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## STYLAND HOLDINGS LIMITED

大凌集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 211)**

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

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 2014 (“**FY2014**”) together with the comparative figures for the year ended 31 March 2013 (“**FY2013**”) as follows:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Turnover</b>		<b>143,212</b>	148,121
Revenue	4	<b>44,183</b>	35,703
Cost of sales		<b>(5,214)</b>	(8,896)
<b>Gross profit</b>		<b>38,969</b>	26,807
• Other income		<b>72,926</b>	37,994
• Administrative expenses		<b>(32,653)</b>	(30,050)
• Selling and distribution expenses		<b>(3,804)</b>	(2,124)
• Change in fair value of investment properties		<b>(4,800)</b>	16,000
• Change in fair value of financial assets at fair value through profit or loss		<b>7,757</b>	(5,988)
• Gain/(loss) on disposal of financial assets at fair value through profit or loss		<b>10,881</b>	(300)
• Impairment loss recognized in respect of trade receivables		<b>(5,038)</b>	–

\* *For identification purposes only*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
• Impairment loss recognized in respect of loan receivables		(496)	(1,294)
• Reversal of impairment loss recognized in respect of loan receivables		972	461
• Finance costs		<u>(3,111)</u>	<u>(1,306)</u>
<b>Profit before taxation</b>	5	<b>81,603</b>	40,200
• Income tax expenses	6	<u>–</u>	<u>–</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>81,603</b></u>	<u>40,200</u>
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>		<u><b>81,603</b></u>	<u>40,200</u>
<b>Earnings per share</b>			
• Basic	9	<u><b>HK2.28 cents</b></u>	<u>HK1.08 cents</u>
• Diluted	9	<u><b>HK2.26 cents</b></u>	<u>HK1.08 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
• Fixed assets		1,276	1,775
• Investment properties		206,000	166,000
• Loan receivables	10	48,840	24,915
• Deposits paid for the redevelopment project		2,275	1,243
• Available-for-sale investment		–	–
		<u>258,391</u>	<u>193,933</u>
<b>CURRENT ASSETS</b>			
• Inventories		330	–
• Promissory note receivable	11	–	–
• Loan receivables	10	92,584	94,514
• Trade receivables	12	15,989	17,072
• Other receivables, deposits and prepayments		5,085	3,713
• Financial assets at fair value through profit or loss		46,183	38,249
• Tax recoverable		–	859
• Client trust funds		46,081	57,167
• Pledged bank deposits		6,280	6,225
• Bank balances and cash		95,247	96,211
		<u>307,779</u>	<u>314,010</u>
<b>CURRENT LIABILITIES</b>			
• Trade payables	13	48,151	63,391
• Other payables and accruals		5,480	4,673
• Dividend payable		4,924	–
• Borrowings		98,911	88,368
• Obligation under finance lease		–	7
		<u>157,466</u>	<u>156,439</u>
<b>NET CURRENT ASSETS</b>		<u>150,313</u>	157,571
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>408,704</u>	351,504
<b>NET ASSETS</b>		<u>408,704</u>	351,504
<b>CAPITAL AND RESERVES</b>			
• Share capital		35,694	37,098
• Reserves		373,010	314,406
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY AND TOTAL EQUITY</b>		<u>408,704</u>	<u>351,504</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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

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

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

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

### 3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>1</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HK(IFRIC)-Int 21	Levies <sup>1</sup>

The Group has not early adopted these new standards, amendments and interpretations to existing standards in the consolidated financial statements for the year ended 31 March 2014. The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 March 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2015

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2016

<sup>4</sup> Effective date to be determined

#### Change in accounting estimate

In prior years, the Group accounted for the depreciation of fixed assets by using the reducing balance method. Most of the companies engaging in a similar business as the Group in Hong Kong adopt the straight line depreciation method in measuring their depreciation of fixed assets. In the current year, the Directors revisited the method adopted by the Group and decided to change it from reducing balance method to straight line method. The Directors consider the impact on the change in the current and prior years is insignificant and do not expect a significant fluctuation in the net book value of fixed assets due to the change in depreciation method from the reducing balance method to the straight line method and hence, the impact on the change is not expected to be significant to the Group in the future years.

#### 4. SEGMENTAL INFORMATION

##### *Segment 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. To facilitate the performance assessment, the result from the Group's new line of business, retail sales of goods, was assessed together with the trading of frozen foods. As a result, the segment was renamed from "General trading" to "Retail and trading". The Group's reportable segments under HKFRS 8 are as follows:

- the securities dealing, broking and other financing segment provides securities broking, margin and corporate finance and other financing services;
- the mortgage financing segment mainly engages in corporate and personal loans that are secured by real properties;
- the retail and trading segment mainly engages in retail and trading of food products;
- the property development and investment segment engages in property redevelopment and letting of properties; and
- the securities trading segment engages in trading of listed securities.

##### *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 2014

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

For the year ended 31 March 2013

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Retail and trading <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenues:							
External sales	13,523	14,276	6,477	845	582	-	35,703
Inter-segment sales	1,134	-	-	-	-	(1,134)	-
	<u>14,657</u>	<u>14,276</u>	<u>6,477</u>	<u>845</u>	<u>582</u>	<u>(1,134)</u>	<u>35,703</u>
Segment profit /(loss) after inter-segment transactions	1,281	8,917	46	16,485	(6,827)	-	19,902
Unallocated income and expenses							<u>20,298</u>
Profit before taxation							<u>40,200</u>

***Segment assets and liabilities***

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

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

The segment assets and liabilities as at 31 March 2013 by reportable segments are as follows:

	Securities dealing, broking and other financing <i>HK\$'000</i>	Mortgage financing <i>HK\$'000</i>	Retail and trading <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	113,253	76,708	6,816	167,276	38,250	105,640	<u>507,943</u>
Segment liabilities	65,938	276	289	699	11	89,226	<u>156,439</u>

*Other segment information*

**For the year ended 31 March 2014**

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

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



For the year ended 31 March 2013

	Securities dealing, broking and other financing HK\$'000	Mortgage financing HK\$'000	Retail and trading 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 investment properties	-	-	-	16,000	-	-	16,000
Change in fair value of financial assets at fair value through profit or loss	-	-	-	-	(5,988)	-	(5,988)
Loss on disposal of financial assets at fair value through profit or loss	-	-	-	-	(300)	-	(300)
Impairment loss recognized in respect of other receivables	-	(340)	-	-	-	(281)	(621)
Reversal of impairment loss recognized in respect of trade receivables	-	-	29	-	-	-	29
Impairment loss recognized in respect of loan receivables	(334)	(960)	-	-	-	-	(1,294)
Reversal of impairment loss recognized in respect of loan receivables	-	461	-	-	-	-	461
Bad debt recovery for loan receivables	96	-	-	-	-	-	96
Bad debt written-off	-	(44)	-	-	-	-	(44)
Depreciation	(223)	(12)	-	-	-	(335)	(570)
Loss on disposal of fixed assets	-	-	-	-	-	(7)	(7)
Additions to non-current assets ( <i>note</i> )	180	105	-	84,243	-	22	84,550
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss or segment assets:							
Interest income	4	-	387	-	-	129	520
Finance costs	(4)	-	(1)	(60)	-	(1,241)	(1,306)
Income tax expenses	-	-	-	-	-	-	-

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

## 5. PROFIT BEFORE TAXATION

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Staff costs (including Directors' remuneration):		
— Salaries and allowances and other benefits	18,073	15,772
— Retirement benefit scheme contributions	621	548
Auditor's remuneration	750	750
Depreciation	794	570
Gain on exchange difference, net	(44)	–
Loss on disposals of fixed assets	2	7
Lease payments under operating leases for rented premises	2,474	1,992
Impairment loss recognized in respect of trade receivable	5,038	–
Impairment loss recognized in respect of other receivables	206	621
Impairment loss recognized in respect of loan receivables	496	1,294
Cost of inventories recognized as an expense	762	6,318

## 6. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made in the consolidated financial statements for FY 2014 as the Company and its subsidiaries either has available losses brought forward from prior years to offset the assessable profits generated during FY2014 or did not generate any assessable profits arising in Hong Kong during FY2014 (FY2013: nil).

## 7. DIVIDENDS

An interim cash dividend of HK0.138 cents per ordinary share of the Company for FY2014 has been paid to shareholders of the Company (the “Shareholders”).

A final dividend of HK0.168 cents per ordinary share of the Company in respect of FY2014 has been proposed by the Directors and is subject to approval by Shareholders at the forthcoming annual general meeting of the Company.

## 8. DISTRIBUTIONS

During FY2014, bonus warrants on the basis of 2 warrants for every 10 ordinary shares were issued to Shareholders.

In addition to the proposed final dividend, the Company proposes to distribute free gifts to eligible Shareholders for their continuous support to the Group. A separate announcement will be made for the details of the gifts distribution.

## 9. EARNINGS PER SHARE

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

### Earnings:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u><b>81,603</b></u>	<u>40,200</u>

### Number of shares:

	<b>2014</b>	2013
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	<b>3,578,078,349</b>	3,709,773,088
Effect of dilutive potential ordinary shares — Bonus warrants	<u><b>37,352,108</b></u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>3,615,430,457</b></u>	<u>3,709,773,088</u>

## 10. LOAN RECEIVABLES

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Securities dealing and broking services: — Secured margin loans ( <i>note 1</i> )	<b>55,586</b>	59,036
Less: Impairment loss recognized	<u><b>(15,015)</b></u>	<u>(15,617)</u>
	<u><b>40,571</b></u>	<u>43,419</u>
Financing business: — Unsecured loans	<b>7,571</b>	7,781
— Secured mortgage loans ( <i>note 2</i> )	<b>101,589</b>	76,847
Less: Impairment loss recognized	<u><b>(8,307)</b></u>	<u>(8,618)</u>
	<u><b>100,853</b></u>	<u>76,010</u>
Total	<u><b>141,424</b></u>	<u>119,429</u>
The Group's loan receivables (net of impairment loss) are analysed into:		
— Non-current assets	<b>48,840</b>	24,915
— Current assets	<u><b>92,584</b></u>	<u>94,514</u>
	<u><b>141,424</b></u>	<u>119,429</u>

Notes:

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

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 6 months	<b>56,722</b>	61,842
Over 6 months but not more than 1 year	<b>34,807</b>	12,596
Over 1 year	<b>9,324</b>	1,572
	<b>100,853</b>	76,010

## 11. PROMISSORY NOTE RECEIVABLE

Reference is made to note 20 to the audited consolidated financial statements of the Company for the year ended 31 March 2013. The Group believes that it is in its best interest not to take legal action for the time being and will continue to closely monitor the progress of the recovery of the outstanding money due to the note issuer's subsidiary by its joint venture partner in a toll road project in Wuhan, the PRC.

## 12. TRADE RECEIVABLES

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	<b>21,354</b>	17,399
Less: Impairment loss recognized	<b>(5,365)</b>	(327)
Total	<b>15,989</b>	17,072
Balance in relation to:		
— Securities dealing and broking services	<b>15,928</b>	11,040
— Retail and trading	<b>61</b>	6,032
	<b>15,989</b>	17,072

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 6 months	14,461	14,992
Over 6 months but not more than 1 year	131	1,879
Over 1 year	1,397	201
	<u>15,989</u>	<u>17,072</u>

### 13. TRADE PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Balance in relation to:		
— Securities dealing and broking services ( <i>Note</i> )	47,924	63,155
— Retail and trading	227	236
	<u>48,151</u>	<u>63,391</u>

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

An aging analysis of the Group's trade payables in relation to the retail and trading is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 6 months	1	9
Over 6 months but not more than 1 year	–	1
Over 1 year	226	226
	<u>227</u>	<u>236</u>

### 14. PETITION

Reference is made to note 44 to the audited consolidated financial statements of the Company for the year ended 31 March 2013. Pursuant to the settlement agreement dated 26 June 2012, the concerned former Director has further repaid HK\$20,000,000 in cash to the Company on 4 May 2013.

Reference is also made to the announcement dated 19 August 2013 of the Company in which it stated, among others, that the Company and the concerned former Directors had entered into a supplemental settlement deed (the “**Settlement Deed**”) in respect of the repayment of final installment (the “**Final Installment**”) of the judgement debts ordered by the Court. The Settlement Deed was approved by the independent Shareholders in the general meeting of the Company on 29 October 2013. The Final Installment amounting to approximately HK\$51,304,000 was properly received and the petition was settled satisfactorily.

A total amount of approximately HK\$71,304,000 was recorded as other income in FY2014.

### 15. SUBSEQUENT EVENT

An investment property of the Group with a carrying amount of HK\$46,000,000 as at 31 March 2014 was subsequently pledged to the bank for a bank loan of HK\$18,000,000 which bears interest at the rate of 2.75% per annum below the Hong Kong Dollar Best Lending Rate.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

#### FY2014 Results

For FY2014, the Group recorded a turnover of approximately HK\$143,212,000 as compared to approximately HK\$148,121,000 for FY2013. Despite this slight decline in turnover, the Group had improved its bottom line in FY2014 as shown by the net profit of approximately HK\$81,603,000 in FY2014 as compared with the net profit of approximately HK\$40,200,000 in FY2013.

#### Review of Operations

##### *Brokerage Business:*

- *Securities Broking*

During FY2014, the market sentiment had improved after the recovery of the global economy. We have also intensified the brokerage business' sales and marketing activities. Due to these factors, our securities broking business had achieved better performance in its daily turnover. This was evident by the increase of approximately 43% in our securities broking division's daily turnover while the average daily turnover of the market had increased by approximately 8%.

Having strengthened our brokerage business' online trading system to provide clients a more user-friendly and convenient platform for making online trading transactions, in FY2014, we offered online margin financing service to clients who have sound credit record. The launch of our online margin financing service has brought greater flexibility to clients, and increased the frequency of trading transactions. The increase in business volume from our online trading service is one of the reasons for the growth in transaction volume of our securities broking division. As a result of the growth in transaction volume, the Group's brokerage commission earnings had risen by 52% in FY2014.

During FY2014, the Group recorded a total securities trading turnover of approximately HK\$6.6 billion, an increase of approximately 43% when compared to that in FY2013. The number of active client accounts also grew by approximately 6% in FY2014.

- *Margin Financing*

During FY2014, we continued to take advantage of the low interest rate environment, which has led to the increased usage of our margin financing services by clients for their investment transactions. With the Group's improved level of working capital, our securities broking division had provided a better credit line to clients after the review of their track record and financial position.

The promotional activities that we carried out during FY2014 with respect to the discounted commission charged to our securities broking clients proved to be successful in encouraging existing clients to make a greater number of investment transactions. This has created synergy in our margin financing business as well as benefited our margin interest revenue in FY2014.

- *Corporate Finance*

During FY2014, our Group participated in a number of corporate finance projects, which involved underwriting initial public offerings and placement of new shares. To further increase the probability of transforming client referrals into new corporate finance deals, we have tried to focus on high-net-worth clients services. Following the improvement of market sentiment in fund raising activities, we have taken a proactive approach in negotiating with business partners for cooperation with a view to increase our corporate finance engagements.

***Mortgage Financing:***

Since the beginnings of our mortgage financing business, we have continued providing mortgage financing services to both corporate and retail clients. In spite of the government's measures to stabilize the property market, the demand for mortgage financing still provided us the business opportunities. With the year-on-year double-digit growth in revenue of our mortgage financing division, this division had contributed to us a better profit in FY2014. To speed up the development of this division, other than using our own internal resources, we have also cooperated with our business partner to expand our mortgage financing business during FY2014. As at 31 March 2014, the Group registered a balance of approximately HK\$101,589,000 in mortgage loan receivables, an increase of approximately 32% compared to that of 31 March 2013.

Faced with competition, we are always updating our strategies so that we can continue to compete well in the market. We have adopted a prudent supervisory approach in managing our business activities to ensure we are in strict adherence to our credit control policy. Our professional team members, who have extensive experience in the financing business, have performed a set of comprehensive due diligence procedures to assess the credibility and financial position of our customers. Additionally, in FY2014, to cope with the growth in the number of clients, we have enhanced our Loan Management Solution. This involved incorporating new credit control function tools to our operation system. Thanks to these measures, our Group recorded only a negligible amount of bad debts provision.

***Retail and Trading Business:***

During FY2014, we cooperated with the Italian chocolate and confectionery company Maglio Arte Dolciaria S.R.L. (“**Maglio**”). Under this cooperation, we have the exclusive distribution right to distribute the Maglio brand of products (the “**Maglio Products**”) in Hong Kong, Macau and Mainland China, except for Qing Dao.

In distributing this new line of products, our aim is to achieve a higher profit margin for the retail and trading business division. Maglio Products are promoted and marketed by Quoting Life, a new brand and distribution vehicle that we launched in FY2014. This new distribution network plays a key role in boosting the sales of Maglio Products. During FY2014, our sales network included a shop in Tuen Mun Town Plaza and a sales booth in Yata Shatin (一田沙田分店), as well as sales points at a cake shop chain. Subsequent to FY2014, to promote the Maglio Products, we set up sales booths at the Yata shops in Tai Po, Mongkok, Tuen Mun, and Tsuen Wan. We also set up sales booths at the Citistore (千色店) shops in Tsuen Wan and Ma On Shan. To further expand our distribution network, in June 2014, we opened a new Quoting Life shop in Causeway Bay, one of the Hong Kong's busiest shopping districts.

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

A residential property at Sai Kung, Hong Kong (the “**Sai Kung Property**”) with a fair value of HK\$46,000,000 was transferred to the Group in FY2014. Other than the Sai Kung Property, the Group owns another dignitary residential property located in the premium section of Fei Ngo Shan Road, Hong Kong (the “**Fei Ngo Shan Property**”), and a commercial property located in Central, the heart of Hong Kong's business district (the “**Central Property**”). As at 31 March 2014, the combined fair value of the Group's properties was HK\$206,000,000.

The Sai Kung Property and part of the Central Property were rented out during FY2014. This has provided a stable stream of rental income to the Group. With respect to the Fei Ngo Shan Property, we have planned to redevelop this property into a two-storey dignitary house to maximize its fair value.

### **Prospects**

One of our core businesses is brokerage. In China, the central government has undergone structural financial reform. The internationalization of the Renminbi is also on track. In April 2014, the central government announced the Shanghai-Hong Kong Stock Connect policy. We expect that the cross-border financial activities will boom, and that Hong Kong will play an increasingly prominent role as the bridge between Mainland China and the rest of the world. To capitalize on this market trend, we will apply for the approval of the Stock Exchange and Hong Kong Securities Clearing Company Limited to accept the Group as a market participant of Shanghai-Hong Kong Stock Connect, and enhance our brokerage services by upgrading our computer hardware and software technology support. In addition, we will diversify our financial service offerings by providing clients asset management services. We will implement this by providing financial products to well targeted, potential clients. We believe that the launch of our asset management services will bring a synergistic effect to our financial services business segment.

On the mortgage financing front, we foresee that there will continue to be a huge demand for mortgage loans. As such, we will consider the strategy of cooperating with other financial institutions to generate revenue growth for the Group. It is generally expected that property prices in Hong Kong will go through price adjustments in the near future. To minimize our loan exposure risk, we have formulated our policy to concentrate on the provision of small loans with a view to optimize our loan portfolio.



In order to promote the Maglio Products, we plan to expand our sales network by establishing additional sales points in the near future. We will also implement a series of promotional events to instill customer loyalty. In long run, we will consider to add other products to the Quoting Life product line to offer a greater variety of products to customers. To generate growth for the Group, we will continue to market the Quoting Life brand aggressively throughout Hong Kong, Macau and Mainland China.

With respect to our property investment and redevelopment business, we believe that upon redevelopment of Fei Ngo Shan Property into a brand new two-storey property, the valuation of this property will rise significantly. Moreover, upon the lease out of the units of our Central Property, the rental income from the Group's investment properties will become one of its stable sources of income.

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

As at 31 March 2014, the Group's net asset value was approximately HK\$408,704,000 (FY2013: approximately HK\$351,504,000) and cash at bank and in hand totaled approximately HK\$95,247,000 (FY2013: approximately HK\$96,211,000) of which approximately 96.9% was held in Hong Kong dollars, approximately 2.3% in US dollars, and approximately 0.8% in Renminbi.

Borrowings and financial lease as at 31 March 2014 amounted to approximately HK\$98,911,000 (FY2013: approximately HK\$88,375,000) of which approximately HK\$17,808,000 (FY2013: approximately HK\$3,596,000) is repayable within one year. The gearing ratio, being the ratio of total borrowings and financial lease to shareholders' fund, was about 0.24 (FY2013: 0.25).

### **Investment in Financial Assets**

Other than the holding of a portfolio of listed securities with market value of approximately HK\$46,183,000 as at 31 March 2014 for the trading purpose, the Group did not make any other major investments during FY2014. The Group will continue to adopt a prudent approach for its investments.

### **Credit Risk**

For the brokerage business, 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 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.

Trading terms with general trading customers are mainly on credit, except for new customers, where advance payment is normally required or a letter of credit is received. Invoices are normally payable within 30 to 60 days of issuance, except for certain well-established customers, where the payment terms may be extended to 90 days.

## Operational Risk

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

<b>Type of Licence</b>	<b>Regulated activity</b>	<b>Number of responsible officers</b>
Type 1	Dealing in securities	6
Type 4	Advising on securities	5
Type 6	Advising on corporate finance	3

In order to safeguard clients' interests and comply with the requirements of the SFO, our monitoring team has carried out ongoing checks and verifications so that we are able to maintain our service standard at a satisfactory level. During FY2014, the brokerage operation of the Group had complied with the SFO. All of our clients were satisfied with our services and did not lodge any complaints. During FY2014, we have properly managed a total securities trading turnover of approximately HK\$6.6 billion without any customer complaints.

To enhance the professionalism of the management force, the Group has four certified public accountants, three of them are Board members, who will monitor or advise the Group of its internal control matters. Under the mortgage financing business, we had mortgage loans of approximately HK\$101,589,000 as at 31 March 2014, and customers were satisfied with our services.

## Interest Rate Risk

All the Group's borrowings were denominated in Hong Kong dollar, and its risk arises from interest payments which are charged according to a floating interest rate with a remaining repayment period of around 19 years. For the short-term borrowing, the Group considers its interest rate risk insignificant for FY2014. The Group monitors its interest rate exposure regularly to ensure that the underlying risk is within an acceptable range.

## **Liquidity Risk**

The Group's policy is to regularly assess current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. As at 31 March 2014, the amount of undrawn banking facilities of the Group was HK\$16,111,000.

## **Foreign Exchange Exposure**

During FY2014, the Group's business activities as well as its assets and liabilities were mainly denominated in Hong Kong dollars, US dollars, Euro and Renminbi. In light of the exchange rate peg between the Hong Kong dollar and US dollar, and the immaterial balance of the assets and liabilities denominated in Renminbi and Euro when compared to the Group's total assets or liabilities, the Group considers its foreign exchange risk immaterial for FY2014. It is the Group's treasury policy to manage its foreign currency exposure to minimise any material financial impact to the Group.

## **Charges on Group Assets**

As at 31 March 2014, time deposits of approximately HK\$6,280,000 and investment properties at a total valuation of HK\$160,000,000 were pledged to the bank to secure the banking facilities that were granted to the Group.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 6 October to 7 October 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 3 October 2014.

## **TRANSFER OF EQUITY INTEREST OF TREASURE GLASSHOUSE LIMITED**

According to the Settlement Deed (as disclosed in note 14 above), on 19 August 2013, Mr. Cheung Chi Shing ("**Mr. Cheung**") and Ms. Yeung Han Yi Yvonne ("**Ms. Yeung**") and the Company entered into a sale and purchase agreement, pursuant to which Mr. Cheung would transfer and should procure Ms. Yeung to transfer the shares of Treasure Glasshouse Limited ("**TGL**") and the loan due by TGL to Mr. Cheung or Ms. Yeung to the Company at the consideration of approximately HK\$44,915,000 (the "**Transfer**"). The Transfer was completed on 1 November 2013.

## CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any material contingent liabilities (2013: immaterial).

## CORPORATE GOVERNANCE

Other than the following deviations, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to 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 FY2014, two INEDs, one of them is the Chairman of the Company, were unable to attend the three general meetings of the Company and one INED was absent from one of the general meetings, due to their other business commitments.

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

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

The Directors have confirmed, following specific enquiry by the Company that in FY2014, they have complied with the required standard as set out in the Model Code.

## BONUS ISSUE OF WARRANTS

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

	<b>Number of warrants exercised</b>	<b>Balance of warrants at 31 March 2014</b>
<b>Number of warrants issued</b>		
713,154,617	3,663,126	709,491,491

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

During FY2014, the Company repurchased a total of 144,000,000 shares with par value of HK\$0.01 each (the “**Repurchased Shares**”) through the Stock Exchange at an aggregate consideration of approximately HK\$19,845,000 (excluding transaction costs). The Repurchased Shares were cancelled during FY2014. The issued share capital of the Company was accordingly reduced by the par value of the Repurchased Shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from the Shareholders, with a view to benefiting Shareholders as a whole in enhancing the net assets and earnings per share of the Company. Details of shares repurchased during FY2014 are set out as follows:

<b>Trading month</b>	<b>Number of shares repurchased</b>	<b>Highest price per share</b> <i>HK\$</i>	<b>Lowest price per share</b> <i>HK\$</i>	<b>Aggregate purchase price</b> <i>HK\$'000</i>
April 2013	144,000,000	0.142	0.120	19,845

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2014.

## REVIEW OF ACCOUNTS

The Company has an Audit Committee comprising four INEDs, namely, Mr. Lo Tsz Fung Philip, Mr. Zhao Qingji, Mr. Yeung Shun Kee and Mr. Li Hancheng. The Audit Committee has reviewed the Group's annual results for FY2014.

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

Hong Kong, 24 June 2014

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