



# STYLAND HOLDINGS LIMITED

## 大凌集團有限公司\*

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

### ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The Board of Directors (the “Board”) of Styland Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2006 together with the comparative figures as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
	<i>Notes</i>		
<b>TURNOVER</b>	2	<b>38,883</b>	47,868
Cost of sales		<u>(32,112)</u>	<u>(37,870)</u>
Gross profit		<b>6,771</b>	9,998
Other revenue		<b>1,429</b>	2,941
Administrative expenses		<b>(12,305)</b>	(12,335)
Selling and distribution costs		<b>(602)</b>	(601)
Reversal of provision for accounts and loans receivable		<b>654</b>	243
Net realized holding losses on investments held-for-trading		–	(492)
Net unrealized holding (losses)/gains on investments held-for-trading		<b>(846)</b>	85
Impairment of available-for-sale investments		–	(1,178)
Other operating expenses		<b>(407)</b>	(297)
Finance costs		<u><b>(3,646)</b></u>	<u>(3,294)</u>
<b>LOSS BEFORE TAXATION</b>	3	<b>(8,952)</b>	(4,930)
Taxation	4	–	(200)
<b>LOSS FOR THE PERIOD</b>		<u><b>(8,952)</b></u>	<u>(5,130)</u>

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2006</b>	2005
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		(7,081)	(2,987)
Minority interests		(1,871)	(2,143)
		<u>(8,952)</u>	<u>(5,130)</u>

<b>DIVIDENDS</b>	5	<u>–</u>	<u>–</u>
<b>LOSS PER SHARE</b>	6		
Basic		<u>(HK0.38 cent)</u>	<u>(HK0.16 cent)</u>

### CONDENSED CONSOLIDATED BALANCE SHEET

		At	At
		30 September	31 March
		2006	2006
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,507	2,451
Investment property		14,600	14,600
Property held for redevelopment		47,000	47,000
Dividend receivable	9	–	19,153
Available-for-sale investments		2,864	3,098
		<u>66,971</u>	<u>86,302</u>
<b>CURRENT ASSETS</b>			
Inventories		125	192
Loans receivable	7	23,406	41,296
Accounts receivable	8	6,176	8,591
Dividend receivable	9	19,153	–
Other receivables, deposits and prepayments		24,825	21,137
Tax recoverable		615	585
Investment in a joint venture held-for-sale	9	151,834	151,834
Investments held-for-trading		2,352	2,454
Client trust bank accounts		6,575	8,306
Pledged deposit		5,000	9,000
Cash and bank balances		17,143	3,517
		<u>257,204</u>	<u>246,912</u>

		At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Accounts payable, other payables and accruals	10	39,372	36,720
Obligations under hire purchase contracts		21	402
Tax payable		4,839	4,839
Bank borrowings	11	94,601	95,775
		<u>138,833</u>	<u>137,736</u>
<b>NET CURRENT ASSETS</b>			
		<u>118,371</u>	<u>109,176</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>185,342</u>	<u>195,478</u>
<b>NON-CURRENT LIABILITY</b>			
Bank borrowings	11	16,676	17,624
		<u>168,666</u>	<u>177,854</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		18,712	18,712
Share premium and reserves		108,559	115,876
Equity attributable to equity holders of the Company		127,271	134,588
Minority interests		41,395	43,266
		<u>168,666</u>	<u>177,854</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

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

The accounting policies adopted in the preparation of this unaudited condensed consolidated interim financial statement are consistent with those adopted in the Group’s audited consolidated financial statement for the year ended 31 March 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective or available for early adoption for accounting periods beginning on or after 1 December 2005. The adoption of new HKFRSs had no material effect on how the results for current or prior periods have been prepared and presented. Accordingly, no prior period adjustment has been made.

## 2. Segmental information

### (a) Business segments

The following tables present revenues and results of the Group's business segments for the six months ended 30 September 2006 and 2005 respectively:

	General import and export trading HK\$'000	Securities dealing and broking HK\$'000	Financing HK\$'000	Trading of listed securities HK\$'000	Property redevelopment and investment HK\$'000	Strategic investments HK\$'000	Corporate HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>2006</b>										
Segment revenue:										
External sales	7,500	5,095	1,964	24,324	-	-	-	-	-	38,883
Other revenue	80	973	781	-	-	-	-	-	-	1,834
Inter-segment sales	-	139	-	-	600	-	3,707	-	(4,446)	-
<b>Total revenue</b>	<b>7,580</b>	<b>6,207</b>	<b>2,745</b>	<b>24,324</b>	<b>600</b>	<b>-</b>	<b>3,707</b>	<b>-</b>	<b>(4,446)</b>	<b>40,717</b>
Segment results	(1,919)	1,159	2,491	(865)	(101)	(983)	(5,117)	(81)	(139)	(5,555)
Unallocated income										249
Finance costs										(3,646)
Loss before taxation										(8,952)
Taxation										-
Loss for the period										<b>(8,952)</b>
<b>2005</b>										
Segment revenue:										
External sales	42,118	4,158	1,592	-	-	-	-	-	-	47,868
Other revenue	503	1,766	231	-	-	20	295	1	-	2,816
Inter-segment sales	-	126	-	-	600	-	7,053	-	(7,779)	-
<b>Total revenue</b>	<b>42,621</b>	<b>6,050</b>	<b>1,823</b>	<b>-</b>	<b>600</b>	<b>20</b>	<b>7,348</b>	<b>1</b>	<b>(7,779)</b>	<b>50,684</b>
Segment results	1,512	1,108	1,286	-	(21)	(3,191)	101	(2,431)	(125)	(1,761)
Unallocated income										125
Finance costs										(3,294)
Loss before taxation										(4,930)
Taxation										(200)
Loss for the period										<b>(5,130)</b>

### (b) Geographical segments

The following table presents revenue of the Group's geographical segments for the six months ended 30 September 2006 and 2005 respectively:

	2006 HK\$'000	2005 HK\$'000
Hong Kong	32,292	28,798
Europe	3,799	19,070
North America	2,792	-
	<b>38,883</b>	<b>47,868</b>

### 3. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	256	385
Staff costs	<u>5,035</u>	<u>6,869</u>

### 4. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the current period.

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Hong Kong</b>		
Provision of Profits Tax for current period	<u>-</u>	<u>(200)</u>

### 5. Dividends

The Board do not recommend the payment of any interim dividend for the six months ended 30 September 2006 (2005: nil).

### 6. Loss per share

The calculation of loss per share is based on the loss attributable to equity holders of HK\$7,081,000 (2005: HK\$2,987,000) for the six months ended 30 September 2006 on 1,871,188,679 (2005: 1,871,188,679) ordinary shares in issue during the period.

Diluted loss per share for the periods ended 30 September 2006 and 2005 have not been disclosed, as the options outstanding during both periods had an anti-dilutive effect on the basic loss per share for these periods.

### 7. Loans receivable

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Securities dealing and broking business:		
– Secured margin loans	31,057	37,986
Less: Impairment	<u>(11,000)</u>	<u>(11,000)</u>
	<u>20,057</u>	<u>26,986</u>
Financing business:		
– Secured loans	6,793	16,623
– Unsecured loans	41,709	43,056
	<u>48,502</u>	<u>59,679</u>
Less: Impairment	<u>(45,153)</u>	<u>(45,369)</u>
	<u>3,349</u>	<u>14,310</u>
Total	<u>23,406</u>	<u>41,296</u>

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.

Financing business:		
Within 6 months	2,529	4,689
7 to 12 months	1,280	5,550
Over 1 year	44,693	49,440
	<u>48,502</u>	<u>59,679</u>
Less: Impairment	(45,153)	(45,369)
	<u>3,349</u>	<u>14,310</u>

## 8. Accounts receivable

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Balance in relation to:		
Securities dealing and broking	4,988	6,715
General trading and others	1,188	1,876
	<u>6,176</u>	<u>8,591</u>

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

Within 6 months	5,445	8,314
7 to 12 months	436	224
Over 1 year	935	617
	<u>6,816</u>	<u>9,155</u>
Less: Impairment	(640)	(564)
	<u>6,176</u>	<u>8,591</u>

## 9. Investment in a joint venture held-for-sale

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Unlisted investment, at cost	551,837	551,837
Less: Accumulated amortization	(268,331)	(268,331)
Impairment	(131,672)	(131,672)
	<u>151,834</u>	<u>151,834</u>
Amount due to the joint venture	(17,758)	(13,125)
Dividend receivable	19,153	19,153
	<u>153,229</u>	<u>157,862</u>
Classified as:		
Non-current assets:		
Dividend receivable	–	19,153
Current assets:		
Investment in a joint venture held-for-sale	151,834	151,834
Dividend receivable	19,153	–
Current liabilities:		
Amount due to the joint venture, included in other payables	(17,758)	(13,125)
	<u>153,229</u>	<u>157,862</u>

## 10. Accounts payable, other payables and accruals

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Balance in relation to:		
Securities dealing and broking	10,715	13,001
General trading and others	28,657	23,719
	<u>39,372</u>	<u>36,720</u>
An aged analysis of the Group's accounts payable is as follows:		
Within 6 months	8,880	7,910
7 to 12 months	1,091	1,161
Over 1 year	1,909	2,567
	<u>11,880</u>	<u>11,638</u>
Other payables and accruals	27,492	25,082
	<u>39,372</u>	<u>36,720</u>

## 11. Bank borrowings

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Bank loans, secured	106,575	106,393
Bank overdrafts, secured	4,702	7,006
	<u>111,277</u>	<u>113,399</u>
Less: Portion classified as current liabilities	(94,601)	(95,775)
	<u>16,676</u>	<u>17,624</u>
Bank loans and overdrafts are repayable:		
Within one year	94,601	95,775
In the second year	1,896	1,896
In the third to fifth years, inclusive	5,688	5,688
Beyond five years	9,092	10,040
	<u>111,277</u>	<u>113,399</u>

The Group's bank loans and overdrafts are secured by:

- (i) clients' collaterals;
- (ii) the Group's investment property and property held for redevelopment situated in Hong Kong;
- (iii) the Group's time deposit; and
- (iv) investment in a joint venture.

As at 30 September 2006, included in the current part of the bank borrowings was the bank loan HK\$86.9 million relating to and secured by the Group's investment in a joint venture in the PRC (the "CJV"). The loan will expire on 27 December 2006. In October 2006, the bank demanded for early repayment of the loan. The Group is now under negotiation with the bank. In November 2006, the Group repaid RMB16.0 million and intends to apply part of the transfer price of approximately RMB157.3 million to be received from the CJV partner (the "CJV Partner") for the full repayment of the balance of the loan. (For more information regarding to the CJV, please refer to the section headed "Investments" below and the Company's announcement dated 28 November 2006.)

## **12. Contingent liabilities**

As at 30 September 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\$19.7 million (31 March 2006: HK\$19.5 million) had been utilized at 30 September 2006. The Company understands that they are the subsidiaries to sign the loan agreements and they have the primary obligation for repayment of such bank loans. In addition, included in the contingent liabilities, HK\$18.6 was secured by those subsidiaries' properties with the total market value of HK\$61.6 million. As such, the Company considers its exposure is minimal.

## **13. Litigation**

In December 2004, the Company received a writ of summons from C.A. Pacific Finance Limited (in liquidation) claiming 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 of in December 1997 (the "CAP Case"). After having sought legal advices, the Company filed a defence to deny the claim. After that and up to the date of this report, there is no further development. In view of the 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 financial impact on the Company.

## **14. Post balance sheet event**

Reference is made to the note 39 to the financial statements for the year ended 31 March 2006, the Company is pleased to report that the lawsuit against Sheng Da Investment Holding (Hong Kong) Limited by Hainan Wanzhong Shiye Touzi Co., Ltd. (海南萬眾實業投資有限公司) was dismissed in October 2006 and the Group has recovered RMB17,000,000 of the retained money from Wuhan Dongseng Highway Building Development Co. Limited (武漢東升公路建設發展有限公司) ("Wuhan Dongseng"). Wuhan Dongseng has declared to further release the balance RMB2,270,000 to the Group in December 2006. (For details of the lawsuit, please refer to the Company's announcement dated 28 November 2006.)

## **15. Comparative figures**

Certain comparative figures have been reclassified to conform to the current period's presentation.

# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **Results**

During the six months ended 30 September 2006, the Group's turnover was approximately HK\$38.9 million (2005: HK\$47.9 million). The net loss attributable to equity holders for the period was approximately HK\$7.1 million (2005: HK\$3.0 million).

## **Review of operations**

The Group has undergone restructuring of its trading business since last year and that has not only improved its efficiency but also reduced its operation costs. Although the move resulted in short-term decrease in turnover, the management believes it will create long-run benefit to the Group. To boldly initiate the restructuring of the trading line, the management has casted a vote of confidence on its prospects and is pleased to note that the rewards are beginning to show. The Group continues its multi-product and multi-market strategies and the sales teams are now more target-oriented. In addition, joining of new blood brings to the Group fresh impetus to its business development and this represents a new opportunity to access to new customers and new markets. During the period under review, the Group has successfully expanded its presence to the United States market.



Benefiting from recovered investment sentiment and certain initial public offerings of gigantic enterprises from the PRC, the turnover of the brokerage and financing business recorded a 23% increase. Operating a trust-worthy broker firm in Hong Kong, the Group has all along regarded efficient internal control and financial stability being on the top of its priority. Facing keen competition from banks and big brokerage firms, the Group commits to providing value-added services and enhancing its strength. The Group is now exploring other target customers to promote its services or products.

As the stock market recovered steadily during the period under review, the Group's trading volume in listed security investment increased. In light of different risk exposure of the stock market from other business segments, the management considered it more suitable to report the trading in short term listed securities as a separate business segment of the Group. However, in order to minimize the Group's exposure to the stock market, it has adopted a prudent approach and continued to carry out regular review of its investment strategies.

### **Investments**

The Group made no material investment during the six months ended 30 September 2006.

As disclosed in the Company's announcement dated 27 February 2004, the CJV Partner in the Toll Road had unilaterally decided to relocate the toll station of the Toll Road, which resulted in significant drop in traffic flows of the Toll Road. Over the past years, the Group kept negotiating with the CJV Partner for compensation for the losses. As both parties had not been able to come to an agreed sum for the compensation, the Group applied for arbitration through the Wuhan Arbitration Commission (the "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 a consideration of RMB157,298,300. Both parties are now under negotiation about the execution of the arbitration report. Further announcement will be made in due course.

### **Credit policies**

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

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

### **Foreign exchange exposure**

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

### **Liquidity and financial resources**

At 30 September 2006, the Group had cash at bank and in hand of approximately HK\$22.1 million (31 March 2006: HK\$12.5 million) and net assets value of approximately HK\$127.3 million (31 March 2006: HK\$134.6 million).

Bank borrowings at 30 September 2006 amounted to approximately HK\$111.3 million (31 March 2006: HK\$113.4 million), of which approximately HK\$94.6 million (31 March 2006: HK\$95.8 million) were repayable within one year. Included in the current portion of the bank borrowings was the bank loan HK\$86.9 million relating to and secured by the Group's investment in a joint venture from which the Group expects to receive RMB157.3 million. (For more details of the CJV, please refer to the Investment section headed "Investments" above.)

The gearing ratio, being the ratio of total bank borrowings and hire purchase payable of approximately HK\$111.3 million to shareholders' fund of approximately HK\$127.3 million, was about 0.88 (31 March 2006: 0.85).

As at 30 September 2006, a time deposit of approximately HK\$5.0 million, a property held for redevelopment of approximately HK\$47.0 million, an investment property of approximately HK\$14.6 million and the Group's investment in a joint venture with a net book value of approximately HK\$151.8 million were pledged to banks for banking facilities granted to the Group.

In view of the future cash generated from operation, the transfer money to be received from the CJV Partner, the assets pledged to banks for borrowings, the Group considers the current gearing position is manageable.

### **Prospect**

Though there are occasional trade disputes between China and the United State or European Union over the years, the Group still considers they are the two major target garment export markets of the Group. However, the Group will keep exploring other potential markets to diversify its geographical exposure.

Facing keen competition, especially in the brokerage and financing businesses, the Group considers expanding of customer base is essential. In addition, the Group will benefit from the Hong Kong government policies for strengthening Hong Kong as a regional financial service center by proposing flexible rules to solicit more enterprises in the Asia countries, in addition to mainland companies, to list their shares in Hong Kong.

To accelerate the development pace, the door to strategic alliance or forming joint venture entities is always open. Though this strategy calls for initial investment costs, the Group can utilize its internal resource for joint marketing and promotion efforts so that the operation costs can be minimized for ultimately benefiting its shareholders.

Trading in the shares of the Company has been suspended since 21 April 2004. The Company understands that the long suspension of trading of the shares of the Company will prejudice the interests of the minority shareholders of the Company. The Company has been negotiating with the Stock Exchange for the resumption of trading of its shares and this process is continuing. The Company will continue its efforts to seek resumption of trading of its shares and hopes to accomplish it in the foreseeable future.

### **Staff**

As at 30 September 2006, the Group had 50 employees. Remuneration packages are generally structured with reference to prevailing market practice and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefit 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 period under review.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2006, except for the deviation from code provision A.2.1, under which the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As there exists a clear division of each Director’s duties in the Group, no designation of chief executive officer does not have any impact on operations of the Group. The Chairman of the Company is responsible for the overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board.

### **Model code for securities transactions by directors**

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. All members of the Board has confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the period covered by this announcement.

### **Audit committee**

The Company has an audit committee comprising three independent non-executive directors of the Company. The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 September 2006 and discussed the financial related matters with the management.

On behalf of the Board  
**Lim Man San David**  
*Chairman*

Hong Kong, 14 December 2006

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

\* *For identification purposes only*