STYLAND HOLDINGS LIMITED
大凌集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 211)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2006

The Board of Directors (the "Board") of Styland Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2006 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2006

	Notes	**2006** *HK$'000*	2005 *HK$'000*
Turnover	4	**71,604**	96,546
Cost of sales		**(54,096)**	(71,702)
Gross profit		**17,508**	24,844
Other revenue and gains		**5,271**	4,742
Reversal of provisions for doubtful debts		**4,203**	12,884
Selling and distribution expenses		**(1,360)**	(893)
Administrative expenses		**(25,370)**	(28,333)
Net realised holding gains on listed investments		**–**	5,913
Net realised holding loss on investments held-for-trading		**(539)**	–
Reversal of impairment of property held for redevelopment		**–**	2,000
Revaluation increase on investment property		**–**	1,000
Fair value changes on investment property		**600**	–
Reversal of impairment of investment in a joint venture		**–**	22,837
Reversal of impairment of investment in a joint venture held-for-sale		**20,404**	–
Impairment of long term investments		**–**	(423)
Impairment of available-for-sale investments		**(2,382)**	–
Provisions against accounts and loans receivable		**(11,685)**	(4,109)
Amortisation of investment in a joint venture		**–**	(22,837)
Other expenses		**(7,592)**	(10,329)
Finance costs		**(6,941)**	(6,795)
(Loss)/profit before taxation	5	**(7,883)**	501
Taxation	6	**–**	(573)
Loss for the year		**(7,883)**	(72)
Attributable to:			
Equity holders of the Company		**(13,990)**	3,256
Minority interests		**6,107**	(3,328)
		(7,883)	(72)
Dividends	7	**–**	2,144
(Loss)/earnings per share	8		
– Basic		**(HK0.75 cent)**	HK0.17 cent
– Diluted		**N/A**	HK0.17 cent

CONSOLIDATED BALANCE SHEET
As at 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,451**	3,543
Investment property		**14,600**	14,000
Property held for redevelopment		**47,000**	47,000
Goodwill		**–**	1,511
Negative goodwill		**–**	(541)
Interests in a joint venture		**–**	143,374
Dividend receivable		**19,153**	–
Long term investments		**–**	2,456
Available-for-sale investments		**3,098**	–
		86,302	211,343
CURRENT ASSETS			
Inventories		**192**	1,089
Loans receivable	9	**41,296**	45,249
Accounts receivable	10	**8,591**	8,638
Other receivables, deposits and prepayments		**21,137**	19,668
Tax recoverable		**585**	110
Short term investments		**–**	11,065
Investment in a joint venture held-for-sale		**151,834**	–
Investments held-for-trading		**2,454**	–
Client trust bank accounts		**8,306**	7,025
Pledged deposits		**9,000**	9,000
Cash and bank balances		**3,517**	13,412
		246,912	115,256
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	11	**36,720**	23,953
Obligations under hire purchase contracts		**402**	843
Tax payable		**4,839**	4,839
Bank borrowings		**95,775**	48,800
		137,736	78,435
NET CURRENT ASSETS		**109,176**	36,821
TOTAL ASSETS LESS CURRENT LIABILITIES		**195,478**	248,164
NON-CURRENT LIABILITIES			
Obligations under hire purchase contracts		**–**	402
Bank borrowings		**17,624**	60,951
		17,624	61,353
		177,854	186,811
CAPITAL AND RESERVES			
Share capital		**18,712**	18,712
Share premium and reserves		**115,876**	130,940
Equity attributable to equity holders of the Company		**134,588**	149,652
Minority interests		**43,266**	37,159
		177,854	186,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements have been prepared under the historical cost basis except for certain investment properties, properties held for redevelopment and available-for-sale investments, which are measured at revalued amounts at fair values, as explained in the accounting policies set out below.

The 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. **Application of Hong Kong Financial Reporting Standards/Changes in accounting policies**

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods begun on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

(a) Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 April 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1 April 2005 eliminated the carrying amount of the related accumulated amortisation of HK$10,684,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in income statement in the period in which the acquisition takes place. In previous periods, negative goodwill was presented as a deduction from assets and released to income on a systematic basis over the remaining useful life of the amortisable assets in average. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill as at 1 April 2005, with a corresponding decrease to the Group's accumulated losses.

(b) Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1 April 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 April 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. For available-for-sale investments, the cumulative unrealised losses previously reported in the income statement before 1 April 2005 continue to be held in the accumulated losses at 1 April 2005. On subsequent derecognition or impairment of the investment, the unrealised gain or loss remaining in equity will be transferred to profit or loss. For investments at fair value through profit or loss, the investments held-for-trading are measured at fair value, with changes in fair value being recognised in profit or loss directly.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or " held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

(c) Investment Properties

The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the year in which they arise. In previous years, investment properties under SSAP 13 were measured at open market values, with revaluation surplus or deficits credited or charged to investment properties revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

(d) Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in properties held for redevelopment and measured at cost less impairment. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. In current and prior periods, the Group's leasehold land and buildings included in properties held for redevelopment were continued to be included in properties held for redevelopment as the land and buildings elements cannot be allocated reliably.

(e) Share-based payments

In current year, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for the shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of director's and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. However, there has been no material effect on how the results for the prior and current accounting periods are prepared.

3. Summary of the effects of the changes in accounting policies

The cumulative effect of the application of new HKFRSs on 31 March 2005 and 1 April 2005 are summarised below:

Balance sheet items	**At 31 March 2005 (originally stated)** *HK$'000*	**Adjustments on 1 April 2005** *HK$'000*	**At 1 April 2005 (restated)** *HK$'000*
Impact of HKFRS 3:			
Goodwill	970	541	1,511
Impact of HKAS 32 and HKAS 39:			
Long term investments	2,456	(2,456)	–
Available-for-sale investments	–	2,456	2,456
Short term investments	11,065	(11,065)	–
Investments held-for-trading	–	11,065	11,065
Other net assets	172,320	–	172,320
Total effects on assets and liabilities	186,811	541	187,352
Accumulated losses	(1,081,511)	541	(1,080,970)
Other equities	1,268,322	–	1,268,322
Total effects on equity	186,811	541	187,352

The application of the new HKFRSs to the Group's equity on 1 April 2004 had no material effect on how the results are prepared and presented.

However, the Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.

4. Segmental information

(a) Business Segments

The following tables present the revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments:

	General import and export trading *HK$'000*	**Securities dealing and broking** *HK$'000*	**Financing** *HK$'000*	**Property development and investment** *HK$'000*	**Strategic investments** *HK$'000*	**Corporate** *HK$'000*	**Others** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Income statement for the year ended 31 March 2006									
Segment revenue:									
External sales	**58,759**	**9,298**	**3,547**	**–**	**–**	**–**	**–**	**–**	**71,604**
Other revenue	**1,446**	**510**	**377**	**500**	**95**	**2,123**	**–**	**–**	**5,051**
Inter-segment sales	**–**	**251**	**–**	**1,200**	**–**	**8,479**	**–**	**(9,930)**	**–**
Total revenue	**60,205**	**10,059**	**3,924**	**1,700**	**95**	**10,602**	**–**	**(9,930)**	**76,655**
Segment result	**563**	**(1,903)**	**(2,591)**	**1,088**	**11,157**	**(4,639)**	**(4,710)**	**(251)**	**(1,286)**
Interest income									**344**
Finance costs									**(6,941)**
Loss for the year									**(7,883)**

	General import and export trading *HK$'000*	Securities dealing and broking *HK$'000*	Financing *HK$'000*	Property development and investment *HK$'000*	Strategic investments *HK$'000*	Corporate *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Income statement for the year ended 31 March 2005									
Segment revenue:									
External sales	76,411	10,048	10,084	3	–	–	–	–	96,546
Other revenue	540	321	4,030	–	25,062	2	593	–	30,548
Inter-segment sales	–	1,084	–	1,000	–	19,778	–	(21,862)	–
Total revenue	76,951	11,453	14,114	1,003	25,062	19,780	593	(21,862)	127,094
Segment result	(1,644)	3,341	12,513	2,119	2,995	(13)	(11,823)	(256)	7,232
Interest and dividend income and unallocated gains									64
Finance costs									(6,795)
Profit before tax									501
Tax									(573)
Loss for the year									(72)

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments:

	2006 *HK$'000*	2005 *HK$'000*
Hong Kong	**26,933**	38,011
Europe	**44,671**	57,745
Others	**–**	790
	71,604	96,546

5. (Loss)/profit before taxation

(Loss)/profit before taxation have been arrived at after charging:

	2006	2005
	HK$'000	*HK$'000*
Depreciation	**741**	1,338
Staff costs (including directors' remuneration):		
– Salaries and allowances	**13,325**	14,137
– Retirement benefit scheme contributions	**565**	351
	13,890	14,488
Auditors' remuneration	**555**	598
Minimum lease payments under operating leases for land and buildings	**913**	1,274
Net loss on foreign currencies exchange	**1,265**	–
Other expenses:		
– Unrealised holding losses on listed investments	**–**	8,582
– Fair value changes in investments held-for-trading	**3,993**	–
– Amortisation of goodwill	**–**	584
– Impairment of goodwill	**3,124**	–
– Loss on disposals of property, plant and equipment	**475**	1,163
	7,592	10,329
And after crediting:		
Interest income	**344**	49
Gross and net rental income	**–**	3

6. Taxation

Taxation in the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Provision for Hong Kong profits tax		
– Current year	**–**	266
Deferred tax		
– Current year	**–**	307
Tax charge for the year	**–**	573

Profits tax has not been provided as the Group has no assessable profits for the year.

7. Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2006.

For the year ended 31 March 2005, the Directors declared to pay an interim dividend of HK$0.025 (the "Cash Dividend"), totaling HK$468,000, for every 100 shares of the Company held at 6 January 2005. Other than the Cash Dividend, the Directors also declared an interim dividend in specie that was satisfied by the distribution of one share of each of M Dream Inworld Limited and B.A.L. Holdings Limited and two shares of Riverhill Holdings Limited for every 100 shares of the Company held at 6 January 2005.

8. (Loss)/earnings per share

The calculation of basic loss per share for the year ended 31 March 2006 (2005: basic earnings per share) is based on the loss attributable to shareholders of HK$13,990,000 (2005: profit of HK$3,256,000) and the weighted average of 1,871,188,679 (2005: 1,871,188,679) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 March 2006 has not been disclosed, as the options outstanding had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 March 2005 is based on the profit attributable to shareholders of HK$3,256,000 and the weighted average of 1,880,116,997 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the share option scheme of the Company.

9. Loans receivable

	2006 *HK$'000*	2005 *HK$'000*
Securities dealing and broking business:		
– Secured margin loans	**37,986**	39,584
Less: Impairment	**(11,000)**	(9,609)
	26,986	29,975
Financing business:		
– Secured loans	**16,623**	15,413
– Unsecured loans	**43,056**	39,396
	59,679	54,809
Less: Impairment	**(45,369)**	(39,535)
	14,310	15,274
	41,296	45,249

An aged analysis of the Group's loans receivable excluding margin loans is as follows. No aged analysis on margin loans is disclosed as, in the opinion of the Directors, an aged analysis is not meaningful in view of the nature of the business of securities margin financing.

	2006 *HK$'000*	2005 *HK$'000*
Financing business:		
Within 6 months	**4,689**	30,608
7 to 12 months	**5,550**	853
Over 1 year	**49,440**	23,348
	59,679	54,809
Less: Impairment	**(45,369)**	(39,535)
	14,310	15,274

10. Accounts receivable

An aged analysis of the Group's accounts receivable is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Within 6 months	**8,314**	8,309
7 to 12 months	**224**	531
Over 1 year	**617**	500
	9,155	9,340
Less: Impairment	**(564)**	(702)
	8,591	8,638

11. Accounts payable, other payables and accruals

	2006 *HK$'000*	2005 *HK$'000*
An aged analysis of the Group's accounts payable is as follows:		
Within 6 months	**7,910**	7,737
7 to 12 months	**1,161**	116
Over 1 year	**2,567**	3,066
Accounts payable	**11,638**	10,919
Other payables and accruals	**25,082**	13,034
	36,720	23,953

12. Contingent liabilities

As at 31 March 2006, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK$19.5 million (2005: HK$18.1 million) had been utilised at 31 March 2006.

13. Litigation

(1) In December 2004, the Company received a writ of summons from the solicitors acting for C.A. Pacific Finance Limited (in liquidation) to claim a sum of HK$1,197,349.50 (the "Claimed Amount") due by Eastex Investment Far East Limited (formerly known as Styland Investment Far East Limited), a former subsidiary of the Company that was disposed in December 1997 (the "CAP Case"). After seeking legal advices, the Company has filed a defence to deny the claim. In view of foregoing and that the Claimed Amount is relatively small compared to the net assets value of the Company, the Directors do not consider the CAP Case having a material impact on the Company.

(2) In June 2003, Hainan Wanzhong Shiye Touzi Co., Ltd. (海南萬眾實業投資有限公司) ("Hainan Wanzhong") sued Wuhan Shengda Fangdichan Kaifa Co., Ltd. (武漢盛達房地產開發有限公司) ("Shengda Fangdichan") and Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da"), a non-wholly owned subsidiary of the Company, for repayment of a debt in the sum of RMB19,270,000, interest thereon and legal costs (the "Shengda Case"). Both Hainan Wanzhong and Shengda Fangdichan are companies incorporated in the PRC and independent to the Company. The reason for Sheng Da to be involved in the Shengda Case was that Hainan Wanzhong alleged that Shengda Fangdichan held shareholding interest in and had a receivable due from Sheng Da. On 22 August 2003, the court of Hainan issued a Notice of Assistance in Execution against Wuhan Dongseng Highway Building Development Co. Limited, in which Sheng Da has 48.67% shareholding interest, requesting for retaining the dividend to be distributed to Sheng Da up to RMB19,270,000 ("Retained Amount") until the dispute is resolved.

The Board understands that Shengda Case related to an agreement executed by Sheng Da in 1995. Pursuant to shareholders' resolution passed in 2003, three existing shareholders ("Old Shareholders") of Sheng Da, who in total currently holds 44.32% interest in Sheng Da and have been the shareholders of Sheng Da before the Company initially acquired any interests in Sheng Da in 1997, undertook that they would bear any liability and relevant costs arising from the Shengda Case ("Undertaking"). In March 2005, Sheng Da received a letter from the Old Shareholders denying bearing such liability and legal costs. Nevertheless, the Directors consider that:

(i) the Group is not liable for any debt arising from Shengda Case;

(ii) the subject of the Shengda Case was to claim for receivable due from Shengda Fangdichan to Hainan Wanzhong and Sheng Da should not be claimed for; and

(iii) the Group will not accept the withdrawal of the Undertaking by the Old Shareholders unilaterally and any future dividend or distribution payable to the Old Shareholders shall still be retained by Sheng Da to set off the Retained Amount. As such, there will be no material financial impact to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Securities dealing and broking and financing

The turnover from securities dealing and broking and financing amounted to HK$12.8 million (2005: HK$20.1 million). As a small to medium size broker firm, the Group was under tremendous pressure and competition from other major brokers and banks in Hong Kong. In addition, the Group had adopted a prudent approach in conducting margin financing business and has strengthened its credit control for customers.

The internet trading system of the securities business was officially launched last year. With our efforts on continual upgrading and fine-tuning of the system, the system is now available to all existing clients. This would enhance our competitive edge and in particular, was well received by our clients in mainland China. To further capture the opportunity, the Group will consider to increase the capital base of the securities business and will continue to launch more customer-oriented value-added service to clients in future with a view to secure clients' faith to the Group.

General import and export trading

After the abolishment of quota restriction in 2005, garment importers now have more choices to suppliers and consequently, they will select suppliers based on the criteria of cost, quality and production lead-time. To face this new challenge, the Group has taken strategic moves during the year, such as the decision to close down the sample production room in the PRC and the restructuring of the trading team. Although, such actions would result in a short-term reduction of turnover of the trading business, the management believes that it will bring a long-term benefit to the Group.

The Group is committed to multi-product and multi-market strategy. With the leadership of the new management, the Group has access to new potential customers and new product categories. The Group is now exploring some new markets, e.g. United States and Japan. As regard to product, apart from sweater, the Group will also increase our range of products to woven shirts and denim products.

In view of the keen competition, the Group may look for co-operation with other apparel product companies as strategic business partners with a view to accelerate our business expansion plan, increase its client base and widen its range of products.

PROSPECTS

With the improvement in the global economy, particularly the fully recovery in the economy of Hong Kong and the settlement of trade disputes between China and the European Union as well as United States at the end of 2005, all the essential elements which are benefit to the Group's business have come together. The Board has undergone a review of its existing operation and formulated new strategies. The Board believes that a solid business model capable of providing stable income and good profitability is taking shape within the Group. The business model is built on the Group's positioning as a trust-worthy securities company as well as a seasoned general import and export trading company.

For business to grow, capital investment and operating expenses are required to ensure the quality of services, attract customers and build up customers' loyalty, which are the cost to pay in any new business. However, in light of the keen competition in the core businesses, the Group has implemented a tighter cost control in operating expenses as well as capital investment for this year. In addition, the Group has redefined its business strategies so that it will be concentrated on profit-oriented businesses while loss-making business will be faded out. As such, the Group has directed its resources to trading and securities businesses and has retracted its development pace in other non-core businesses.

The Group has also considered that strategically alliance with companies with synergy is a good way to accelerate its pace towards the market. As such, the Group will consider to co-operate with its business partners for joint marketing and promotion. This is essential given the fact that the Group has maintained a small but efficient marketing team. The Directors believe that this alliance strategy of the Group will ultimately create value to its shareholders

FINANCIAL REVIEW

During the year ended 31 March 2006, the Group recorded a turnover of approximately HK$71.6 million, which represented a drop of 25.8% compared to the previous year as result of change of management and workforce of its trading business and the loss attributable to shareholders amounted to approximately HK$14.0 million was due to provision for accounts and loans receivable and suffering from interest expenses for a bank loan in relation to the investment in a toll road in Wuhan, China ("Toll Road") from which no revenue was generated.

At 31 March 2006, the Group had cash at bank and in hand totaled approximately HK$12.5 million (2005: HK$22.4 million) and net assets value of approximately HK$134.6 million (2005: HK$149.7 million).

Interest-bearing bank loans and other borrowings at 31 March 2006 amounted to HK$113.4 million (2005: HK$109.8 million), of which HK$95.8 million (2005: HK$48.8 million) were repayable within one year. The gearing ratio, being the ratio of total bank loans and other borrowings and hire purchase payables of approximately HK$113.8 million to shareholders' fund of approximately HK$134.6 million, was about 0.85 (2005: 0.74).

At 31 March 2006, time deposits of HK$9.0 million, a property held for redevelopment of HK$47.0 million, an investment property of HK$14.6 million and the Group's interest in a joint venture amounted to approximately HK$151.8 million were pledged to secure the banking facilities granted to the Group.

INVESTMENTS

During the year ended 31 March 2006, the Group had no material new investment. At 31 March 2006, the Group held a portfolio of listed securities with the market value of approximately HK$5.6 million.

As disclosed in the Company's announcement dated 27 February 2004, the contractual joint venture ("CJV") partner ("CJV Partner") in the Toll Road in Wuhan, China had unilaterally decided to relocate the toll station of the Toll Road, which results in significant drop in traffic flows of the Toll Road. Over the past two years, the Group liaised with the CJV Partner for compensation for the losses. As both parties didn't come to an agreed consideration for the compensation, the Group had applied for arbitration through the Wuhan Arbitration Commission ("WAC") in China in October 2004. In April 2006, the WAC arbitrated that the Group could transfer its interests in the CJV to the CJV Partner at the consideration of RMB157,298,300. Both parties are now under the discussion of the execution of the arbitration. Further announcement will be made in due course as required.

CREDIT POLICIES

Most of overseas customers of the Group's trading business are transacted under documentary credit while the local customers be on credit accounts basis and settled by telegraphic transfers or cheques. The credit periods usually range from one month to three months.

For the securities dealings & brokerage and money lending businesses, the financial assistance will be granted based on assessment to financial status, repayment records and the liquidity of collaterals placed by a client and the interest rate will be determined thereon. Financial assistance will be repayable on demand once a client fails to repay any deposit, margin or other sum payable to the Group.

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars and Renminbi. The Group did not hedge exchange rate fluctuation between Renminbi and Hong Kong dollars as the borrowing in Renminbi was matched by assets denominated in Renminbi and the risk was considered minimal. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

STAFF

As at 31 March 2006, the Group employed 57 employees (2005: 77). The drop was due to lay off of staff as a result of streamlining the Group's operation. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

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

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

CORPORATE GOVERNANCE

The Company has complied with the code provision set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with the exception that the Company does not have any officer with the title of "chief executive officer" ("CEO"); however, the duties of CEO are performed by the Managing Director. Following the resignation of the Managing Director in June 2006, the day-to-day business operations of the Group are carried out by other executive directors.

REVIEW OF ACCOUNTS

The Company has an audit committee comprising three independent non-executive directors of the Company, namely, Mr. Chow Pat Kan (Chairman), Mr. Lim Man San David and Mr. Yeung Shun Kee Edward. The audit committee has reviewed the Group's annual results for the year ended 31 March 2006.

On behalf of the Board
Wu Ho Fai David
Executive Director

Hong Kong, 21 July 2006

As at the date of this announcement, the board of directors of the Company comprises Ms. Yeung Han Yi Yvonne, Mr. Cheung Hoo Win, Ms. Chan Chi Mei Miranda, Mr. Wu Ho Fai David, Ms. Zhang Yuyan, Mr. Lim Man San David, Mr. Yeung Shun Kee Edward and Mr. Chow Pat Kan

** For identification purpose only*