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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: 1482)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The board of directors (the “**Directors**”) of Styland Holdings Limited (the “**Company**”) (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2017 (“**FY2017**”) together with the comparative figures for the year ended 31 March 2016 (“**FY2016**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

| | Note | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------|------------------|------------------|
| Turnover | | 236,638 | 198,177 |
| Revenue | 4 | 74,788 | 68,534 |
| Cost of sales | | (2,391) | (5,869) |
| Gross profit | | 72,397 | 62,665 |
| • Other income | | 10,021 | 49,748 |
| • Administrative expenses | | (83,277) | (63,533) |
| • Selling and distribution expenses | | (4,791) | (6,517) |
| • Change in fair value of investment properties | | 53,998 | 30,000 |
| • Change in fair value of financial assets at fair value through profit or loss | | (33,707) | (53,035) |
| • Gain/(loss) on disposal of financial assets at fair value through profit or loss | | 682 | (3,601) |
| • Unrealised fair value gain of derivative financial instruments | | – | 1,199 |
| • Impairment loss recognised in respect of loan receivables | | (5,368) | (16,329) |
| • Impairment loss recognised in respect of accounts receivable | | (2,531) | (1,311) |
| • Reversal of impairment loss recognised in respect of loan receivables | | 2,445 | 250 |
| • Finance costs | | (8,785) | (5,299) |

* For identification purposes only

| | <i>Note</i> | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Profit/(loss) before taxation | 5 | 1,084 | (5,763) |
| • Income tax expense | 6 | <u>–</u> | <u>–</u> |
| Profit/(loss) and total comprehensive income for the year | | <u>1,084</u> | <u>(5,763)</u> |
| Profit/(loss) and total comprehensive income for the year attributable to | | | |
| • Owners of the Company | | 5,698 | 1,247 |
| • Non-controlling interests | | <u>(4,614)</u> | <u>(7,010)</u> |
| | | <u>1,084</u> | <u>(5,763)</u> |
| Earnings per share | | | |
| • Basic | 8 | <u>HK0.13 cents</u> | <u>HK0.03 cents</u> |
| • Diluted | 8 | <u>HK0.12 cents</u> | <u>HK0.03 cents</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

| | <i>Note</i> | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------|-------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| • Furniture and equipment | | 3,094 | 4,712 |
| • Investment properties | | 246,000 | 283,333 |
| • Loan receivables | 9 | 75,792 | 55,815 |
| • Intangible asset | | 3,386 | 3,386 |
| • Available-for-sale financial asset | | – | – |
| | | 328,272 | 347,246 |
| CURRENT ASSETS | | | |
| • Inventories | | – | 35 |
| • Loan receivables | 9 | 171,422 | 142,145 |
| • Accounts receivable | 10 | 35,862 | 26,082 |
| • Promissory note receivables | 11 | 31,087 | 3,809 |
| • Other receivables, deposits and prepayments | | 21,268 | 7,924 |
| • Available-for-sale financial asset | | 5,000 | – |
| • Financial assets at fair value through profit or loss | | 77,191 | 75,256 |
| • Derivative financial instruments | | – | 8,908 |
| • Tax recoverable | | 615 | 615 |
| • Client trust funds | | 84,759 | 50,068 |
| • Pledged bank deposits | | 6,273 | 6,249 |
| • Bank balances and cash | | 176,260 | 135,833 |
| | | 609,737 | 456,924 |
| • Assets of disposal group classified as held-for-sale | 12 | 110,964 | – |
| | | 720,701 | 456,924 |
| | | 1,048,973 | 804,170 |
| CURRENT LIABILITIES | | | |
| • Accounts payable | 13 | 99,628 | 61,936 |
| • Other payables and accruals | | 12,611 | 7,379 |
| • Derivative financial instruments | | – | 7,709 |
| • Promissory note payables | 14 | 154,293 | 50,250 |
| • Borrowings | | 116,747 | 118,148 |
| | | 383,279 | 245,422 |
| • Liabilities of disposal group classified as held-for-sale | 12 | 66,811 | – |
| | | 450,090 | 245,422 |
| NET CURRENT ASSETS | | 270,611 | 211,502 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 598,883 | 558,748 |
| NET ASSETS | | 598,883 | 558,748 |
| CAPITAL AND RESERVES | | | |
| • Share capital | | 47,848 | 43,530 |
| • Reserves | | 562,209 | 521,778 |
| EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY | | 610,057 | 565,308 |
| NON-CONTROLLING INTERESTS | | (11,174) | (6,560) |
| TOTAL EQUITY | | 598,883 | 558,748 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 31 July 1991 as an exempted company with limited liability under the Companies Act of Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company are Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and 28th Floor, Aitken Vanson Centre, 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong respectively.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are financial services, mortgage financing, property development and investment and securities trading.

2. BASIS OF PREPARATION

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

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the notes to the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

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

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

| | |
|--------------------------------------|---|
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable methods of Depreciation and Amortisation |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle |

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

Issued but not yet effective HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|-----------------------|---|
| HKFRS 9 | Financial Instruments ² |
| HKFRS 15 | Revenue from Contracts with Customers ² |
| Amendment to HKFRS 15 | Clarifications to HKFRS15 ² |
| HKFRS 16 | Leases ³ |
| Amendment to HKAS 7 | Statement of Cash Flows — Disclosure Initiative ¹ |
| Amendment to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses ¹ |

¹ Effective for the accounting period beginning on or after 1 March 2017

² Effective for the accounting period beginning on or after 1 March 2018

³ Effective for the accounting period beginning on or after 1 March 2019

The directors of the Company anticipate that the application of the above new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SEGMENTAL INFORMATION

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

- the financial services segment provides securities dealing, brokerage financing, corporate finance, asset management and other financing services;
- the mortgage financing segment mainly engages in corporate and personal loans that are secured by real properties;
- the property development and investment segment engages in property redevelopment and letting of properties;
- the securities trading segment engages in trading of securities and derivative products; and
- the segment of others includes retail and trading of food products, which has been ceased during FY2017.

Segment revenues and results

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

For the year ended 31 March 2017

| | 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> | Others <i>HK\$'000</i> | Eliminations <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|--|---|--|---------------------------|---------------------------------|---------------------------------|
| Segment revenues: | | | | | | | |
| External sales | 41,808 | 29,244 | 3,049 | 648 | 39 | - | 74,788 |
| Inter-segment sales | 840 | - | - | - | - | (840) | - |
| | <u>42,648</u> | <u>29,244</u> | <u>3,049</u> | <u>648</u> | <u>39</u> | <u>(840)</u> | <u>74,788</u> |
| Segment profit/(loss) after inter-segment transactions | (15,495) | 20,464 | 56,144 | (33,559) | (398) | - | 27,156 |
| Unallocated income and expenses | | | | | | | <u>(26,072)</u> |
| Profit before taxation | | | | | | | <u><u>1,084</u></u> |

For the year ended 31 March 2016

| | 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> | Others <i>HK\$'000</i> | Eliminations <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|--|---|--|---------------------------|---------------------------------|---------------------------------|
| Segment revenues: | | | | | | | |
| External sales | 33,073 | 31,607 | 2,804 | 252 | 798 | – | 68,534 |
| Inter-segment sales | 538 | – | – | – | 201 | (739) | – |
| | <u>33,611</u> | <u>31,607</u> | <u>2,804</u> | <u>252</u> | <u>999</u> | <u>(739)</u> | <u>68,534</u> |
| Segment profit/(loss) after inter-segment transactions | (13,541) | 14,905 | 31,209 | (57,637) | (3,194) | – | (28,258) |
| Unallocated income and expenses | | | | | | | <u>22,495</u> |
| Loss before taxation | | | | | | | <u>(5,763)</u> |

Segment assets and liabilities

The segment assets and liabilities as at 31 March 2017 by reportable segments are as follows:

| | Financial services <i>HK\$'000</i> | Mortgage financing <i>HK\$'000</i> | Property development and investment <i>HK\$'000</i> | Securities trading <i>HK\$'000</i> | Others <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|--|--|---|--|---------------------------|--------------------------------|---------------------------------|
| Segment assets | 279,355 | 144,810 | 251,238 | 77,191 | 36 | 185,379 | 938,009 |
| Assets of disposal group classified as held-for-sale | | | | | | | <u>110,964</u> |
| | | | | | | | <u>1,048,973</u> |
| Segment liabilities | 197,493 | 82,685 | 36,442 | 5 | 30 | 66,624 | 383,279 |
| Liabilities of disposal group classified as held-for-sale | | | | | | | <u>66,811</u> |
| | | | | | | | <u>450,090</u> |

The segment assets and liabilities as at 31 March 2016 by reportable segments are as follows:

| | Financial services <i>HK\$'000</i> | Mortgage financing <i>HK\$'000</i> | Property development and investment <i>HK\$'000</i> | Securities trading <i>HK\$'000</i> | Others <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---------------------|--|--|---|--|---------------------------|--------------------------------|---------------------------------|
| Segment assets | 143,267 | 155,615 | 284,197 | 75,256 | 648 | 145,187 | <u>804,170</u> |
| Segment liabilities | 81,336 | 43,711 | 951 | 5 | 151 | 119,268 | <u>245,422</u> |

Other segment information

For the year ended 31 March 2017

| | Financial services HK\$'000 | Mortgage financing HK\$'000 | Property development and investment HK\$'000 | Securities trading HK\$'000 | Others HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|-----------------------------------|-----------------------------------|--|-----------------------------------|--------------------|-------------------------|--------------------------|
| <u>Amounts included in the measurement of segment profit or loss or segment assets:</u> | | | | | | | |
| Change in fair value of investment properties | - | - | 53,998 | - | - | - | 53,998 |
| Change in fair value of financial assets at fair value through profit or loss | - | - | - | (33,707) | - | - | (33,707) |
| Gain on disposal of financial assets at fair value through profit or loss | - | - | - | 682 | - | - | 682 |
| Impairment loss recognised in respect of loan receivables | (4,269) | (1,099) | - | - | - | - | (5,368) |
| Impairment loss recognised in respect of accounts receivables | (2,531) | - | - | - | - | - | (2,531) |
| Impairment loss recognised in respect of other receivables | - | (691) | - | - | - | - | (691) |
| Impairment loss recognised in respect of promissory note receivables | (388) | - | - | - | - | - | (388) |
| Reversal of impairment loss recognised in respect of loan receivables | 833 | 1,612 | - | - | - | - | 2,445 |
| Reversal of impairment loss recognised in respect of accounts receivable | 831 | - | - | - | - | - | 831 |
| Reversal of impairment loss recognised in respect of other receivables | - | 129 | - | - | - | - | 129 |
| Bad debt recovery for loan receivables | 106 | - | - | - | - | - | 106 |
| Depreciation | (1,012) | (94) | (228) | - | - | (449) | (1,783) |
| Loss on exchange difference, net | (48) | - | - | - | - | - | (48) |
| Gain/(loss) on disposal of furniture and equipment | (1) | (1) | - | - | (157) | 50 | (109) |
| Additions to non-current assets (<i>note</i>) | 509 | 5 | 16,890 | - | - | 149 | 17,553 |
| <u>Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:</u> | | | | | | | |
| Interest income | 26 | - | 7 | - | - | 56 | 89 |
| Finance costs | (4,086) | (966) | (3,730) | (3) | - | - | (8,785) |
| Income tax expense | - | - | - | - | - | - | - |

Note: The amounts exclude the additions to loan receivables, intangible asset and available-for-sale financial asset.

For the year ended 31 March 2016

| | Financial services HK\$'000 | Mortgage financing HK\$'000 | Property development and investment HK\$'000 | Securities trading HK\$'000 | Others HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|-----------------------------------|-----------------------------------|--|-----------------------------------|--------------------|-------------------------|--------------------------|
| <u>Amounts included in the measurement of segment profit or loss or segment assets:</u> | | | | | | | |
| Change in fair value of investment properties | - | - | 30,000 | - | - | - | 30,000 |
| Change in fair value of financial assets at fair value through profit or loss | - | - | - | (53,035) | - | - | (53,035) |
| Loss on disposal of financial assets at fair value through profit or loss | - | - | - | (3,601) | - | - | (3,601) |
| Impairment loss recognised in respect of loan receivables | (8,038) | (8,291) | - | - | - | - | (16,329) |
| Impairment loss recognised in respect of accounts receivable | (1,311) | - | - | - | - | - | (1,311) |
| Impairment loss recognised in respect of other receivables | - | (409) | - | - | - | - | (409) |
| Reversal of impairment loss recognised in respect of loan receivables | 9 | 241 | - | - | - | - | 250 |
| Reversal of impairment loss recognised in respect of other receivables | - | - | - | - | - | 182 | 182 |
| Bad debt recovery for loan receivables | 96 | - | - | - | - | - | 96 |
| Unrealised fair value gain of derivative financial instruments | 1,199 | - | - | - | - | - | 1,199 |
| Depreciation | (1,424) | (84) | (118) | - | (62) | (436) | (2,124) |
| Gain/(loss) on exchange difference, net | (8) | - | - | - | 12 | (98) | (94) |
| Loss on disposal of furniture and equipment | (21) | - | - | - | (142) | - | (163) |
| Additions to non-current assets (<i>note</i>) | 1,983 | 94 | 13,763 | - | 12 | 16 | 15,868 |
| <u>Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:</u> | | | | | | | |
| Interest income | 21 | - | 1 | - | - | 65 | 87 |
| Finance costs | (1,917) | (405) | (2,026) | - | - | (951) | (5,299) |
| Income tax expense | - | - | - | - | - | - | - |

Note: The amounts exclude the additions to loan receivables, intangible asset and available-for-sale financial asset.

5. PROFIT/(LOSS) BEFORE TAXATION

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Staff costs (including Directors' emolument): | | |
| — Salaries, allowances and other benefits | 45,982 | 35,497 |
| — Retirement benefit scheme contributions | 1,164 | 971 |
| Auditor's remuneration | 880 | 830 |
| Consultancy fee | 7,017 | 420 |
| Depreciation | 1,783 | 2,124 |
| Loss on exchange difference, net | 48 | 94 |
| Loss on disposal of furniture and equipment | 109 | 163 |
| Lease payments under operating leases for rented premises | 6,960 | 6,559 |
| Impairment loss recognised in respect of loan receivables | 5,368 | 16,329 |
| Impairment loss recognised in respect of accounts receivable | 2,531 | 1,311 |
| Impairment loss recognised in respect of other receivables | 691 | 409 |
| Impairment loss recognised in respect of promissory note receivables | 388 | – |
| Cost of inventories recognised as an expense | 53 | 587 |

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the consolidated financial statements for FY2017 as the Company and its subsidiaries either has available losses brought forward from prior years to offset the assessable profits generated during FY2017 or did not generate any assessable profits arising in Hong Kong during FY2017 (FY2016: nil).

7. DIVIDENDS

The Board did not propose a payment of final dividend for FY2017.

8. EARNINGS PER SHARE

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

Earnings:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share | 5,698 | 1,247 |

Number of shares:

| | 2017 | 2016 |
|---|---------------|---------------|
| Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share | 4,553,633,261 | 4,245,047,918 |
| Effect of dilutive potential ordinary shares | | |
| — Bonus warrants | 364,219,746 | 292,859,018 |
| Weighted average number of ordinary shares in issue during the year for the purpose of diluted earnings per share | 4,917,853,007 | 4,537,906,936 |

9. LOAN RECEIVABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Securities dealing and brokerage services: | | |
| — Secured margin loans (<i>note 1</i>) | 108,340 | 68,361 |
| Less: Allowance for impairment losses | <u>(26,498)</u> | <u>(23,053)</u> |
| | <u>81,842</u> | <u>45,308</u> |
| Financing business: | | |
| — Unsecured loans | 6,226 | 6,509 |
| — Secured loans | 22,825 | — |
| — Secured mortgage loans (<i>note 2</i>) | 152,094 | 162,438 |
| Less: Allowance for impairment losses | <u>(15,773)</u> | <u>(16,295)</u> |
| | <u>165,372</u> | <u>152,652</u> |
| Total | <u><u>247,214</u></u> | <u><u>197,960</u></u> |
| The Group's loan receivables (net of allowance for impairment losses) are analysed into: | | |
| — Non-current assets | 75,792 | 55,815 |
| — Current assets | <u>171,422</u> | <u>142,145</u> |
| | <u><u>247,214</u></u> | <u><u>197,960</u></u> |

Notes:

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

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Financing business: | | |
| — Within 6 months | 108,328 | 109,851 |
| — Over 6 months and up to 1 year | 37,581 | 39,480 |
| — Over 1 year | <u>19,463</u> | <u>3,321</u> |
| | <u><u>165,372</u></u> | <u><u>152,652</u></u> |

10. ACCOUNTS RECEIVABLE

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Accounts receivable | 38,873 | 27,393 |
| Less: Allowance for impairment losses | <u>(3,011)</u> | <u>(1,311)</u> |
| Total | <u><u>35,862</u></u> | <u><u>26,082</u></u> |
| Balance in relation to: | | |
| — Securities dealing and brokerage services | 31,887 | 25,960 |
| — Others | <u>3,975</u> | <u>122</u> |
| | <u><u>35,862</u></u> | <u><u>26,082</u></u> |

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Within 6 months | 27,761 | 21,390 |
| Over 6 months and up to 1 year | 2,148 | 4,449 |
| Over 1 year | <u>5,953</u> | <u>243</u> |
| | <u><u>35,862</u></u> | <u><u>26,082</u></u> |

11. PROMISSORY NOTE RECEIVABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Promissory note receivables | 31,475 | 3,809 |
| Less: Allowance for impairment losses | <u>(388)</u> | <u>—</u> |
| | <u><u>31,087</u></u> | <u><u>3,809</u></u> |

The promissory note receivables are regarded as financial assistances to corporations. These promissory notes bear interest at the range of 12% to 36% per annum and are repayable on demand.

12. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

The assets and liabilities related to Full Bright Global Limited, an indirect wholly-owned subsidiary of the Company, and its subsidiary (collectively the “**Full Bright Group**”) have been presented as held-for-sale in the Group's consolidated statement of financial position as at 31 March 2017. The Full Bright Group comprises of Treasure Profit Limited, an indirect wholly-owned subsidiary engaging in property investment in Hong Kong. The completion of the sale of assets classified as held-for-sales within twelve months is considered highly probable.

Assets of disposal group classified as held-for-sale

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-------------------------|--------------------------------|-------------------------|
| Investment property | 108,000 | – |
| Furniture and equipment | 555 | – |
| Other receivables | 69 | – |
| Bank balances and cash | 2,340 | – |
| | <hr/> 110,964 <hr/> | <hr/> – <hr/> |

Liabilities of disposal group classified as held-for-sale

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-----------------------------|--------------------------------|-------------------------|
| Other payables and accruals | 611 | – |
| Bank borrowings | 66,200 | – |
| | <hr/> 66,811 <hr/> | <hr/> – <hr/> |

13. ACCOUNTS PAYABLE

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Balance in relation to: | | |
| Securities dealing and brokerage services (<i>note</i>) | 99,628 | 61,826 |
| Others | – | 110 |
| | <hr/> 99,628 <hr/> | <hr/> 61,936 <hr/> |

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

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--------------------------------|--------------------------------|-------------------------|
| Within 6 months | – | 11 |
| Over 6 months and up to 1 year | – | – |
| Over 1 year | – | 99 |
| | <hr/> – <hr/> | <hr/> 110 <hr/> |

14. PROMISSORY NOTE PAYABLES

The Group has obtained additional working capital by issuing promissory notes. These promissory notes bear interest at the range of 5% to 8% per annum and are repayable within one year.

15. CONTINGENT LIABILITIES

As at 31 March 2017, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FY2017 Results

In FY2017, the Group achieved a turnover of approximately HK\$236,638,000 representing an increase of 19% when compare to that in FY2016. The Group also wishes to highlight that it has turned the loss that the Group recorded in FY2016 into a profit in FY2017.

Review of Operations

Financial Services

One of the Group's core businesses is financial services. We have been granted the licenses by the Securities and Futures Commission (the "SFC") to carry out four regulated activities, namely Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management). The Group also provides brokerage financing. In order to provide our clients a comprehensive range of financial services, we have also lodged an application to the SFC to obtain Type 2 regulated service license (Dealing in Futures Contracts).

- *Securities Brokerage*

During the first half of FY2017, the global events have impacted market performance and confidence, which have resulted in a drop in the overall market turnover. Following the end of the US presidential election, together with its improvement in GDP growth rate and unemployment figures, the market sentiment had improved in the fourth quarter of FY2017. The Hang Seng Index stably increased from the opening index of 20,777 points on 1 April 2016 to the closing index of 24,112 points on 31 March 2017. The Group benefited from such market recovery. The Group's average daily turnover for the fourth quarter of FY2017 had increased by 15% compared to that in the first three quarters.

To adapt to technology trends and to satisfy the needs of our clients who prefer to carry out their trades online, we already have an existing mobile application that enables our clients to make transactions online via their mobile devices. To make it convenient for more clients to place their orders via our online trading platform so as to increase the revenue of the Group, in FY2017, we have further endeavored to develop another user-friendly online trading platform under a different application model.

Nowadays, a growing number of investors are interested in making investments in global financial products. As such, we have provided our clients connections to various overseas stock markets. Other than Hong Kong shares, our clients, through our online trading system, may subscribe for shares that are listed in the US, Australia, Canada, Germany, United Kingdom and most of the Asian markets. In order to increase our market share, we will continue to explore more financial markets around the globe to augment our line of global financial products for clients.

- *Brokerage Financing*

Thanks to our effective management of our working capital, we were able to provide our clients sufficient financial assistance to trade in stocks and other listed securities, as well as to subscribe for new shares in initial public offerings (“**IPOs**”). In addition, we provided them with reasonable margin ratios as well as competitive interest rates and commission fees. As at 31 March 2017, the balance of loans under the brokerage business stood at approximately HK\$113,729,000, representing an increase of 60% from the closing balance of FY2016. The brokerage loan interest income for FY2017 was approximately HK\$11,929,000, an increase of 29% when compared to that in FY2016.

Reaping the benefit of our effective credit control procedures, the bad debt provision that we recorded for FY2017 was still at a relatively low level even though the Group provided brokerage financing services to online clients and recorded a growth of loan balance.

- *Corporate Finance*

During FY2017, the revenue contributed by the Group’s corporate finance business increased significantly, which was mainly brought about by its high-quality services in equity financing, debt financing and financial advisory.

To diversify our marketing channels, we have also co-operated with other experienced market participants in developing our corporate finance services. During FY2017, we engaged in a number of corporate finance deals including acting as the placing agent for the placement of new shares and acting as the underwriter to underwrite deals. Furthermore, in FY2017, we were appointed by a number of IPOs clients to act as their sole sponsor, which encompassed helping them with their IPO applications and preparing them for their IPOs. Coupled with the underwriting and placement of new shares, we believe our corporate finance business will continue to be an important source of income for the Group.

- *Asset Management*

The Group is equipped with professionals in the asset management field to provide clients tailor-made financial products. During FY2017, the Group has set up three funds with different investment solutions so as to fit our clients’ diverse investment targets. Benefitting from the reform of the PRC’s financial market, mainland investors are keen on exploring investment opportunities overseas. We believe the cross-border financial activities will continue to flourish in the future, and we expect this will provide us a good opportunity to capture more business in our asset management segment.

Mortgage Financing

During FY2017, the Hong Kong property market witnessed a rise in its volume of transactions as well as escalating property prices, which boosted the demand for mortgage financing. However, the Hong Kong property market has been surrounded by various uncertainties, including the anticipated rise of interest rates, which might impact the property market. In light of such a market environment, we have enhanced our credit policy with a view to lowering our operational risks. In FY2017, we have continued to focus on first-mortgage and second-mortgage loans that are backed with sound credit ability. This is congruent with our existing business strategy of building a high-quality mortgage loan portfolio.

To ensure better protection of borrowers and to enhance transparency and disclosure, the HKSAR government imposed additional guidelines on money lending businesses in the HKSAR with effect from 1 December 2016. Our money lending vehicle, Ever-Long Finance Limited, incorporated in 1993, is a reputable company in the territory. We believe that we have complied with those new guidelines. It can be observed that the implementation of the new guidelines has improved the market environment of mortgage financing as well as brought about a healthier position of our mortgage loan portfolio. As at 31 March 2017, the net consolidated loan portfolio was approximately HK\$142,472,000 while the interest income for FY2017 was approximately HK\$29,244,000.

Property Development and Investment

The investment properties of the Group comprise of a commercial property located at Des Voeux Road Central (the “**Central Property**”), a premium residential property in Sai Kung and a redevelopment project located at the prime location of Fei Ngo Shan Road. As at 31 March 2017, the total market value of our investment properties amounted to HK\$354,000,000.

In light of the beginning of the Fed’s rate-hike cycle in the US, the Group believed that it was a suitable time to adjust its portfolio of investment properties. As such, on 24 March 2017, the Group entered into a provisional conditional sale and purchase agreement to dispose its Central Property at the consideration of HK\$108,000,000. With respect to the Group’s redevelopment project at Fei Ngo Shan Road, in FY2017, the site formation and foundation works were already underway. The redevelopment of this Fei Ngo Shan property is expected to be completed by 2017.

Securities Trading

As at 31 March 2017, the Group held securities investments in 20 securities in total, which were engaged in the sectors of (i) natural resources; (ii) consumer goods; (iii) information technology; (iv) industrials; (v) properties and construction; (vi) banks; and (vii) others. During FY2017, the investment portfolio recorded an aggregate net unrealised loss of approximately HK\$33,707,000, which was mainly due to the influence of the stock market in Hong Kong and the global economic environment.

Out of those unrealised losses, approximately HK\$31,269,000 was attributable to the investment in a natural resources company (the “**Resources Company**”). The Resources Company is a company listed on the Main Board of the Stock Exchange and is principally engaged in the coalbed methane gas exploration and exploitation in the PRC as well as the sale of electronic components and treasury. The decline in the share price of the Resources Company during FY2017, among other things, might be because natural resource prices were still at their lower levels than before. However, in the long term, in light of the emphasis on environmental protection and the future demand for natural resources, we believe that the coalbed methane business in which the Resources Company is mainly engaged will have positive prospects in the global market.

Prospects

In FY2017, the China Insurance Regulatory Commission announced that the insurance funds in the PRC are allowed to subscribe for the listed shares of the Hong Kong stock market. In addition to the Shanghai-Hong Kong Stock Connect, which was launched back in 2014, the Shenzhen-Hong Kong Stock Connect was also launched in FY2017. To provide more flexibility to investors to trade on cross-boundary securities, the aggregate quota for the Shanghai-Hong Kong Stock Connect was abolished and none was introduced for the Shenzhen-Hong Kong Stock Connect. All these measures are expected to encourage mainland investors including insurance companies to make investments in the Hong Kong stock market, which would boost the overall market turnover. This is expected to benefit the Group’s brokerage and margin financing businesses in the long term.

In light of the success of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the central government of the PRC is considering launching a pilot scheme that links the debt market of Hong Kong to the debt market of the mainland. The proposed debt connect arrangement would give rise to more channels for offshore investors to make investments in the debt market of the PRC. This pilot scheme is also expected to strengthen Hong Kong’s development as an international wealth management service center. Such a scheme would further create synergies for the Group’s asset management business.

Due to the continued regulatory measures imposed by the Hong Kong Monetary Authority on mortgage loans lent by banks in Hong Kong, we foresee there will continue to be a huge demand for mortgage loans provided by financial institutions. To accommodate the ever-increasing demand for our mortgage loans, in addition to our internal resources, we would continue to leverage on external facilities to support our mortgage financing business. Thanks to the government's new guidelines to enhance the transparency of money lending businesses in the territory, this has contributed to the healthy development of this business segment, and at the same time, has promoted the sustainable development of our mortgage financing business.

Due to the extended depreciation of the Renminbi and the implementation of regulatory policies for the property market by the PRC government, more and more mainland firms and investors have been actively seeking opportunities to buy real estate in Hong Kong. This factor has been a strong support to the value of properties owned by the Group. On the other hand, interest rates are expected to rise, which may, to a certain extent, affect property prices. To mitigate the interest rate risk of properties held by the Group, we will continue to review our property investment strategy.

The Group is continually exploring new business development opportunities. Taking advantage of the experienced management of finance professionals from bulge bracket investment banks, the Group, through its subsidiary Brighten Management Limited, plans to make strategic investments into startups and high growth companies, and through securitisation techniques, the Group may minimise its risks and maximise its returns for the investments. We believe these investment activities would diversify our sources of income and contribute a good profit to the Group in the foreseeable future.

FINANCIAL REVIEW ON LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2017, the Group's net asset value was approximately HK\$598,883,000 (FY2016: approximately HK\$558,748,000) and cash at bank and in hand (inclusive of cash balance contained in the disposal group classified as held-for-sale) totaled approximately HK\$178,600,000 of which approximately 92% was held in Hong Kong dollar, approximately 5% in US dollar and approximately 3% in Renminbi (FY2016: approximately HK\$135,833,000).

As at 31 March 2017, borrowings including bank and other borrowings, promissory note payables and the bank borrowings contained in the disposal group classified as held-for-sale amounted to approximately HK\$337,240,000 (FY2016: approximately HK\$168,398,000) of which approximately HK\$289,630,000 (FY2016: HK\$118,234,000) was repayable within one year. The gearing ratio, being the ratio of total borrowings to shareholders' fund, was about 0.56 (FY2016: 0.30).

Investment in Financial Assets

As at 31 March 2017, the Group held a portfolio of securities with market value of approximately HK\$77,191,000. The Group will continue to adopt a prudent approach for its investment in financial assets.

Charges on Group Assets

As at 31 March 2017, time deposits of approximately HK\$6,273,000 and investment properties (inclusive of the investment property contained in the disposal group classified as held-for-sale) at a total valuation of HK\$354,000,000 were pledged to banks to secure the banking facilities that were granted to the Group.

Credit Risk

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

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

Operational Risk

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

| Type of License | Regulated activity | Number of responsible officers |
|-----------------|-------------------------------|--------------------------------|
| Type 1 | Dealing in securities | 9 |
| Type 4 | Advising on securities | 4 |
| Type 6 | Advising on corporate finance | 5 |
| Type 9 | Asset management | 3 |

In order to safeguard clients’ interests and comply with the requirements of the SFO, our monitoring team has carried out ongoing checks and verifications so that we are able to maintain our service standard at a satisfactory level. During FY2017, the brokerage operation of the Group had complied with the SFO. Clients were satisfied with our services.

To enhance the professionalism of the Board, three of the Board members are certified public accountants who monitor or advise the Group on internal control matters. Under the mortgage financing business, we had on hand a net consolidated mortgage loans of approximately HK\$142,472,000 as at 31 March 2017, and customers were satisfied with our services.

Interest Rate Risk

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

Liquidity Risk

The Group's policy is to regularly assess current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. As at 31 March 2017, the amount of undrawn banking facilities of the Group was approximately HK\$75,274,000.

Foreign Exchange Exposure

During FY2017, the Group's business activities as well as its assets and liabilities were mainly denominated in Hong Kong dollar, US dollar, and Renminbi. In light of the exchange rate peg between the Hong Kong dollar and US dollar, and the immaterial balance of the assets and liabilities denominated in Renminbi when compared to the Group's total assets or liabilities, the Group considers its foreign exchange risk immaterial for FY2017. It is the Group's treasury policy to manage its foreign currency exposure to minimise any material financial impact to the Group.

MATERIAL ACQUISITION AND DISPOSAL

On 24 March 2017, Styland (Development) Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional agreement to dispose the Full Bright Group at the consideration of HK\$108,000,000. The Full Bright Group mainly holds an investment property of the Group. On 22 May 2017, the parties hereto entered into the formal agreement. Details of the disposal of the Full Bright Group are set out in the announcement of the Company dated 24 March 2017.

CORPORATE GOVERNANCE

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

According to the code provision A.6.7 of the CG Code, Independent Non-executive Directors (the "INEDs") should attend general meetings of the Company, and according to E.1.2, the Chairman of the Board should attend the annual general meeting of the Company. During FY2017, the Company convened a special general meeting and the annual general meeting. Due to their personal engagements, four INEDs were unable to attend the special general meeting. Also, two INEDs including the Chairman of the Company did not attend the annual general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

The Directors have confirmed, following specific enquiry by the Company that in FY2017, they have complied with the required standard as set out in the Model Code.

BONUS ISSUE OF WARRANTS

Bonus Issue of Warrants – 2015

On 14 July 2015, the Board proposed an issue of bonus warrants to the shareholders of the Company (the “**Shareholders**”) on the basis of 2 warrants for every 10 shares (the “**Bonus Issue of Warrants – 2015**”). For details of the Bonus Issue of Warrants – 2015, please refer to the announcement of the Company dated 14 July 2015 (the “**Announcement – 2015**”). On 20 August 2015, the Shareholders approved the Bonus Issue of Warrants – 2015, pursuant to which 857,125,280 warrants were issued. The initial subscription price was HK\$0.10 and the subscription period was from 5 November 2015 to 4 November 2016 (both days inclusive). Full exercise of the subscription rights attaching to the 857,125,280 warrants would result in the issue of 857,125,280 new shares. Details of the exercise of Bonus Issue of Warrants – 2015 are set out as follows:

| | Number of warrants | Amount HK\$'000 |
|----------------------------------|-------------------------------|----------------------------|
| Number of warrants issued | 857,125,280 | 85,713 |
| Warrants exercised during FY2016 | <u>(67,378,080)</u> | <u>(6,738)</u> |
| At 1 April 2016 | 789,747,200 | 78,975 |
| Warrants exercised during FY2017 | <u>(400,478,772)</u> | <u>(40,048)</u> |
| Balance of warrants lapsed | <u><u>389,268,428</u></u> | <u><u>38,927</u></u> |

As disclosed in the Announcement – 2015, the Group would apply any subscription monies received as and when subscription rights were exercised (the “**Subscription Monies – 2015**”) towards the general working capital of the Group and potential investments to be identified. As at 31 March 2017, HK\$20,000,000 out of the Subscription Monies – 2015 was used as working capital and the balance was placed in a bank. The subscription rights attaching to the Bonus Issue of Warrants – 2015 lapsed on 4 November 2016.

Bonus Issue of Warrants – 2016

It was announced on 13 December 2016 that the Board proposed a new issue of bonus warrants to the Shareholders on the basis of 1 warrant for every 5 shares (the “**Bonus Issue of Warrants – 2016**”). For details of the Bonus Issue of Warrants – 2016, please refer to the announcement of the Company dated 13 December 2016 (the “**Announcement – 2016**”). On 17 January 2017, the Shareholders approved the Bonus Issue of Warrants – 2016, pursuant to which 952,202,016 warrants were issued. The initial subscription price was HK\$0.10 and the subscription period was from 14 February 2017 to 13 February 2018 (both days inclusive). Full exercise of the subscription rights attaching to the 952,202,016 warrants would result in the issue of 952,202,016 new shares. Details of the exercise of Bonus Issue of Warrants – 2016 are set out as follows:

| | Number of warrants | Amount HK\$'000 |
|--------------------------------------|-------------------------------|----------------------------|
| Number of warrants issued | 952,202,016 | 95,220 |
| Warrants exercised during FY2017 | <u>(23,774,504)</u> | <u>(2,377)</u> |
| Balance of warrants at 31 March 2017 | <u>928,427,512</u> | <u>92,843</u> |

As disclosed in the Announcement – 2016, the Group will apply any subscription monies received as and when subscription rights are exercised (the “**Subscription Monies – 2016**”) towards the general working capital of the Group. As at 31 March 2017, the Subscription Monies – 2016 was placed in a bank.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during FY2017.

REVIEW OF ACCOUNTS

The Company has an audit committee comprising five INEDs, namely, Mr. Lo Tsz Fung Philip, Mr. Zhao Qingji, Mr. Yeung Shun Kee, Mr. Li Hancheng and Mr. Lee Kwok Yin Denthur. The audit committee has reviewed the Group's annual results for FY2017.

On behalf of the Board
Zhao Qingji
Chairman

Hong Kong, 23 June 2017

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