STYLAND HOLDINGS LIMITED
大 凌 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 211)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board of directors (the "**Directors**" or the "**Board**") of Styland Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2022 (the "**Review Period**") together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
TURNOVER		**136,054**	131,106
Revenue	*3*	**12,409**	21,035
Costs of brokerage services		**(1,232)**	(3,027)
Other income		**2,051**	1,300
Administrative expenses		**(28,066)**	(34,014)
Selling and distribution costs		**(2,081)**	(1,246)
Change in fair value of financial assets at fair value through profit or loss ("**FVTPL**")		**(699)**	(3,566)
Loss on disposal of financial assets at FVTPL		**(1,144)**	(1,318)

	Notes	Six months ended 30 September **2022** **(Unaudited)** ***HK$'000***	2021 (Unaudited) *HK$'000*
Expected credit losses ("**ECL**") recognized in respect of loan receivables		**(230)**	(326)
ECL recognized in respect of accounts receivable		**(136)**	(263)
ECL recognized in respect of other receivables		**(521)**	(1,835)
Reversal of ECL recognized in respect of loan receivables		**179**	205
Reversal of ECL recognized in respect of accounts receivable		**293**	45
Reversal of ECL recognized in respect of other receivables		**9**	9
Finance costs		**(5,622)**	(3,179)
LOSS BEFORE INCOME TAX	*4*	**(24,790)**	(26,180)
Income tax expenses	*5*	**–**	–
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**(24,790)**	(26,180)
LOSS PER SHARE			
– Basic and diluted loss per share	*7*	**(HK$0.035)**	(HK$0.037)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2022 (Unaudited) HK$'000	At 31 March 2022 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,490**	10,527
Investment properties		**487,056**	485,500
Intangible assets		**1,500**	1,500
Financial asset at FVTPL	*12*	**6,770**	6,682
Loan receivables	*8*	**25,362**	37,316
Deposits paid for acquisition of property, plant and equipment		**158**	–
		530,336	541,525
CURRENT ASSETS			
Loan receivables	*8*	**82,737**	83,049
Accounts receivable	*9*	**20,028**	21,545
Other receivables, deposits and prepayments		**10,067**	15,584
Financial assets at FVTPL	*12*	**15,466**	11,827
Financial asset at fair value through other comprehensive income ("**FVOCI**")	*12*	**–**	–
Client trust funds		**104,906**	117,098
Cash and cash equivalents		**46,163**	91,423
		279,367	340,526
TOTAL ASSETS		**809,703**	882,051
CURRENT LIABILITIES			
Accounts payable	*10*	**112,069**	124,933
Other payables and accruals		**6,208**	16,205
Promissory note payable		**10,000**	25,000
Loans		**185,063**	192,525
Convertible bonds	*11*	**22,422**	–
Lease liabilities		**4,564**	4,946
		340,326	363,609
NET CURRENT LIABILITIES		**(60,959)**	(23,083)
TOTAL ASSETS LESS CURRENT LIABILITIES		**469,377**	518,442
NON-CURRENT LIABILITIES			
Convertible bonds	*11*	**–**	21,993
Promissory note payable		**10,000**	10,000
Lease liabilities		**4,341**	6,623
		14,341	38,616
NET ASSETS		**455,036**	479,826
EQUITY			
Share capital		**70,932**	70,932
Reserves		**384,104**	408,894
TOTAL EQUITY		**455,036**	479,826

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

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 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

2. ADOPTION OF NEW OR AMENDED HKFRSs

The condensed consolidated interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 April 2022. The Group has not earlier adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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

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[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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2024

[3] Effective date not yet determined

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 is being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRSs 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.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance, focuses on the 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, corporate finance, asset management, brokerage financing, and other financing services;

– the mortgage financing segment provides corporate and personal loans that are secured by real properties;

– the insurance brokerage segment provides insurance brokerage and mandatory provident fund ("**MPF**") intermediary services;

– the property development and investment segment engages in property development and letting of properties; and

– the securities trading segment engages in trading of securities and derivative products.

Details of the Group's turnover and revenue are analysed as follows:

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Financial services		
Fees and commission income from securities and futures broking, corporate finance and asset management	**2,895**	7,142
Interest income from brokerage financing and other financing	**2,233**	4,397
	5,128	11,539
Mortgage financing		
Interest income from mortgage financing	**6,950**	8,906
Insurance brokerage		
Commission income	**209**	491
Securities trading		
Dividend income	**122**	99
Revenue for the period	**12,409**	21,035
Proceeds from trading of securities	**123,645**	110,071
Turnover for the period	**136,054**	131,106

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

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Timing of revenue recognition		
– at a point in time	**3,104**	7,367
– over time	**–**	266
	3,104	7,633

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 2022 and the corresponding period in 2021 respectively:

For the six months ended 30 September 2022

	Financial services	Mortgage financing	Insurance brokerage	Property development and investment	Securities trading	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Revenue from external customers	**5,128**	**6,950**	**209**	**–**	**122**	**–**	**12,409**
Inter-segment revenue	**164**	**–**	**–**	**–**	**–**	**(164)**	**–**
	5,292	**6,950**	**209**	**–**	**122**	**(164)**	**12,409**
Segment results	**(9,057)**	**2,938**	**(523)**	**(1,698)**	**(2,282)**	**–**	**(10,622)**
Unallocated income							**6**
Unallocated expenses							**(14,174)**
Loss before income tax							**(24,790)**

For the six months ended 30 September 2021

	Financial services	Mortgage financing	Insurance brokerage	Property development and investment	Securities trading	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Revenue from external customers	11,539	8,906	491	–	99	–	21,035
Inter-segment revenue	201	–	–	–	–	(201)	–
	11,740	8,906	491	–	99	(201)	21,035
Segment results	(12,855)	5,066	(378)	(610)	(5,375)	–	(14,152)
Unallocated income							93
Unallocated expenses							(12,121)
Loss before income tax							(26,180)

Other segment information

For the six months ended 30 September 2022

	Financial services HK$'000	Mortgage financing HK$'000	Insurance brokerage HK$'000	Property development and investment HK$'000	Securities trading 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	–	–	–	–	(768)	69	(699)
Loss on disposal of financial assets at FVTPL	–	–	–	–	(1,144)	–	(1,144)
ECL recognized in respect of loan receivables	(230)	–	–	–	–	–	(230)
ECL recognized in respect of accounts receivable	(136)	–	–	–	–	–	(136)
ECL recognized in respect of other receivables	(521)	–	–	–	–	–	(521)
Reversal of ECL recognized in respect of loan receivables	179	–	–	–	–	–	179
Reversal of ECL recognized in respect of accounts receivable	293	–	–	–	–	–	293
Reversal of ECL recognized in respect of other receivables	9	–	–	–	–	–	9
Bad debt recovery for loan receivables	21	–	–	–	–	–	21
Depreciation – owned assets	(182)	(4)	(2)	(161)	–	(279)	(628)
Depreciation – right-of-use assets	(1,222)	(140)	–	–	–	(462)	(1,824)
Loss on disposals of furniture and equipment	–	–	–	–	–	(4)	(4)
(Loss)/gain on exchange difference, net	(171)	–	–	–	–	5	(166)
Addition to non-current assets *(note)*	245	–	–	1,834	–	1,059	3,138
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	–	–	–	–	–	6	6
Finance costs	(130)	(7)	–	–	–	(5,485)	(5,622)

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

For the six months ended 30 September 2021

	Financial services HK$'000	Mortgage financing HK$'000	Insurance brokerage HK$'000	Property development and investment HK$'000	Securities trading 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)	(2)	(73)	–	(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 *(note)*	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: The amounts excluded the additions to loan receivables and financial assets at FVTPL.

4. LOSS BEFORE INCOME TAX

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

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment		
– owned assets	**628**	582
– right-of-use assets	**1,824**	1,749
Loss/(gain) on disposal of property, plant and equipment	**4**	(117)
Lease charges for short-term leases	**127**	149
Salaries, allowances and other benefits (including retirement benefit scheme contributions)	**14,745**	20,899

5. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements for the Review Period and for the six months ended 30 September 2021 as the Company and its subsidiaries either had available losses brought forward from prior years to offset the assessable profits generated 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 interim dividend for the Review Period (2021: nil).

7. LOSS PER SHARE

The calculation of basic loss per share for the Review Period was based on the loss for the Review Period of HK$24,790,000 (2021: HK$26,180,000) and the weighted average number of 709,315,013 ordinary shares (2021: 702,345,023 ordinary shares) in issue for the Review Period.

Diluted loss per share for the Review Period was the same as its basic loss per share. The computation of diluted loss per share had not assumed the conversion of convertible bonds or exercise of share options since both the conversion price for convertible bonds and the exercise price for the share options were higher than the average market price of the shares for the Review Period.

Diluted loss per share for the six months ended 30 September 2021 was the same as its basic loss per share. The computation of diluted loss per share had not assumed the exercise of warrants or conversion of convertible bonds for the reason that the exercise or conversion would result in a decrease in 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 price of the shares during the six months ended 30 September 2021.

8. LOAN RECEIVABLES

	As at 30 September 2022 (Unaudited) ***HK$'000***	As at 31 March 2022 (Audited) *HK$'000*
Securities dealing and broking services:		
– Secured margin loans	**22,085**	25,031
Less: ECL allowance	**(1,742)**	(1,691)
	20,343	23,340
Financing businesses:		
– Secured mortgage loans	**86,276**	96,278
– Secured loans	**2,922**	2,922
– Unsecured loans	**12,964**	13,987
Less: ECL allowance	**(14,406)**	(16,162)
	87,756	97,025
	108,099	120,365
The Group's loan receivables, net of ECL allowance, were analysed into:		
– Non-current assets	**25,362**	37,316
– Current assets	**82,737**	83,049
	108,099	120,365

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

At 30 September 2022, the loan balances of mortgage financing and other financing services, net of ECL allowances, were HK$83,754,000 (31 March 2022: HK$93,023,000) and HK$4,002,000 (31 March 2022: HK$4,002,000) respectively.

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 margin financing business.

The aging analysis for the carrying amount of loan receivables in the financing businesses, net of ECL allowance and based on contractual maturity dates, is as follows:

	As at 30 September 2022 (Unaudited) *HK$'000*	As at 31 March 2022 (Audited) *HK$'000*
On demand or within 1 year	**62,394**	59,709
Over 1 year but not more than 5 years	**6,379**	7,923
Over 5 years	**18,983**	29,393
	87,756	97,025

9. ACCOUNTS RECEIVABLE

	As at 30 September 2022 (Unaudited) *HK$'000*	As at 31 March 2022 (Audited) *HK$'000*
Accounts receivable	**22,500**	24,174
Less: ECL allowance	**(2,472)**	(2,629)
	20,028	21,545
Balance in relation to:		
– Securities and futures dealing and brokerage services	**19,929**	21,439
– Others	**99**	106
	20,028	21,545

An aging analysis of the Group's accounts receivable, net of ECL allowance and based on the trade date or invoice date, is as follows:

	As at 30 September 2022 (Unaudited) *HK$'000*	As at 31 March 2022 (Audited) *HK$'000*
Within 6 months	**17,354**	19,375
Over 6 months but not more than 1 year	**973**	1,752
Over 1 year	**1,701**	418
	20,028	21,545

10. ACCOUNTS PAYABLE

Accounts payable were mainly in relation to securities and futures dealing and brokerage services and were repayable on demand. No aging analysis was 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 the reporting date, accounts payable under the securities dealing and brokerage services were interest bearing at the bank deposit savings rate (31 March 2022: bank deposit savings rates) per annum. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	As at 30 September 2022 (Unaudited) *HK$'000*	As at 31 March 2022 (Audited) *HK$'000*
United States dollar ("**USD**")	**17,626**	41,223
New Taiwan dollar	**41,049**	27,658
Renminbi	**462**	519
Canadian dollar	**25**	27
Great British Pound	**2**	2

11. CONVERTIBLE BONDS

	Liabilities Component *HK$'000*	**Equity Component** *HK$'000*	**Total** *HK$'000*
At 1 April 2022 (audited)	21,993	2,433	24,426
Interest at effective interest rate (unaudited)	1,113	–	1,113
Interest paid (unaudited)	(684)	–	(684)
At 30 September 2022 (unaudited)	**22,422**	**2,433**	**24,855**

For more details about the convertible bonds, please refer to the note 29 to the consolidated financial statements of the Company for the year ended 31 March 2022 contained in the Annual Report 2021/22 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	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 September 2022 (unaudited)				
Financial assets				
Financial assets at FVTPL				
– Listed equity securities *(note a)*	**15,466**	**–**	**–**	**15,466**
– Investment in a life insurance policy *(note b)*	**–**	**6,770**	**–**	**6,770**
Financial asset at FVOCI				
– An unlisted equity security *(note c)*	**–**	**–**	**–**	**–**
	15,466	**6,770**	**–**	**22,236**
As at 31 March 2022 (audited)				
Financial assets				
Financial assets at FVTPL				
– Listed equity securities *(note a)*	11,827	–	–	11,827
– Investment in a life insurance policy *(note b)*	–	6,682	–	6,682
Financial asset at FVOCI				
– An unlisted equity security *(note c)*	–	–	–	–
	11,827	6,682	–	18,509

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 ("**Cash Value**"). The Cash Value is determined by the premium paid plus accumulated interest earned minus the accumulated insurance policy charges and any applicable surrender charge. The fair value of the investment in the life insurance policy is determined by reference to the Cash Value as provided by the insurance company at the reporting date.

Note c: As at 30 September 2022, the investment in the unlisted equity security represented the equity interest in a private entity that offers the Group the opportunity for return through distribution and is measured at fair value. The fair value of 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 amortized 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 2022, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the Review Period, the Group's turnover was HK$136,054,000 as compared to HK$131,106,000 for the corresponding period in 2021, while the loss attributable to the owners of the Company was HK$24,790,000 as compared to the loss of HK$26,180,000 for the corresponding period in 2021.

Review of Operations

- ***Financial Services***

  As a financial services provider, the Group holds a total of five licenses granted by the Securities and Futures Commission, 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).

  Through the holding of various types of licences, the Group is able to provide its clients diversified financial services products. In addition to providing clients brokerage services for investing in shares that are listed in Hong Kong, the Group also provides its clients brokerage services for investing in shares that are listed in Australia, Canada, Euronext, Germany, Switzerland, the United Kingdom, the United States and most of the Asian markets. To allow our clients to hedge their investments in those foreign markets, we have also offered them brokerage services for trading futures products of selected foreign markets. As for clients who invested in China A-shares through the Stock Connects, we offered them the service to subscribe for MSCI China A 50 Connect (USD) Index Futures contracts to manage their investment risks in the China A-shares market. Due to the interest rate hikes and geopolitical tensions, the overall investor sentiment was gloomy in the Hong Kong stock market during the Review Period. As a result, the brokerage commission income for the Review Period recorded a decrease of 63.92% when compared to the corresponding period in 2021. During the Review Period, the stock turnover we managed amounted to HK$1.29 billion.

  During the Review Period, we upgraded our back office computer system to provide a more stable and efficient back office system. Since the advent of the COVID-19 epidemic, online securities trading has become the preferred way for some of our clients to place their investment orders. We observed that the number of clients who have utilized our online platform to place their investment orders has increased in the Review Period when compared to the corresponding period in the previous year. Our online platform includes our mobile apps which enable clients to place their investment orders conveniently via their mobile devices. To meet the increasing demand for online trading, we plan to invest extra resources to upgrade our trading operation system to enhance our competitiveness in the market. We believe that through the improvement of our service capacity, we can attract more new clients. During the Review Period, the number of active customers has increased by 18% when compared to the corresponding period in 2021.

In addition to the broking services and brokerage financing services, our financial services segment also includes other financing service to clients pursuant to the Money Lenders Ordinance. As at 30 September 2022, the net balance of loan receivables for the other financing service was HK$4,002,000, which mainly involved two clients, to whom the loans were granted in the financial year ended 31 March 2020. These two loans were secured or backed by listed securities and/or provision of personal guarantees given by third parties. Because of their long-overdue status, the Group was in the legal process against the clients and/or the guarantors with a view to recover such debts. No new loans under the other financing service were granted for the financial years ended 31 March 2021 and 2022 and for the Review Period.

- ***Mortgage Financing***

  Other than the other financing service we provided under the financial services segment, the Group has also carried out its mortgage financing business under the Money Lenders Ordinance since 2011. To enhance our competitive edge in the marketplace and to provide our clients greater flexibility, we offer three classes of loans, namely first, second and third mortgage loans. Usually, a client is required to offer his/her residential property in Hong Kong as collateral for the mortgage loan. As at 30 September 2022, the Group had 30 individual clients who were referred to it by its registered referral agents. The clients are Hong Kong residents of different background and education levels.

  During the Review Period, the COVID-19 pandemic and interest rate hikes continued to bring hurdles and uncertainties to the global economy as well as the market sentiment in Hong Kong. Facing such market volatility, the Group continued its strategy of maintaining a healthy portfolio as its first priority with a view to preserve its financial strength aiming for long-term profitability when the economy recovers. By maintaining a relatively lower size of its loan portfolio at HK$83,754,000 as at 30 September 2022, the Group did not relax its efforts in complying with the relevant ordinance and guidelines. The loan sizes contained in the portfolio as at 30 September 2022 ranged from HK$124,000 to HK$7,110,000, and the amounts due from the single largest and the five largest clients were respectively HK$7,174,000 and HK$31,048,000, representing approximately 8.6% and 37.1% of such balance.

  The interest rates offered to clients ranged from 7.2% to 24% per annum in our mortgage loan portfolio as at 30 September 2022. They were fixed based on the classes and tenors of the mortgage loans, the backgrounds, financial position, source and stability of income of the clients. The interest income for the Review Period was HK$6,950,000.

- ***Insurance Brokerage***

  The Group engages in the distribution of insurance products to corporate and individual clients as well as acting as an MPF intermediary. During the Review Period, our insurance brokerage business had performed below the Group's expectation primarily because of the border lockdown between Mainland China and Hong Kong, which created a disadvantaged situation for the Group as we were restricted to carry out our marketing and selling efforts in Hong Kong only, as it was impractical for our sales staff to travel from Hong Kong to Mainland China.

  We expect that, with the inclusion of the insurance brokerage vehicle as a group member, this would enhance the cross-selling opportunities between our financial services and insurance brokerage segments for the asset management and insurance brokerage services.

- ***Property Development and Investment***

  In addition to our residential property in Sai Kung, Hong Kong, following the completion of the redevelopment project at Fei Ngo Shan Road, Hong Kong (the "**Fei Ngo Shan Property**"), the Group has two investment properties with the combined carrying value of HK$487,056,000. The Fei Ngo Shan Property with a gross site area of more than 16,000 square feet is located at the low-density luxury section. We believe that the properties would generate a stable stream of rental income for the Group.

- ***Securities Trading***

  As at 30 September 2022, the Group held a portfolio of listed securities investments consisting of 43 securities, which were engaged in the sectors of (i) financials; (ii) consumer discretionary; (iii) information technology; (iv) industrials; and (v) others. The net realized and unrealized losses were HK$1,144,000 and HK$768,000, respectively, for the Review Period.

Prospects

Although the COVID-19 epidemic continues to impose hardship on the HKSAR's economy, we believe that its impact, in the future, will not be as serious as it was during the early stage of the fifth wave of the outbreak as most Hong Kong residents have been vaccinated and/or infected. We expect that the HKSAR Government will negotiate with the mainland authority about the cross-border movement arrangement, which would promote the cross-border activities and would be conducive to the development of our asset management and insurance brokerage businesses in the Greater Bay Area.

The China Securities Regulatory Commission ("**CSRC**") has stated that China will expand the Stock Connect scheme to include more eligible Hong Kong primary-listed foreign companies and more companies listed on the Shanghai and Shenzhen stock exchanges into the Stock Connect program. Also, the CSRC will study the introduction of more Renminbi securities trading counters under the southbound trading of the Stock Connects to further develop the internationalization of the Renminbi. Moreover, the CSRC will support the issuance of Chinese government bond futures in Hong Kong. With the closer economic integration between the two capital markets, it would facilitate Hong Kong to approach the mainland investors and would boost the liquidity of fund flow that would strengthen Hong Kong's status as an international financial centre. We believe that our securities and futures brokerage businesses would capitalize on the vast opportunities from the coordinated development in these two markets.

As for our mortgage financing business, despite the uncertainties ahead, we would persistently implement cautious and prudent measures, and would instantly and effectively review our credit policies. Following the HKSAR Government's series of stimulus measures to encourage local spending and to promote the economic recovery, we expect that the unemployment rate would continue to improve and would be favorable to our credit risk control. To preserve our financial strength, we believe that we would produce improved operating results in the future once the Hong Kong economy rebounds.

In light of the high inflation in the United States, the Federal Reserve is expected to continue to raise its interest rates in the near future. Interest rates in Hong Kong will inevitably be affected due to its exchange rate peg system with the US dollar. As such, the Group would closely monitor the effect of interest rate hikes on the valuation of its investment properties and the impact on the securities trading business. Nevertheless, in the Policy Address 2022, the HKSAR Government would launch the Top Talent Pass Scheme to attract talents of high salary to pursue careers in Hong Kong, and would allow the eligible talents from outside Hong Kong to, upon becoming permanent residents, apply for a refund of the extra stamp duty paid for purchasing residential property in Hong Kong. We believe that such policy would fuel purchasing power into Hong Kong's property market and would be a support to property prices in Hong Kong as well as the valuation of the Group's investment properties.

Financial Review on Liquidity, Financial Resources and Capital Structure

As at 30 September 2022, the Group's net asset value was approximately HK$455,036,000 (31 March 2022: approximately HK$479,826,000) and cash at bank and in hand totaled approximately HK$46,163,000 (31 March 2022: HK$91,423,000) of which approximately 88% was held in Hong Kong dollar, approximately 5% in US dollar, approximately 5% in New Taiwan dollar and approximately 2% in Renminbi.

As at 30 September 2022, the borrowings, including bank loans, other loan, promissory note payables, convertible bonds and lease liabilities, amounted to approximately HK$236,390,000 (31 March 2022: HK$261,087,000) of which approximately HK$75,253,000 (31 March 2022: HK$82,431,000) was repayable within one year. Ninety-eight percent of the Group's borrowings were denominated in Hong Kong dollar.

As at 30 September 2022, the applicable interest rates for the borrowings were as follows:

(a) different bank loans bore different interest rates, including (i) at 2.75% per annum below the prime rate for Hong Kong dollar quoted by the bank; (ii) at 1.9% per annum over the Hong Kong Interbank Offered Rate ("**HIBOR**"); (iii) at 1% per annum over London Interbank Offered Rate; and (iv) at the higher of prime rate per annum quoted by the bank and 2.5% per annum over 3-month HIBOR;

(b) other loan bore interest rate at 2.75% per annum above the prime rate quoted by The Hongkong and Shanghai Banking Corporation Limited;

(c) the promissory note payables bore interest rates at the rates ranging from 5% to 8% per annum;

(d) the coupon rate for the convertible bonds was 6% per annum; and

(e) the applicable interest rates for lease liabilities ranged from 1.65% to 2.80% per annum.

As at 30 September 2022, investment properties with a total market value of approximately HK$487,056,000 and a life insurance policy with the Cash Value of HK$6,770,000 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 financing 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 will be 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 loan or any sum that is due to the Group.

For the Group's other financing service under its financial services segment, the loan may be secured by listed securities or a personal guarantee given by a third party. The market value of a client's listed securities as collaterals or the financial ability of the guarantor will be assessed before a loan drawdown.

Under the Group's mortgage financing business, the loans are usually secured by residential properties in Hong Kong. To lower the Group's exposure to the credit risk, the percentage of loan-to-value ("**LTV**") for the new drawdown in general will be within 80%. To have a more reliable market value of a client's property, the Group will obtain two verbal valuations from two reputable appraisers while the lower one, the written report of which will be issued prior to loan drawdown, will be used as the current market value in the calculation of LTV. The Chief Executive Officer's additional approval is required for a drawdown with the LTV exceeding 80%. Onsite inspection of the proposed mortgaged property will be conducted by our Loan Managers if the Credit Manager thinks it necessary before loan disbursement.

For the Group's financing businesses, the management will from time to time assess whether the credit risk of the loan receivables has increased significantly since their initial recognition. Other than the adverse effect to the economic environment arising from COVID-19, the factors to be considered for possible loan impairment include the clients' repayment track record and updated financial position, and the changes in market value of the clients' collaterals, and financial ability of their guarantors. After a drawdown, the management team will closely monitor the client's repayment status. When there is any default in repayment, the Group will contact such client via phone to urge him/her to settle the overdue amounts without further delay. In case the default in repayment persists, legal demand letters will be sent to the client through our lawyer(s). Accounts will be passed to debt collection agent(s) if a client does not give a positive response about the repayment plan or scheme such as loan restructuring or providing additional collateral. The Group will then take legal action against the client or his/her guarantor for recovery of debt. The Group will also take legal actions to enforce the possession of the defaulted client's property for auction if the loan is secured by a property.

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 clients' payment status to ensure that their payments are made on time to the insurance companies.

Compliance and Operational Risks

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 management who have acted in compliance with the SFO have been set up to monitor the operations and the settlement matters of traded financial products and cash, and to provide clients services of the regulated activities. As at 30 September 2022, the number of responsible officers of the Group for each regulated activity under the SFO were as follows:

Type of license	**Regulated activity**	**Number of responsible officers**
Type 1	Dealing in securities	5
Type 2	Dealing in futures contracts	2
Type 4	Advising on securities	4
Type 6	Advising on corporate finance	3
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, the financial services operation of the Group had complied with the SFO. Clients were satisfied with our services.

For the Group's other financing service under its financial services segment, in addition to the review on clients' personal information, such as copies of their identity cards and residential addresses, the clients' listed securities that are used as collateral must be under the Group's custody. In the case of a provision of personal guarantee, the Group will also review the guarantor's financial position. If the guarantor owns a property, land search will be made for the proof of property ownership.

The Group has its internal assessment and work procedure in granting a mortgage loan. When a client is referred to the Group by its registered referral agent, a loan application form setting out the potential client's personal information and financial position, including his/her source of income and amount of income, the market value of the property as collateral, and details of the outstanding mortgage (if any) with banks or other financing company will be submitted to the director who is responsible for the mortgage financing business for approval. Together with the loan application form, the following documents will be verified or reviewed: (i) copy of identity card or passport; (ii) copy of income proof, such as tax demand note, salary payroll receipt, employment contract or tenancy agreement; (iii) copy of residential address proof of the latest three months, such as utility bills, tax return or bank statement; (iv) legal search for the credit worthiness assessment; and (v) land search report for the proof of property ownership.

In addition to the know-your-client procedure, the Group will also observe the requirement to comply with the anti-money laundering and counter terrorist financing regulations for its financing businesses. For our mortgage financing business, to promote clients' awareness of the requirements of the Money Lenders Ordinance, a Summary of Provisions of the Money Lenders Ordinance will be attached, for client's reference, to the loan agreement to be entered between the Group and its client. For the Review Period, our 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, the Group's borrowings bore interest at either fixed interest rates or floating interest rates. 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 the 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 30 September 2022, the amount of undrawn banking facilities of the Group was approximately HK$16,119,000.

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 or 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.

Cyber Security Risk

The Group defines its cyber security risk as the risk to the Group's assets and operations due to the potential unauthorized access, use, disruption, modification or destruction of its operation systems.

In addition to the designated information technology ("**IT**") employee who is responsible for overseeing the operation of the Group's server and online trading systems, the Group also engages an external IT consultancy company which advises the Group on maintaining a high level of risk control with respect to cyber security risk. This external IT consultancy also provides us advanced IT support and useful suggestions for the improvement or enhancement of our internal computer system to reduce the probability of cyber security risk.

The Group subscribes its trading operation systems from outside system service providers, and backs up the transaction records and clients' information on a daily basis. A back-up restoration test will be carried out as the management may from time to time determine. Also, we will assess the access right to operation systems by the management on a regular basis with a view to prevent unauthorized access or use of the systems.

The IT employee will perform the cyber security risk evaluation and report it to the management for review. To promote the awareness of the cyber security risk surrounding our operation systems, we provide our staff the latest cyber security risk information and relevant training from time to time.

Staff

As at 30 September 2022, the Group had 73 employees. During the Review Period, the Group's remuneration packages were structured with reference to prevailing market practice and individual merits. Salaries have been reviewed periodically based on the employees' performance appraisals and other relevant factors. The Group also maintains certain staff benefit plans including medical insurance, hospitalization scheme and mandatory provident fund.

CORPORATE GOVERNANCE

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

During the Review Period, the Company had complied with the code provisions in the Corporate Governance Code (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.

REVIEW BY AUDIT COMMITTEE

The Company has an Audit Committee comprising three independent non-executive Directors (the "**INEDs**"). The Audit Committee has reviewed the unaudited interim financial statements for the Review Period and has discussed the financial related matters with the management.

On behalf of the Board
Ng Yiu Chuen
Director

Hong Kong, 25 November 2022

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, Mr. Lo Tsz Fung Philip and Ms. Ling Sui Ngor.

* *For identification purpose only*