus Issue of Warrants (if any) will be announced in due course.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2015.

## **REVIEW OF ACCOUNTS**

The Company has an Audit Committee comprising four INEDs, namely, Mr. Lo Tsz Fung Philip, Mr. Zhao Qingji, Mr. Yeung Shun Kee and Mr. Li Hancheng. The Audit Committee has reviewed the Group's annual results for FY2015.

On behalf of the Board  
**Zhao Qingji**  
*Chairman*

Hong Kong, 18 June 2015

*As at the date of this announcement, the Board comprises five executive Directors Mr. Cheung Hoo Win, Mr. Ng Yiu Chuen, Ms. Mak Kit Ping, Ms. Zhang Yuyan and Ms. Chen Lili and four INEDs Mr. Zhao Qingji, Mr. Yeung Shun Kee, Mr. Li Hancheng and Mr. Lo Tsz Fung Philip.*