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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: 1054)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board of directors (the “**Directors**” or the “**Board**”) of Styland Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2021 (the “**Review Period**”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
TURNOVER		131,106	116,268
Revenue	3	21,035	19,416
Costs of brokerage services		(3,027)	(1,476)
Other income		1,309	2,039
Administrative expenses		(34,014)	(31,714)
Selling and distribution costs		(1,246)	(2,514)
Change in fair value of financial assets at fair value through profit or loss (“ FVTPL ”)		(3,566)	(508)
(Loss)/gain on disposal of financial assets at FVTPL		(1,318)	513
Expected credit losses (“ ECL ”) recognized in respect of loan receivables		(326)	(1,951)
ECL recognized in respect of accounts receivable		(263)	(824)
ECL recognized in respect of other receivables		(1,835)	–
Reversal of ECL recognized in respect of loan receivables		205	4,484
Reversal of ECL recognized in respect of accounts receivable		45	525
Finance costs		(3,179)	(2,723)

* For identification purposes only

		Six months ended	
		30 September	
		2021	2020
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
LOSS BEFORE INCOME TAX	4	(26,180)	(14,733)
Income tax expenses	5	<u>—</u>	<u>—</u>
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(26,180)</u>	<u>(14,733)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD			
— Basic and diluted loss per share	7	<u>(HK\$0.037)</u>	<u>(HK\$0.023)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		44,456	33,256
Investment properties		364,923	360,673
Intangible assets		1,500	1,500
Financial asset at FVTPL	12	6,505	6,497
Loan receivables	8	34,879	34,201
		452,263	436,127
CURRENT ASSETS			
Loan receivables	8	102,400	137,017
Accounts receivable	9	30,791	26,844
Contract asset		–	950
Other receivables, deposits and prepayments		10,633	12,172
Financial asset at fair value through other comprehensive income (“FVOCI”)	12	–	–
Financial assets at FVTPL	12	12,179	23,405
Client trust funds		164,901	74,400
Cash and cash equivalents		66,010	114,614
		386,914	389,402
TOTAL ASSETS		839,177	825,529
CURRENT LIABILITIES			
Accounts payable	10	173,080	92,621
Contract liability		1,000	1,000
Other payables and accruals		4,618	5,329
Promissory note payables		23,450	57,650
Loans		169,140	172,555
Lease liabilities		1,787	4,403
		373,075	333,558
NET CURRENT ASSETS		13,839	55,844
TOTAL ASSETS LESS CURRENT LIABILITIES		466,102	491,971

		At 30 September 2021 (Unaudited) <i>HK\$'000</i>	At 31 March 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Convertible bonds	<i>11</i>	21,602	21,213
Lease liabilities		207	437
		<u>21,809</u>	<u>21,650</u>
NET ASSETS		<u>444,293</u>	<u>470,321</u>
EQUITY			
Share capital		70,242	70,189
Reserves		374,051	400,132
TOTAL EQUITY		<u>444,293</u>	<u>470,321</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”), and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2021

The condensed consolidated interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of the following amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective as of 1 April 2021. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2.2 Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ¹
Accounting Guideline 5 (Revised)	Merge Accounting for Common Control Combinations ⁴

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

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for business combinations/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 “Making Materiality Judgements” to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies may need to be revised to cope with the above changes, the Directors expect that the amendments have no other material impact on the condensed consolidated interim financial statements.

Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as “monetary amounts in the financial statements that are subject to measurement uncertainty”.

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. In addition, two illustrative examples are added to illustrate how to apply the new definition of accounting estimates.

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The Directors expect that the amendments have no material impact on the condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

Revenue

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

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees and commission income from securities and futures broking, corporate finance and asset management	7,142	4,876
Interest income from securities brokerage financing and other financing	4,397	3,680
Interest income from mortgage financing	8,906	10,459
Commission income from insurance brokerage services	491	–
Dividend income	99	401
	<hr/>	<hr/>
Total revenue	21,035	19,416
	<hr/> <hr/>	<hr/> <hr/>

During the Review Period, the Group derived revenue recognized over time and at a point in time from its fees and commission income from securities and futures broking, corporate finance, asset management and insurance brokerage services as follows:

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Timing of revenue recognition		
— At a point in time	7,367	4,425
— Over time	266	451
	<hr/>	<hr/>
	7,633	4,876
	<hr/> <hr/>	<hr/> <hr/>

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments for the six months ended 30 September 2021 and the corresponding period in 2020 respectively:

For the six months ended 30 September 2021

	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>	Insurance brokerage <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Revenue from external customers	11,539	8,906	-	99	491	-	21,035
Inter-segment revenue	201	-	-	-	-	(201)	-
	<u>11,740</u>	<u>8,906</u>	<u>-</u>	<u>99</u>	<u>491</u>	<u>(201)</u>	<u>21,035</u>
Segment results	(12,855)	5,066	(610)	(5,375)	(378)	-	(14,152)
Unallocated income							93
Unallocated expenses							<u>(12,121)</u>
Loss before income tax							<u>(26,180)</u>

For the six months ended 30 September 2020

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

Other segment information

For the six months ended 30 September 2021

	Financial services HK\$'000	Mortgage financing HK\$'000	Property development and investment HK\$'000	Securities trading HK\$'000	Insurance brokerage HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measurement of segment profit or loss or segment assets:							
Change in fair value of financial assets at FVTPL	-	-	-	(3,566)	-	-	(3,566)
Loss on disposal of financial assets at FVTPL	-	-	-	(1,318)	-	-	(1,318)
ECL recognized in respect of loan receivables	(326)	-	-	-	-	-	(326)
ECL recognized in respect of accounts receivable	(263)	-	-	-	-	-	(263)
ECL recognized in respect of other receivables	(1,835)	-	-	-	-	-	(1,835)
Reversal of ECL recognized in respect of loan receivables	205	-	-	-	-	-	205
Reversal of ECL recognized in respect of accounts receivable	45	-	-	-	-	-	45
Reversal of ECL recognized in respect of other receivables	9	-	-	-	-	-	9
Depreciation — owned assets	(366)	(4)	(73)	-	(2)	(137)	(582)
Depreciation — right-of-use assets	(972)	(138)	-	-	-	(639)	(1,749)
(Loss)/gain on disposal of property, plant and equipment	-	(18)	-	-	-	135	117
Gain on exchange difference, net	406	-	1	-	-	28	435
Addition to non-current assets (<i>note</i>)	16	2	15,361	-	-	1,827	17,206
Amounts regularly provided to the chief operating decision maker but not included in the assessment of segment profit or loss or segment assets:							
Interest income	-	-	-	-	-	65	65
Finance costs	(42)	(4)	-	-	-	(3,133)	(3,179)

Note: It excluded the additions to financial assets at FVTPL and loan receivables.

For the six months ended 30 September 2020

	Financial services <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measurement of segment profit or loss or segment assets:							
Change in fair value of financial assets at FVTPL	–	–	–	(508)	–	–	(508)
Gain on disposal of financial assets at FVTPL	–	–	–	513	–	–	513
ECL recognized in respect of loan receivables	(901)	(1,050)	–	–	–	–	(1,951)
ECL recognized in respect of accounts receivable	(824)	–	–	–	–	–	(824)
ECL recognized in respect of other receivables	–	(77)	–	–	–	–	(77)
Reversal of ECL recognized in respect of loan receivables	814	3,670	–	–	–	–	4,484
Reversal of ECL recognized in respect of accounts receivable	525	–	–	–	–	–	525
Reversal of ECL recognized in respect of other receivables	–	320	–	–	–	–	320
Depreciation — owned assets	(398)	(14)	(98)	–	–	(74)	(584)
Depreciation — right-of-use assets	(2,390)	(139)	–	–	–	(648)	(3,177)
Loss on disposal of property, plant and equipment	(31)	–	–	–	–	(29)	(60)
(Loss)/gain on exchange difference, net	(53)	–	28	1	–	41	17
Addition to non-current assets (<i>note</i>)	20	–	8,810	–	–	2,849	11,679
Amounts regularly provided to the chief operating decision maker but not included in the assessment of segment profit or loss or segment assets:							
Interest income	–	–	–	–	–	77	77
Finance costs	(142)	(10)	–	–	–	(2,571)	(2,723)

Note: It excluded the additions to financial assets at FVTPL and loan receivables.

4. LOSS BEFORE INCOME TAX

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

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of property, plant and equipment		
— owned assets	582	584
— right-of-use assets	1,749	3,177
(Gain)/loss on disposal of property, plant and equipment	(117)	60
Lease charges for short-term leases	149	108
Salaries, allowances and other benefits (including retirement benefit scheme contributions)	20,899	17,000
	<u>20,899</u>	<u>17,000</u>

5. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements for both the Review Period and the six months ended 30 September 2020 as the Company and its subsidiaries either had available losses brought forward from prior years to offset the assessable profits generated during the respective periods or did not generate any assessable profits arising in Hong Kong during the respective periods.

6. DIVIDENDS

The Board did not recommend a payment of an interim dividend for the Review Period (2020: interim dividend of HK\$72.5 for every board lot (10,000 shares), equivalent to HK0.725 cents per share, with a scrip alternative).

7. LOSS PER SHARE

The calculation of basic loss per share for the Review Period was based on the loss for the period attributable to the owners of the Company of HK\$26,180,000 (2020: HK\$14,733,000) and the weighted average number of 702,345,023 ordinary shares (2020: 632,161,487 ordinary shares) in issue for the Review Period.

Diluted losses per share for the Review Period and for the six months ended 30 September 2020 were the same as their respective basic losses per share. The computation of diluted losses per share had not assumed the exercise of subscription rights attaching to the outstanding warrants or the conversion of convertible bonds for the reason that the exercise or conversion would result in a decrease in the loss per share. Also, it has not assumed the exercise of share options since the exercise price for the share options was higher than the average market prices of the shares for the Review Period or the six months ended 30 September 2020.

8. LOAN RECEIVABLES

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Securities dealing and broking services:		
— Secured margin loans	23,282	30,010
Less: ECL allowance	<u>(1,838)</u>	<u>(1,717)</u>
	<u>21,444</u>	<u>28,293</u>
Financing business:		
— Secured mortgage loans	111,434	137,767
— Secured loans	2,923	2,923
— Unsecured loans	14,072	14,829
Less: ECL allowance	<u>(12,594)</u>	<u>(12,594)</u>
	<u>115,835</u>	<u>142,925</u>
	<u><u>137,279</u></u>	<u><u>171,218</u></u>
The Group's loan receivables (net of ECL allowance) were analysed into:		
— Non-current assets	34,879	34,201
— Current assets	<u>102,400</u>	<u>137,017</u>
	<u><u>137,279</u></u>	<u><u>171,218</u></u>

There were no significant movements in the ECL allowance of loan receivables during the Review Period.

Under the mortgage financing segment, the balance of loans (net of ECL allowance) was HK\$108,265,000 at 30 September 2021 (31 March 2021: HK\$135,159,000).

No aging analysis on secured margin loans was disclosed, as it is the opinion of the Directors that an aging analysis does not give additional value in view of the nature of the securities margin financing business. The aging analysis of the Group's loan receivables (net of ECL allowance) for the financing business based on contractual maturity dates is as follows:

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
On demand or not more than 1 year	80,956	108,724
More than 1 year but not more than 5 years	8,376	9,853
Over 5 years	<u>26,503</u>	<u>24,348</u>
	<u><u>115,835</u></u>	<u><u>142,925</u></u>

9. ACCOUNTS RECEIVABLE

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Accounts receivable	36,956	32,791
Less: ECL allowance	<u>(6,165)</u>	<u>(5,947)</u>
	<u>30,791</u>	<u>26,844</u>
Balance in relation to:		
— Securities and futures dealing and broking services	30,005	26,459
— Others	<u>786</u>	<u>385</u>
	<u>30,791</u>	<u>26,844</u>

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

Not more than 6 months	29,054	26,596
More than 6 months but not more than 1 year	1,174	185
Over 1 year	<u>563</u>	<u>63</u>
	<u>30,791</u>	<u>26,844</u>

10. ACCOUNTS PAYABLE

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Balance in relation to:		
— Securities and futures dealing and broking services	172,861	92,621
— Others	<u>219</u>	<u>—</u>
	<u>173,080</u>	<u>92,621</u>

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

As at the reporting date, accounts payable in relation to securities dealing and broking services were interest bearing at the bank deposit savings rates (2020: bank deposit savings rates) per annum. The Group has financial risk management policies in place to ensure that the relevant payables can be settled within the credit timeframe.

An aged analysis of the Group's accounts payable excluding those under the securities and futures dealing and broking services is as follows:

Not more than 6 months	210	–
More than 6 months but not more than 1 year	9	–
	<u>219</u>	<u>–</u>

The Group's accounts payable that are not denominated in the functional currency of the respective subsidiaries are as follows:

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
United States dollar ("US dollar")	86,421	16,161
New Taiwan dollar	25,123	11,024
Renminbi	305	141
Canadian dollar	118	–
Great British Pound	2	1
	<u>2</u>	<u>1</u>

11. CONVERTIBLE BONDS

	Liabilities Component HK\$'000	Equity Component HK\$'000	Total HK\$'000
At 1 April 2021 (audited)	21,213	2,433	23,646
Bond interest at effective interest rate (unaudited)	1,073	–	1,073
Bond interest paid (unaudited)	(684)	–	(684)
	<u>21,602</u>	<u>2,433</u>	<u>24,035</u>
At 30 September 2021 (unaudited)	21,602	2,433	24,035

For more details about the convertible bonds, please refer to the note 30 to the consolidated financial statements of the Company for the year ended 31 March 2021 contained in the Annual Report 2020/21 of the Company.

12. FAIR VALUE MEASUREMENTS

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 September 2021 (unaudited)				
Financial assets				
Financial assets at FVTPL				
— Listed equity securities (<i>note a</i>)	12,179	–	–	12,179
— Investment in a life insurance policy (<i>note b</i>)	–	6,505	–	6,505
Financial asset at FVOCI				
— An unlisted equity security (<i>note c</i>)	–	–	–	–
	<u>12,179</u>	<u>6,505</u>	<u>–</u>	<u>18,684</u>

As at 31 March 2021 (audited)

Financial assets				
Financial assets at FVTPL				
— Listed equity securities (<i>note a</i>)	23,405	–	–	23,405
— Investment in a life insurance policy (<i>note b</i>)	–	6,497	–	6,497
Financial asset at FVOCI				
— An unlisted equity security (<i>note c</i>)	–	–	–	–
	<u>23,405</u>	<u>6,497</u>	<u>–</u>	<u>29,902</u>

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

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

Note c: As at 30 September 2021, the investment in the unlisted equity security represent the equity interest in a private entity that offers the Group the opportunity for return through distribution and is measured at fair value. The fair value of the unlisted equity investment is determined using the approach of the net asset value of the entity. The effects of the unobservable inputs are not significant.

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

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

13. CONTINGENT LIABILITIES

As at 30 September 2021, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the Review Period, the Group's turnover was HK\$131,106,000 as compared to HK\$116,268,000 for the corresponding period in 2020, while the loss attributable to the owners of the Company was HK\$26,180,000 as compared to the loss of HK\$14,733,000 for the corresponding period in 2020.

Review of Operations

- *Financial Services*

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

During the Review Period, the market sentiment in Hong Kong improved significantly. This was mainly due to the improvement of the COVID-19 situation in Hong Kong as well as the HKSAR Government's relief measures. One such government relief measure was the Consumption Voucher Scheme that was rolled out in August 2021. The key purpose of this scheme was to boost consumer spending in Hong Kong in view of accelerating the city's economic recovery. Furthermore, we capitalized on our well-established trading platform by enabling our clients to trade shares that were listed on the overseas stock exchanges including most of the Asian stock exchanges. During the Review Period, we secured new clients who were interested in our financial services pertaining to making investments in the overseas markets. The main factor that led to the improvement of our brokerage commission income for the Review Period was the revenue contribution from our new brokerage clients.

In order to maintain a healthy liquidity ratio, the Group has always adopted a cautious approach when granting its brokerage financing services and loans to its clients. During the Review Period, the Hang Seng Index decreased from its highest point at 29,490 in June 2021 to its lowest point at 23,771 in September 2021. Although there was substantial volatility in the stock market over the Review Period, the Group managed to maintain a healthy brokerage loan portfolio and did not record a material bad debt provision. In the Review Period, we handled the securities dealing turnover of HK\$3.4 billion for our clients. Due to our effective internal control procedures, our clients were satisfied with such services.

During the Review Period, we acted as a sponsor for our IPO clients and a financial advisor for our listed corporate clients, and we have completed certain placing and underwriting engagements.

- *Mortgage Financing*

The Group's mortgage financing arm Ever-Long Finance Limited is a reputable money lending service provider in Hong Kong, and has complied with the Money Lenders Ordinance and the relevant guidelines in all material aspects. Due to the persistent impact of the COVID-19 pandemic and the uncertain factors surrounding the property market in Hong Kong, the Group has implemented more stringent credit controls over its mortgage loan drawdowns. As a result, the loan balance under the mortgage financing business was reduced from HK\$135,159,000 as at 31 March 2021 to HK\$108,265,000 as at 30 September 2021. The interest income for this segment was HK\$8,906,000 for the Review Period.

- *Property Development and Investment*

With respect to the Group's redevelopment project at Fei Ngo Shan Road, Hong Kong with a gross site area of more than 16,000 square feet, the superstructure has been completed and the occupation permit has been obtained. The interior decoration and other works for this property were still in progress during the Review Period. In addition, the Group holds a residential property in Sai Kung, Hong Kong. As at 30 September 2021, the combined carrying value of the Group's investment properties was approximately HK\$364,923,000.

- *Securities Trading*

As at 30 September 2021, the Group held a portfolio of listed securities investments consisting of 35 securities, which were engaged in the sectors of (i) consumer discretionary; (ii) information technology; (iii) financials; (iv) healthcare; and (v) others.

The combined net realized and unrealized losses for the Review Period were HK\$4,884,000, out of which approximately 63% was attributable to the Group's securities trading in a China-based company principally engaged in the operation and management of shopping malls, the shares of which are listed on the Main Board of the Stock Exchange.

- *Insurance Brokerage Services*

The insurance broker company we acquired in November 2020 has created a brand new stream of stable, recurring income for the Group including the insurance brokerage commission income from life insurance and general insurance brokerage services, as well as the fee income from acting as a mandatory provident fund intermediary. The development of the Group's insurance brokerage business was still in its preliminary stage during the Review Period. In addition to its existing business scope, we expect that the insurance brokerage segment would have a synergistic effect on our asset management business as the technical representatives of this segment would also assist in promoting the financial products and services of the Group.

Prospects

The 14th Five-Year Plan will deepen Hong Kong's linkages with Mainland China's capital markets and provide Hong Kong with more opportunities for business development. In September 2021, Mainland China announced that the area of the Qianhai Economic Cooperation Zone in Shenzhen will be expanded to around eight times its existing area. This expansion plan will further open up the financial sector in that zone including more cross-border securities investments and will enhance its links to Hong Kong's financial market. The Group's wholly owned subsidiary Ever-Long Securities Company Limited is an eligible participant of the stock connects, and would benefit from such national policies.

Moreover, the Wealth Management Connect scheme that was launched in September 2021 and Southbound Trading under Bond Connect, which was also launched in September 2021, are two important investment vehicles that are expected to further enhance Hong Kong's status as an international asset management center. One of our financial services is wealth management service and we may take advantage of such connects to expand our customer base of high net worth mainland clients by providing these clients our Group's wealth management services. These connects provide us additional channels to assist our asset management clients to obtain attractive investment opportunities.

In Hong Kong, the government has rolled out several relief measures and support schemes including the Consumption Voucher Scheme to support Hong Kong businesses and residents in overcoming the impact of the COVID-19 pandemic. Thanks to such measures, the labor market has improved. As these measures have a positive wealth effect on Hong Kong consumers, we expect these measures to have a positive spillover effect onto our business by helping to reduce the credit risk of our mortgage financing business.

Financial Review on Liquidity, Financial Resources and Capital Structure

As at 30 September 2021, the Group's net asset value was approximately HK\$444,293,000 (31 March 2021: approximately HK\$470,321,000) and cash at bank and in hand totaled approximately HK\$66,010,000 (31 March 2021: HK\$114,614,000) of which approximately 95% was held in Hong Kong dollar, approximately 3% in Renminbi and approximately 2% in US dollar.

As at 30 September 2021, borrowings, including loans, promissory note payables, convertible bonds and lease liabilities amounted to approximately HK\$216,186,000 (31 March 2021: HK\$256,258,000) of which approximately HK\$63,242,000 (31 March 2021: HK\$100,933,000) was repayable within one year. Ninety-eight percent of the Group's borrowings were denominated in Hong Kong dollar.

As at 30 September 2021, the interest rates for the borrowings were as follows:

- (a) the bank loans bore different interest rates, including (i) at 2.75% below the prime rate per annum for Hong Kong dollars quoted by the bank, and the effective rate was 2.5% per annum; (ii) at 1.9% per annum over the 3-month Hong Kong Interbank Offered Rate; and (iii) at 1% per annum over the 3-month London Interbank Offered Rate;
- (b) the promissory note payables bore interest at the rates ranging from 6% to 8% per annum;
- (c) the coupon rate for the convertible bonds was 6% per annum; and
- (d) the applicable interest rates for lease liabilities ranged from 1.65% to 4.30% per annum.

As at 30 September 2021, the Group's investment properties with a combined carrying value of approximately HK\$364,923,000 were pledged to banks to secure the banking facilities that were granted to the Group.

Credit Risk

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

For the mortgage financing business, mortgage loans are granted to clients based on the aggregate market value of the pledged properties as confirmed by independent valuers. To lower the Group's exposure to risk in its mortgage financing business, the mortgage amount to be granted to a client, in general, shall not exceed 80% of the aggregate market value of the pledged properties.

For the insurance brokerage business, clients are required to pay premiums or fees to insurance companies directly, and the technical representatives of the Group would follow up on the payment status to ensure that they are paid on time to the insurance companies.

Operational Risk

The Group has put in place effective internal control systems for its operations. Under the financial services businesses, the relevant monitoring teams comprised of licensed responsible officers registered under the SFO and the 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. As at 30 September 2021, the following chart provides information on the number of responsible officers of the Group for each regulated activity under the financial services segment:

Type of license	Regulated activity	Number of responsible officers
Type 1	Dealing in securities	6
Type 2	Dealing in futures contracts	2
Type 4	Advising on securities	3
Type 6	Advising on corporate finance	5
Type 9	Asset management	4

In order to safeguard clients' interests and comply with the requirements of the SFO, our monitoring teams have carried out ongoing checks and verifications so that we are able to maintain our service standard at a satisfactory level. During the Review Period, we have managed a total securities trading turnover of approximately HK\$3.4 billion under the securities broking business.

Under the mortgage financing business, we had on hand net consolidated loans of approximately HK\$108,265,000 as at 30 September 2021 and the operation had complied with the Money Lenders Ordinance and the applicable guidelines.

Under the insurance brokerage business, the responsible officer and the technical representatives are registered under the Insurance Ordinance, and they are required to act in compliance with that ordinance.

Interest Rate Risk

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

Liquidity Risk

The Group's policy is to regularly assess the current and expected liquidity requirements of the Group and ensure that the Group maintains reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. As at 30 September 2021, the amount of undrawn banking facilities of the Group was approximately HK\$12,737,000.

Price Risk

The Group is exposed to listed equity price risk arising from individual equity investments classified as financial assets at fair value through profit and loss. This risk results from the decrease in the levels of equity indices and the value of the individual securities. The Group's investments in listed shares are valued at the quoted market prices. The Group continues to monitor the movements in equity prices and will consider hedging the risk exposure should the need arise.

Foreign Exchange Exposure

During the Review Period, the Group's business activities as well as its assets and liabilities were mainly denominated in Hong Kong dollar, US dollar, New Taiwan dollar and Renminbi. In light of (i) the exchange rate peg between the Hong Kong dollar and US dollar; (ii) the offset each other for assets and liabilities that were denominated in New Taiwan dollar; and (iii) the immaterial balance of assets and liabilities denominated in Renminbi when compared to the Group's total assets or liabilities, the Group considers its foreign exchange risk immaterial for the Review Period. It is the Group's treasury policy to manage its foreign currency exposure to minimise any material financial impact to the Group.

Staff

As at 30 September 2021, the Group had 82 employees. During the Review Period, the Group's remuneration packages were structured with reference to prevailing market practice and individual merits. Salaries have been reviewed periodically based on the employees' performance appraisals and other relevant factors. The Group also maintains certain staff benefits plans including medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

CORPORATE GOVERNANCE

The Company is committed to uphold good corporate governance practices and considers effective corporate governance an essential element to the Group's success. To uphold that belief, the Company keeps enhancing its corporate governance.

Following the passing away of Mr. Yeung Shun Kee, a former independent non-executive Director (“**INED**”) of the Company, on 19 September 2021, the Company has two INEDs which does not meet the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules. The Board will seek to appoint a new INED, new chairman of the remuneration committee and a new member of the audit committee, remuneration committee and nomination committee of the Company as soon as possible and puts forth its best endeavor to meet the time period set forth in Rules 3.11, 3.23 and 3.27 of the Listing Rules.

During the Review Period, except for the above disclosure, the Company had strictly complied with the code provisions in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

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

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

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

BONUS ISSUE OF WARRANTS

On 23 December 2020, the Board proposed an issue of bonus warrants to the shareholders on the basis of 1 warrant for every 5 shares (the “**Bonus Issue of Warrants**”). For details of the Bonus Issue of Warrants, please refer to the announcement of the Company dated 23 December 2020 (the “**Warrant Announcement**”). On 26 January 2021, the shareholders approved the Bonus Issue of Warrants, pursuant to which 138,997,618 warrants were issued. The initial subscription price was HK\$0.285 and the subscription period was from 17 February 2021 to 16 February 2022 (both days inclusive). Full exercise of the subscription rights attaching to the 138,997,618 warrants would result in the issue of 138,997,618 new shares. Details of the exercise of Bonus Issue of Warrants up to 30 September 2021 were set out as follows:

	Number of warrants	Amount HK\$’000
Number of warrants issued	138,997,618	39,614
Warrants exercised during the year ended 31 March 2021	<u>(6,903,498)</u>	<u>(1,967)</u>
At 1 April 2021	132,094,120	37,647
Warrants exercised during the Review Period	<u>(529,721)</u>	<u>(152)</u>
At 30 September 2021	<u><u>131,564,399</u></u>	<u><u>37,495</u></u>

As disclosed in the Warrant Announcement, the Group would apply any subscription monies received as and when the subscription rights were exercised (the “**Subscription Monies**”) for the administrative expenses, and the financing or funding the principal activities of the Group. As at 30 September 2021, approximately HK\$2,014,000 of the Subscription Monies has been applied for the purpose of financing and funding the principal activities of the Group, and administrative expenses.

REVIEW BY AUDIT COMMITTEE

The Company has an audit committee comprising all INEDs. The audit committee has reviewed the unaudited condensed consolidated interim financial statements for the Review Period and has discussed the financial related matters with the management.

On behalf of the Board
Li Hancheng
Non-Executive Chairman

Hong Kong, 26 November 2021

As at the date of this announcement, the executive Directors are Mr. Cheung Hoo Win and Mr. Ng Yiu Chuen, and the INEDs are Mr. Li Hancheng and Mr. Lo Tsz Fung Philip.