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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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board of directors (the “**Directors**” or the “**Board**”) of Styland Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020 (“**FY2020**”) together with the comparative figures for the year ended 31 March 2019 (“**FY2019**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Turnover		207,293	234,787
Revenue	4	52,265	81,205
Costs of brokerage services		(2,408)	(5,395)
Other income		23,333	21,992
Administrative expenses		(104,185)	(112,371)
Selling and distribution expenses		(3,477)	(4,478)
Change in fair value of investment properties		(13,959)	55,591
Change in fair value of financial assets at fair value through profit or loss (“ FVTPL ”)		(4,191)	(22,522)

* *For identification purposes only*

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
(Loss)/Gain on disposal of financial assets at FVTPL		(799)	3,903
Impairment loss recognized in respect of intangible asset		–	(3,386)
Expected credit losses (“ECL”) recognized in respect of loan receivables		(4,534)	(4,917)
ECL recognized in respect of accounts receivable		(499)	(4,658)
Reversal of ECL recognized in respect of loan receivables		1,510	5,966
Reversal of ECL recognized in respect of accounts receivable		4,549	645
Gain on disposal of subsidiaries	13	1,255	–
Finance costs		(12,881)	(18,010)
Loss before taxation	5	(64,021)	(6,435)
Income tax expense	6	(16)	–
Loss for the year		<u>(64,037)</u>	<u>(6,435)</u>
Other comprehensive expense <i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value loss on financial assets at fair value through other comprehensive income (“FVOCI”)		–	(33,752)
Total comprehensive expense for the year		<u>(64,037)</u>	<u>(40,187)</u>
(Loss)/Profit for the year attributable to:			
— Owners of the Company		(66,661)	183
— Non-controlling interests		2,624	(6,618)
		<u>(64,037)</u>	<u>(6,435)</u>
Total comprehensive (expense)/income for the year attributable to:			
— Owners of the Company		(66,661)	(31,325)
— Non-controlling interests		2,624	(8,862)
		<u>(64,037)</u>	<u>(40,187)</u>
(Loss)/Earnings per share			
Basic	8	<u>(HK1.1996 cents)</u>	<u>HK0.0037 cents</u>
Diluted	8	<u>(HK1.1996 cents)</u>	<u>HK0.0035 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		30,462	7,478
Investment properties		353,000	347,800
Intangible asset		–	–
Financial asset at FVTPL		6,323	–
Loan receivables	9	48,254	46,127
		438,039	401,405
Current assets			
Loan receivables	9	148,940	177,245
Accounts receivable	10	13,964	30,457
Promissory note receivables	11	250	18,600
Contract assets		–	997
Other receivables, deposits and prepayments		11,168	16,262
Financial assets at FVOCI		–	–
Financial assets at FVTPL		32,596	27,721
Client trust funds		56,854	90,781
Pledged bank deposit		–	5,000
Cash and cash equivalents		53,308	112,372
		317,080	479,435
Assets of disposal group classified as held for sale	12	–	210,304
		317,080	689,739
Total assets		755,119	1,091,144

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current liabilities			
Accounts payable	14	60,584	106,438
Contract liabilities		2,125	1,721
Other payables and accruals		10,115	12,819
Promissory note payables	15	16,020	63,840
Loans		156,190	134,228
Bond payable		2,000	–
Lease liabilities		5,627	–
Tax payable		16	–
		252,677	319,046
Liabilities of disposal group classified as held for sale	12	–	221,588
		252,677	540,634
Net current assets		64,403	149,105
Total assets less current liabilities		502,442	550,510
Non-current liabilities			
Bond payable		–	2,000
Lease liabilities		3,208	–
Net assets		499,234	548,510
EQUITY			
Share capital		59,125	50,951
Reserves		440,109	500,761
Equity attributable to the owners of the Company		499,234	551,712
Non-controlling interests		–	(3,202)
Total equity		499,234	548,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 31 July 1991 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and principal place of business of the Company are Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and 28th Floor, Aitken Vanson Centre, 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong respectively.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is also the functional currency of the Company. All figures are rounded up to the nearest thousand unless otherwise specified.

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.

2. BASIS OF PREPARATION

The annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The consolidated financial statements have been prepared on the historical cost basis except for the following items which are stated at fair value:

- investment properties; and
- certain financial assets

Non-current assets and disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2019:

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 as noted below, the adoption of these 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 year. Prior periods have not been restated.

For contracts in place at the date of initial application, 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 arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

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, being 1 April 2019. 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.

As a Lessee

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, 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 as at 31 March 2019 to the lease liabilities recognized as at 1 April 2019:

	<i>HK\$'000</i>
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	<u>16,607</u>
Classified as:	
Current lease liabilities	6,721
Non-current lease liabilities	9,886
	<u>16,607</u>

Total impact arising from transition to HKFRS 16

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

	<i>HK\$'000</i>
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)	<u>6,721</u>

4. 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 the type 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 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; and
- the securities trading segment engages in trading of securities and derivative products.

Segment revenue and results

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

For the year ended 31 March 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	30,301	21,442	–	522	–	52,265
Inter-segment revenue	511	–	–	–	(511)	–
	<u>30,812</u>	<u>21,442</u>	<u>–</u>	<u>522</u>	<u>(511)</u>	<u>52,265</u>
Segment results	(16,124)	13,840	(15,281)	(4,020)	–	(21,585)
Unallocated income						231
Unallocated expenses						<u>(42,667)</u>
Loss before taxation						<u><u>(64,021)</u></u>

For the year ended 31 March 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	57,441	23,490	–	274	–	81,205
Inter-segment revenue	343	–	–	–	(343)	–
	<u>57,784</u>	<u>23,490</u>	<u>–</u>	<u>274</u>	<u>(343)</u>	<u>81,205</u>
Segment results	(22,207)	15,286	54,954	(18,940)	–	29,093
Unallocated income						187
Unallocated expenses						<u>(35,715)</u>
Loss before taxation						<u>(6,435)</u>

Segment assets and liabilities

The segment assets and liabilities as at 31 March 2020 by reportable segments are as follows:

	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>	Total <i>HK\$'000</i>
Segment assets	<u>164,077</u>	<u>123,869</u>	<u>372,475</u>	<u>32,596</u>	<u>62,102</u>	<u>755,119</u>
Segment liabilities	<u>75,046</u>	<u>22,094</u>	<u>156,516</u>	<u>34</u>	<u>2,195</u>	<u>255,885</u>

The segment assets and liabilities as at 31 March 2019 by reportable segments are as follows:

	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>	Total <i>HK\$'000</i>
Segment assets	246,323	135,318	351,668	27,721	119,810	880,840
Assets of disposal group classified as held for sale						<u>210,304</u>
						<u>1,091,144</u>
Segment liabilities	151,100	32,429	72,440	5	65,072	321,046
Liabilities of disposal group classified as held for sale						<u>221,588</u>
						<u>542,634</u>

Other segment information
For the year ended 31 March 2020:

	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 investment properties	-	-	(13,959)	-	-	(13,959)
Change in fair value of financial assets at FVTPL	-	-	-	(2,714)	(1,477)	(4,191)
Loss on disposal of financial assets at FVTPL	-	-	-	(799)	-	(799)
ECL recognized in respect of loan receivables	(4,534)	-	-	-	-	(4,534)
ECL recognized in respect of accounts receivable	(499)	-	-	-	-	(499)
Reversal of ECL recognized in respect of loan receivables	784	726	-	-	-	1,510
Reversal of ECL recognized in respect of accounts receivable	4,549	-	-	-	-	4,549
Reversal of ECL recognized in respect of other receivables	-	39	-	-	-	39
Bad debt recovery for loan receivables	192	-	-	-	-	192
Depreciation — owned assets	(1,188)	(33)	(188)	-	(358)	(1,767)
Depreciation — right-of-use assets	(4,947)	-	-	-	(1,203)	(6,150)
Gain on disposal of subsidiaries	1,255	-	-	-	-	1,255
Gain on exchange difference, net	414	-	11	-	(3)	422
Additions to non-current assets (<i>note</i>)	294	582	31,432	-	419	32,727
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:						
Bank interest income	-	-	-	-	200	200
Finance costs	(494)	-	-	-	(12,387)	(12,881)

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

For the year ended 31 March 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>	Total <i>HK\$'000</i>
Amounts included in the measurement of segment profit or loss or segment assets:						
Change in fair value of investment properties	–	–	55,591	–	–	55,591
Change in fair value of financial assets at FVTPL	–	–	–	(22,522)	–	(22,522)
Gain on disposal of financial assets at FVTPL	–	–	–	3,903	–	3,903
Impairment loss recognized in respect of intangible asset	(3,386)	–	–	–	–	(3,386)
ECL recognized in respect of loan receivables	(2,317)	(2,600)	–	–	–	(4,917)
ECL recognized in respect of accounts receivable	(4,658)	–	–	–	–	(4,658)
ECL recognized in respect of other receivables	–	(248)	–	–	–	(248)
Reversal of ECL recognized in respect of loan receivables	1,449	4,517	–	–	–	5,966
Reversal of ECL recognized in respect of accounts receivable	645	–	–	–	–	645
Bad debt recovery for loan receivables	–	282	–	–	–	282
Depreciation	(1,130)	(48)	(101)	–	(509)	(1,788)
Gain on exchange difference, net	1,592	–	–	–	–	1,592
Written-off of property, plant and equipment	(34)	(2)	–	–	–	(36)
Additions to non-current assets (<i>note</i>)	2,952	23	27,488	–	851	31,314
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit loss or segment assets:						
Bank interest income	–	–	–	–	187	187
Finance costs	–	–	–	–	(18,010)	(18,010)

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

5. LOSS BEFORE TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Staff costs (including Directors' emolument):		
— salaries, allowances and other benefits	51,626	57,885
— retirement benefit scheme contributions	1,422	1,553
— share-based payment expenses	10,332	—
Auditor's remuneration	780	980
Bad debt written off	1,951	2,187
Depreciation of property, plant and equipment		
— owned assets	1,767	1,788
— right-of-use assets	6,150	—
Gain on exchange difference, net	422	1,592
Written-off of property, plant and equipment	—	36
Lease payment for rented premises		
— under operating leases	—	8,142
— short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	577	—
Impairment loss recognized in respect of intangible asset	—	3,386
ECL recognized in respect of loan receivables	4,534	4,917
ECL recognized in respect of accounts receivable	499	4,658
ECL recognized in respect of other receivables	—	248
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

For the year ended 31 March 2020, Hong Kong profits tax was calculated at a flat rate of 16.5%.

For the year ended 31 March 2020, 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%.

No provision for Hong Kong profits tax has been made in the consolidated financial statements for the year ended 31 March 2019 as the Company and its subsidiaries either has available losses brought forward from prior years to offset the assessable profits generated during the year or did not generate any assessable profits arising in Hong Kong during the year.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong profits tax		
— Current year	6	—
— Under provision in respect of prior year	10	—
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

7. DIVIDENDS

The Directors did not propose a payment of final dividend for FY2020.

The Company rewards its shareholders with cash dividend, scrip dividend, bonus warrants or bonus shares depending on the business performance and liquidity position of the Group. Therefore, there is no assurance to what extent a particular dividend amount will be declared for any given period. The Directors may review the dividend policy as and when appropriate.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share was based on the loss for the year attributable to the owners of the Company of HK\$66,661,000 (2019: profit for the year attributable to the owners of the Company of HK\$183,000) and the weighted average number of 5,556,886,773 ordinary shares (2019: 4,993,501,865 ordinary shares) in issue during the year ended 31 March 2020.

Diluted loss per share for the year ended 31 March 2020 was the same as basic loss per share. The computation of diluted loss per share has not assumed the conversion of the Company's outstanding warrants and the exercise of share options since the conversion or exercise would result in a decrease in loss per share.

The calculation of diluted earnings per share for the year ended 31 March 2019 was based on the profit for the year attributable to the owners of the Company of HK\$183,000 and the weighted average number of 4,993,501,865 ordinary shares in issue during the year and adjusting for the potential dilutive ordinary shares of 280,252,749 arising from the outstanding warrants granted.

9. LOAN RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Securities dealing and brokerage services:		
— Secured margin loans (<i>note 1</i>)	24,452	69,212
Less: ECL allowance	<u>(3,066)</u>	<u>(15,302)</u>
	<u>21,386</u>	<u>53,910</u>
Financing business:		
— Secured mortgage loans (<i>note 2</i>)	126,677	141,413
— Secured loans	44,553	23,857
— Unsecured loans	17,411	14,504
Less: ECL allowance	<u>(12,833)</u>	<u>(10,312)</u>
	<u>175,808</u>	<u>169,462</u>
	<u>197,194</u>	<u>223,372</u>
The Group's loan receivables (net of ECL allowance) are analysed into:		
— Non-current assets	48,254	46,127
— Current assets	<u>148,940</u>	<u>177,245</u>
	<u>197,194</u>	<u>223,372</u>

Notes:

- Secured loans to margin clients are secured by the underlying 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 brokerage services.
- 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 ECL allowance, based on the loans release date at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financing business:		
Within 6 months	99,096	82,356
Over 6 months but not more than 1 year	36,690	38,816
Over 1 year	<u>40,022</u>	<u>48,290</u>
	<u>175,808</u>	<u>169,462</u>

10. ACCOUNTS RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable	19,153	39,696
Less: ECL allowance	(5,189)	(9,239)
	<u>13,964</u>	<u>30,457</u>
Total	<u>13,964</u>	<u>30,457</u>
Balance relating to:		
— Securities and futures dealing and brokerage services	12,514	30,307
— Others	1,450	150
	<u>13,964</u>	<u>30,457</u>

An aging analysis of the Group's accounts receivable net of ECL allowance presented based on the invoice date at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 6 months	11,667	22,352
Over 6 months but not more than 1 year	795	3,402
Over 1 year	1,502	4,703
	<u>13,964</u>	<u>30,457</u>

11. PROMISSORY NOTE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Promissory note receivables	<u>250</u>	<u>18,600</u>

The promissory note receivables bore interest at the rate of 8% (2019: 8%) per annum and were repayable within one year.

12. 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 “**First 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. Details of the First 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 “**Second Agreement**”) with another independent third party (the “**Second Purchaser**”). Pursuant to the Second Agreement, 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 Second Agreement are set out in the Company's announcement dated 27 March 2019.

On the above basis, the respective assets and liabilities of Brighten Int'l and its subsidiaries (the “**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:

	2019 <i>HK\$'000</i>
Property, plant and equipment	1,224
Promissory note receivables	128,897
Financial assets at FVTPL	20,860
Financial assets at FVOCI	766
Other receivables, deposits and prepayments	45,200
Cash and cash equivalents	<u>13,357</u>
Assets of disposal group held for sale	<u>210,304</u>
Other payables and accruals	9,381
Loans	11,200
Promissory note payables	<u>201,007</u>
Liabilities of disposal group held for sale	<u>221,588</u>
Net liabilities of disposal group held for sale	<u><u>11,284</u></u>

13. DISPOSAL OF SUBSIDIARIES

With reference to note 12, the First Purchaser exercised the Call Option on 29 July 2019 and the First Agreement was completed on 31 July 2019 (the “**Completion Date**”). Accordingly, the Second Agreement lapsed on 31 July 2019. The major classes of assets and liabilities of the Brighten Group as at the Completion Date were as follows:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Property, plant and equipment	3,831
Promissory note receivables	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 note payables	(197,389)
Loans	(11,200)
Lease liability	(2,782)
Amounts due to immediate holding company	(632)
Other payables and accruals	(10,376)
	<u>(1,283)</u>
Gain on disposal of subsidiaries:	
Cash consideration received	550
Net liabilities (attributable to the owners of the Company) disposed of	705
	<u>1,255</u>
Analysis of net cash flow on disposal:	
Cash consideration received	550
Cash and cash equivalents disposed of	(5,028)
	<u>4,478</u>

14. ACCOUNTS PAYABLE

Accounts payable are in relation to the securities and futures dealing and brokerage services and 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 31 March 2020, accounts payable were interest-bearing at the bank deposit savings rate (2019: bank deposit savings rate) per annum.

As at the 31 March 2020, the Group's accounts payable that are not denominated in the functional currency of the respective subsidiaries are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
US dollar	4,499	32,013
New Taiwanese dollar	1,124	3,496
Renminbi	82	531
	<u> </u>	<u> </u>

15. PROMISSORY NOTE PAYABLES

The Group has obtained additional working capital by issuing promissory notes. As at 31 March 2020, the promissory notes bore interest at 8% (2019: 5% to 8%) per annum and were repayable within one year.

16. 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 Share Options carry neither rights to dividends nor voting rights.

The movement of the Share Options for the year ended 31 March 2020 are as follows:

	For the year ended 31 March 2020 Number '000
Outstanding at 1 April 2019	–
Granted	455,000
Lapsed	(1,650)
	<u> </u>
Outstanding at 31 March 2020	453,350
	<u> </u>
Exercisable at 31 March 2020	<u>453,350</u>

The fair value of the 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:

	For the year ended 31 March 2020
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 expenses has been recognized in consolidated statement of profit or loss for the year ended 31 March 2020 and the corresponding amount of which has been credited to share option reserve. No liabilities were recognized for the share-based payment transaction.

17. CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

FY2020 Results

In FY2020, the Group achieved a turnover of approximately HK\$207,293,000 (FY2019: approximately HK\$234,787,000), and recorded a loss for the year of approximately HK\$64,037,000 for FY2020 (FY2019: a loss for the year of approximately HK\$6,435,000).

Review of Operations

Financial Services

The Group is a reputable financial services provider. To offer our clients a wide range of financial products and services, we hold a total of five licenses granted by the Securities and Futures Commission (the “SFC”), namely 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).

- *Brokerage*

During FY2020, the Hong Kong economy was under downward pressure due to the ongoing trade dispute between China and the United States, the local social unrest as well as the COVID-19 outbreak. The Hong Kong stock market was adversely affected by these factors and experienced a year of great turbulence. The Hang Seng Index hit a high of 30,280 in FY2020 and closed at 23,603 on 31 March 2020. Many central banks around the world made emergency interest rate cuts to bolster their economies. In China, the central government formulated various relief measures to support its economy’s development.

In FY2020, we managed to respond quickly to the various global crises including the COVID-19 outbreak. Thanks to the backup plan we had in place for dealing with the unprecedented crisis, the Group managed to provide its brokerage services as usual during the COVID-19 outbreak. In addition to the changes we made in our operation as we adopted an even more conservative strategy for our brokerage business, we have also taken decisive actions to streamline the operation with a view to reduce our operating costs and increase efficiency.

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 near 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, Hong Kong is an international financial centre. To cater to our clients' growing interest in investing in global financial products, in addition to the provision of stock brokerage service for the subscription of shares that are listed in Australia, Canada, Euronext, Germany, the United Kingdom, the United States and most of the other Asian markets, we have also managed to extend our futures brokerage service to our clients to enable them to make investments in futures products of major overseas markets.

As a result of the continuous enhancement of our value-added services, we have attracted new clients to our financial services businesses. The securities dealing turnover was approximately HK\$2.4 billion for FY2020.

- *Brokerage and Other Financing*

To provide flexibility to our clients, in FY2020, we continued to offer clients margin financing with highly competitive margin ratios and interest rates for trading listed securities and subscribing for new shares in initial public offerings (“**IPOs**”). In view of the market turbulence, in FY2020, the Group tightened its credit controls over the margin ratios that we granted clients for their brokerage loans to minimize the Group's market risks. Furthermore, we kept a close eye on the margin levels maintained by our margin financing clients to maintain a healthy loan portfolio. As a result, the bad debts provision for our margin financing business was kept at an immaterial level. In addition to the provision of margin financing to clients, the Group also provided other term loan financing services to its clients for their other personal business needs.

As at 31 March 2020, the net balances of the brokerage loans and other financing services stood at approximately HK\$31,803,000 and HK\$53,552,000 respectively. The interest income arising from brokerage loans and other financing services for FY2020 were approximately HK\$4,465,000 and HK\$9,086,000 respectively.

- *Corporate Finance*

In 2019, Hong Kong once again ranked first globally in terms of IPO cementing its position as the world's leading IPO hub. We believe the Hong Kong IPO market remains highly attractive to mainland Chinese companies and other companies from overseas markets. With our track record of having successfully completed the IPO projects over the past two financial years ended 31 March 2018 and 2019, we are well positioned to assist our corporate clients in applying for the listing of their shares on the Stock Exchange.

In May 2019, we were granted by the SFC to extend our corporate finance services to the area of transactions in relation to takeovers and mergers and share repurchases. This has increased our competitive edge as we can now provide a greater range of corporate finance services to our clients. Following this grant by the SFC, our full scope of corporate finance services has been augmented to include takeovers, mergers, share repurchases, placing and underwriting for new issues of shares, acting as a financial advisor as well as acting as a sponsor.

- *Asset Management*

To boost the development of asset management service in Hong Kong, the HKSAR Government has proposed certain tax concessions with a view to attracting more private equity funds to set up their operations in Hong Kong. The Group, as an asset management service provider, would benefit from such a policy. During FY2020, we have assisted a client to launch a new fund, and were negotiating with another client for the way of operating its funds.

The Hong Kong market is still attractive to investors in terms of investment returns when compared to other global markets. In addition, with the development of the Greater Bay Area and the increasing population of high net worth investors in Mainland China who are keen on making overseas investments, we expect these positive factors will provide us good opportunities to capture more new business. Our professionals in the wealth management division will, based on each client's unique situation, provide clients tailor-made investment solutions, which would allow clients to diversify their risks and to get a better return on their investments.

Mortgage Financing

During FY2020, the demand for mortgage loans remained strong, and this gave rise to new business opportunities for growing our loan portfolio. However, the outbreaks of the social unrest and COVID-19 in the territory have created economic uncertainty in the property market, and this posed as a challenge to our mortgage financing business. Our mortgage financing team had carried out a set of predefined measures and procedures to minimize credit risk and had managed to control operating costs. As at 31 March 2020, the consolidated loan portfolio under the mortgage financing segment of the Group was approximately HK\$121,201,000. The income for the mortgage financing business was HK\$21,425,000 for FY2020.

In addition to the guidelines for money lending business that were issued by the HKSAR Government in November 2016, the HKSAR Government announced additional guidelines in September 2018 and August 2019 respectively to require money lenders to comply with the "Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Licensed Money Lenders" and other additional guidelines on licensing conditions. We have fulfilled the applicable guidelines. Thanks to our strict compliance with the ordinance and guidelines, and our effective internal control policies, we continued to maintain a track record of immaterial bad debts provision for FY2020.

Property Development and Investment

With respect to the Group's redevelopment project at Fei Ngo Shan Road with a gross site area of more than 16,000 square feet, the superstructure has been completed and the occupation permit was obtained in April 2019 which falls in the early part of our FY2020 financial year. The interior decoration and other works for this property were carried out in FY2020. In addition, the Group holds a residential property in Sai Kung, Hong Kong. As at 31 March 2020, the combined carrying value of the Group's investment properties was approximately HK\$353,000,000.

Securities Trading

As at 31 March 2020, the Group held a portfolio of listed securities investments consisting of 17 securities for trading purposes, which were engaged in the sectors of (i) natural resources; (ii) consumer goods; (iii) banks; (iv) information technology; (v) industrials; and (vi) others. For FY2020, the net realized and unrealized losses were HK\$799,000 and HK\$2,714,000 respectively. The net unrealized loss was mainly attributable to the Group's investment in the sector of consumer goods.

Prospects

The COVID-19 pandemic that has swept across the world has greatly impacted the global economy. Businesses around the world have suffered economic losses due to this pandemic as lockdowns were imposed on businesses. In Hong Kong, the economy did not escape the effects of COVID-19 as shown by the sharp contraction of the Hong Kong economy during the COVID-19 outbreak. The Group will continue to monitor the development of COVID-19 and strive to react swiftly to deal with any challenges that may arise in the road ahead due to this virus. To deal with the downturn in the global economy, many central banks around the world have already started to cut interest rates and rolled out a number of measures including the loosening of reserve requirement ratio, tax relief and fee deduction policies to support their countries' economic development. All of 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 well as our core businesses.

MSCI has completed the increase of 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%. Following the successful control of the spread of COVID-19 in Mainland China in 2020, the accumulated consumer demand that had built up during the lockdown period is expected to be released after the business lockdowns are lifted by the government and we expect that China will return to its economic growth at a reasonable level. By that time, we expect 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 brokerage 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 brokerage 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 with the future prospects of the Group's brokerage business, as we 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, we believe these steps would enable us to capture more brokerage business from both new and existing clients. In respect of our corporate finance services, we have obtained the SFC's approval to permit us to provide financial advisory services on takeovers and mergers. By leveraging the expertise of our professional corporate finance advisors, we believe our provision of financial advisory services on takeover and merger deals will generate synergy with our existing financial advisory services, compliance advisory services and sponsor services.

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 AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2020, the Group's net asset value was approximately HK\$499,234,000 (FY2019: approximately HK\$548,510,000) and cash and cash equivalents totaled approximately HK\$53,308,000 (FY2019: approximately HK\$112,372,000) of which approximately 94% was held in Hong Kong dollar, approximately 4% in Renminbi and approximately 2% in US dollar.

As at 31 March 2020, the Group's borrowings included loans, promissory note payables, a bond payable and lease liabilities amounted to approximately HK\$183,045,000 (FY2019: approximately HK\$200,068,000) of which approximately HK\$42,438,000 (FY2019: HK\$184,412,000) was repayable within one year. The gearing ratio, being the ratio of total borrowings to the shareholders' fund, was about 0.37 (FY2019: 0.36).

Investments in Financial Assets

As at 31 March 2020, the Group held a portfolio of listed securities with fair value of approximately HK\$32,596,000 (FY2019: 27,721,000). The Group will continue to adopt a prudent approach for its investments in financial assets.

Charges on Group Assets

As at 31 March 2020, the Group's investment properties of approximately HK\$353,000,000 (FY2019: approximately HK\$347,800,000) 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 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 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, 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	8
Type 2	Dealing in futures contracts	2
Type 4	Advising on securities	4
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 FY2020, the financial services operation of the Group had complied with the SFO. Clients were satisfied with our services. During FY2020, we have properly managed a total securities trading turnover of approximately HK\$2.4 billion under the stock brokerage business.

To maintain the professionalism of the Board, three of the Board members are certified public accountants who monitor or advise the Group on internal control matters. Under the mortgage financing business, we had net consolidated mortgage loans of approximately HK\$121,201,000 as at 31 March 2020, and the operation had complied with the Money Lenders Ordinance and the applicable guidelines.

Interest Rate Risk

All of the Group's borrowings bore interest at either a fixed interest rate or floating interest rate. Its risk arises from the interest payments which were 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 current and expected liquidity requirements of the Group 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 2020, the amount of undrawn banking facilities of the Group was approximately HK\$8,533,000.

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 are the listed shares, which 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 FY2020, the Group's business activities as well as its assets and liabilities were mainly denominated in Hong Kong dollar, US dollar, New Taiwanese dollar and Renminbi. In light of (i) the exchange rate peg between the Hong Kong dollar and US dollar; and (ii) the portions of the Group's assets or liabilities that were denominated in Renminbi and New Taiwanese dollar were immaterial when compared to the Group's total assets or liabilities, the Group considers its foreign exchange risk immaterial for FY2020. It is the Group's treasury policy to manage its foreign currency exposure to minimize any material financial impact to the Group.

MATERIAL ACQUISITION AND DISPOSAL

Other than the disposal of the Brighten Group as disclosed in the notes 12 and 13 to the consolidated financial statements contained in this announcement, the Group did not have other material acquisition and disposal during FY2020.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities (FY2019: immaterial).

CORPORATE GOVERNANCE

Other than the following deviations, the Company has complied with all of 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 FY2020, the Company convened two general meetings. Due to their personal engagements, two INEDs including the Chairman of the Board were unable to attend the two general meetings.

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 FY2020, they have complied with the required standard as set out in the Model Code.

BONUS ISSUE OF WARRANTS

Bonus Issue of Warrants-2018

It was announced on 15 August 2018 that 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-2018**”). For details of the Bonus Issue of Warrants-2018, please refer to the announcement of the Company dated 15 August 2018 (the “**Announcement-2018**”). On 24 September 2018, the shareholders approved the Bonus Issue of Warrants-2018, pursuant to which 989,226,416 warrants were issued. The initial subscription price was HK\$0.01 and the subscription period was from 6 November 2018 to 5 November 2019 (both days inclusive). Full exercise of the subscription rights attaching to the 989,226,416 warrants would result in the issue of 989,226,416 new shares. As of 5 November 2019, 97,837,038 warrants had not been exercised and had lapsed accordingly. Details of the exercise of Bonus Issue of Warrants -2018 are set out as follows:

	Number of warrants	Amount HK\$'000
Number of warrants issued	989,226,416	9,892
Number of warrants exercised during FY2019	(148,931,567)	(1,489)
At 1 April 2019	840,294,849	8,403
Number of warrants exercised during FY2020	(742,457,811)	(7,425)
Balance of warrants lapsed	97,837,038	978

Up to 31 March 2020, the Group has applied the subscription monies towards the general working capital of the Group as it disclosed in the Announcement-2018.

Bonus Issue of Warrants-2019

On 29 July 2019, the Board proposed a new issue of bonus warrants to the shareholders on the basis of 1 warrant for every 5 shares (the “**Bonus Issue of Warrants-2019**”). For details of the Bonus Issue of Warrants-2019, please refer to the announcement of the Company dated 29 July 2019 (the “**Announcement-2019**”). On 3 September 2019, the shareholders approved the Bonus Issue of Warrants-2019, 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. Details of the exercise of Bonus Issue of Warrants-2019 are set out as follows:

	Number of warrants	Amount HK\$'000
Number of warrants issued	1,176,096,375	11,761
Number of warrants exercised during FY2020	<u>(31,986,945)</u>	<u>(320)</u>
At 31 March 2020	<u>1,144,109,430</u>	<u>11,441</u>

As disclosed in the Announcement-2019, 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 31 March 2020, the Subscription Monies were placed in a bank.

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 FY2020.

REVIEW OF ACCOUNTS

The Company has an audit committee comprising three INEDs, namely Mr. Lo Tsz Fung Philip, Mr. Li Hancheng and Mr. Yeung Shun Kee. The audit committee has reviewed the Group’s annual results for FY2020.

On behalf of the Board
Li Hancheng
Chairman

Hong Kong, 24 June 2020

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