



大凌集團有限公司  
Styland Holdings Limited

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

Interim Report

2006-2007

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**CORPORATE INFORMATION****BOARD OF DIRECTORS*****Executive Directors***

Mr. Cheung Hoo Win

Ms. Yeung Han Yi Yvonne

Ms. Chan Chi Mei Miranda

Mr. Wu Ho Fai David

Ms. Zhang Yuyan

***Independent Non-Executive Directors***

Mr. Lim Man San David (Chairman)

Mr. Yeung Shun Kee Edward

Mr. Chow Pat Kan

**AUDIT COMMITTEE**

Mr. Chow Pak Kan (Chairman)

Mr. Lim Man San David

Mr. Yeung Shun Kee Edward

**REMUNERATION COMMITTEE**

Mr. Yeung Shun Kee Edward (Chairman)

Mr. Chow Pak Kan

Mr. Lim Man San David

**COMPANY SECRETARY**

Mr. Wang Chin Mong Jimmy

**AUDITORS**

Li, Lai &amp; Cheung

**LEGAL ADVISERS*****As to Hong Kong Law***

P.C. Woo &amp; Co.

Huen &amp; Partners, Solicitors

in association with S.G. Fafalen &amp; Co.

Jennifer Cheung &amp; Co.

Fred Kan &amp; Co.

***As to Bermuda Law***

Appleby Spurling Hunter

**PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking  
Corporation Limited  
Standard Chartered Bank  
DBS Bank (Hong Kong) Limited  
Liu Chong Hing Bank Limited  
Wing Hang Bank Limited  
Bank of China (Hong Kong) Limited  
The Industrial & Commercial Bank of China  
Wuhan Economic and Technology  
Development Zone Branch

**PRINCIPAL REGISTRAR**

The Bank of Bermuda Limited  
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Hamilton 5-31  
Bermuda

**HONG KONG BRANCH  
REGISTRAR**

Tengis Limited  
26th Floor  
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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
	Note		
<b>TURNOVER</b>	2	<b>38,883</b>	<b>47,868</b>
Cost of sales		<u>(32,112)</u>	<u>(37,870)</u>
Gross profit		6,771	9,998
Other revenue		1,429	2,941
Administrative expenses		(12,305)	(12,335)
Selling and distribution costs		(602)	(601)
Reversal of provision for accounts and loans receivable		654	243
Net realized holding losses on investments held-for-trading		—	(492)
Net unrealized holding (losses)/gains on investments held-for-trading		(846)	85
Impairment of available-for-sale investments		—	(1,178)
Other operating expenses		(407)	(297)
Finance costs		<u>(3,646)</u>	<u>(3,294)</u>
<b>LOSS BEFORE TAXATION</b>	3	<b>(8,952)</b>	<b>(4,930)</b>
Taxation	4	<u>—</u>	<u>(200)</u>
<b>LOSS FOR THE PERIOD</b>		<u><b>(8,952)</b></u>	<u><b>(5,130)</b></u>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		(7,081)	(2,987)
Minority interests		<u>(1,871)</u>	<u>(2,143)</u>
		<u><b>(8,952)</b></u>	<u><b>(5,130)</b></u>
<b>DIVIDEND</b>	5	<u>—</u>	<u>—</u>
<b>LOSS PER SHARE</b>	6		
Basic		<u><b>(HK0.38 cent)</b></u>	<u><b>(HK0.16 cent)</b></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
	Note		
<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>
<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>

**CONDENSED CONSOLIDATED BALANCE SHEET** *(Continued)*

		At 30 September 2006 (Unaudited) HK\$'000	At 31 March 2006 (Audited) HK\$'000
	Note		
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	11	<u>16,676</u>	<u>17,624</u>
		<u><b>168,666</b></u>	<u><b>177,854</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	<u>18,712</u>	<u>18,712</u>
Share premium and reserves		<u>108,559</u>	<u>115,876</u>
Equity attributable to equity holders of the Company		<u>127,271</u>	<u>134,588</u>
Minority interests		<u>41,395</u>	<u>43,266</u>
		<u><b>168,666</b></u>	<u><b>177,854</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Special capital reserve	Contributed surplus	Investment revaluation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 April 2006	18,712	35,831	6,040	571,147	599,433	(1,615)	(1,094,960)	134,588	43,266	177,854
Change in fair value of available-for-sale investments	-	-	-	-	-	(236)	-	(236)	-	(236)
Loss for the period	-	-	-	-	-	-	(7,081)	(7,081)	(1,871)	(8,952)
At 30 September 2006	<u>18,712</u>	<u>35,831</u>	<u>6,040</u>	<u>571,147</u>	<u>599,433</u>	<u>(1,851)</u>	<u>(1,102,041)</u>	<u>127,271</u>	<u>41,395</u>	<u>168,666</u>
At 1 April 2005										
-as original stated	18,712	35,831	6,040	571,147	599,433	-	(1,081,511)	149,652	37,159	186,811
Effect of the change in accounting policy under HKFRS 3	-	-	-	-	-	-	541	541	-	541
At 1 April 2005										
-as restated	18,712	35,831	6,040	571,147	599,433	-	(1,080,970)	150,193	37,159	187,352
Change in fair value of available-for-sale investments	-	-	-	-	-	(5,790)	-	(5,790)	-	(5,790)
Loss for the period	-	-	-	-	-	-	(2,987)	(2,987)	(2,143)	(5,130)
At 30 September 2005	<u>18,712</u>	<u>35,831</u>	<u>6,040</u>	<u>571,147</u>	<u>599,433</u>	<u>(5,790)</u>	<u>(1,083,957)</u>	<u>141,416</u>	<u>35,016</u>	<u>176,432</u>



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended 30 September</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash generated from/(used in) operating activities	<b>16,022</b>	<b>(5,815)</b>
Net cash used in investing activities	<b>(247)</b>	<b>(10)</b>
Net cash generated from financing activities	<b>155</b>	<b>1,967</b>
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>15,930</b>	<b>(3,858)</b>
Cash and cash equivalents at beginning of the period	<b>(3,489)</b>	<b>7,461</b>
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>12,441</b>	<b>3,603</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>17,143</b>	<b>9,357</b>
Bank overdrafts	<b>(4,702)</b>	<b>(5,754)</b>
	<hr/>	<hr/>
	<b>12,441</b>	<b>3,603</b>
	<hr/> <hr/>	<hr/> <hr/>

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 these unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group's audited consolidated financial statements 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 (hereinafter collectively referred to as "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 accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

(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 <i>HK\$'000</i>	Securities dealing and broking <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Trading of listed securities <i>HK\$'000</i>	Property redevelopment investment <i>HK\$'000</i>	Strategic investments <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2006										
Segment revenue:										
External sales	7,500	5,095	1,964	24,324	-	-	-	-	-	38,883
Other revenue	<u>80</u>	<u>973</u>	<u>781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,834</u>
Inter-segment sales	-	139	-	-	600	-	3,707	-	(4,446)	-
Total revenue	<u><u>7,580</u></u>	<u><u>6,207</u></u>	<u><u>2,745</u></u>	<u><u>24,324</u></u>	<u><u>600</u></u>	<u><u>-</u></u>	<u><u>3,707</u></u>	<u><u>-</u></u>	<u><u>(4,446)</u></u>	<u><u>40,717</u></u>
Segment results	(1,919)	1,159	2,491	(865)	(101)	(983)	(5,117)	(81)	(139)	(5,555)
Unallocated income										249
Finance costs										<u>(3,646)</u>
Loss before taxation										(8,952)
Taxation										<u>-</u>
Loss for the period										<u>(8,952)</u>

## 2. Segmental information (Continued)

## (a) Business segments (Continued)

	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
2005										
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)	-
Total revenue	<u>42,621</u>	<u>6,050</u>	<u>1,823</u>	<u>-</u>	<u>600</u>	<u>20</u>	<u>7,348</u>	<u>1</u>	<u>(7,779)</u>	<u>50,684</u>
Segment results	1,512	1,108	1,286	-	(21)	(3,191)	101	(2,431)	(125)	(1,761)
Unallocated income										125
Finance costs										<u>(3,294)</u>
Loss before taxation										(4,930)
Taxation										<u>(200)</u>
Loss for the period										<u><u>(5,130)</u></u>

## (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:

	Six months ended 30 September	
	2006 (Unaudited) HK\$ '000	2005 (Unaudited) HK\$ '000
Hong Kong	32,292	28,798
Europe	3,799	19,070
North America	<u>2,792</u>	<u>-</u>
	<u><u>38,883</u></u>	<u><u>47,868</u></u>

### 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. Dividend

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	<u>41,709</u>	<u>43,056</u>
	48,502	59,679
Less: Impairment	<u>(45,153)</u>	<u>(45,369)</u>
	<u>3,349</u>	<u>14,310</u>
Total	<u><u>23,406</u></u>	<u><u>41,296</u></u>

An aged analysis of the Group's loans receivable excluding margin loans is as follows. In the opinion of the Directors, an aged analysis is not meaningful in view of the nature of the business of securities margin financing, which is more concerned about the market value, marketability and liquidity of the collaterals.

Financing business:		
Within 6 months	2,529	4,689
7 to 12 months	1,280	5,550
Over 1 year	<u>44,693</u>	<u>49,440</u>
	48,502	59,679
Less: Impairment	<u>(45,153)</u>	<u>(45,369)</u>
	<u><u>3,349</u></u>	<u><u>14,310</u></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 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	<u>28,657</u>	<u>23,719</u>
	<u><b>39,372</b></u>	<u><b>36,720</b></u>
An aged analysis of the accounts payable is as follows:		
Within 6 months	8,880	7,910
7 to 12 months	1,091	1,161
Over 1 year	<u>1,909</u>	<u>2,567</u>
	11,880	11,638
Other payables and accruals	<u>27,492</u>	<u>25,082</u>
	<u><b>39,372</b></u>	<u><b>36,720</b></u>



## 11. Bank borrowings

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Bank borrowings comprise:		
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 (Note)	<u>(94,601)</u>	<u>(95,775)</u>
Long term portion	<u>16,676</u>	<u>17,624</u>
Bank loans and overdrafts are payable:		
Within one year (Note)	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) the Group's investment in a joint venture.

**Note:** As at 30 September 2006, 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 in the PRC (the "JV"). 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 JV partner (the "JV Partner") for the full repayment of the balance of the loan. (For more information regarding to the JV, please refer to the section headed "Investments" below and the Company's announcement dated 28 November 2006 and future announcement.) As such, the Company does not consider it having any material impact on the Group.

## 12. Share capital

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
<i>Authorised:</i>		
200,000,000,000 ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>2,000,000</u>
<i>Issued and fully paid:</i>		
1,871,188,679 ordinary shares of HK\$0.01 each	<u>18,712</u>	<u>18,712</u>

## 13. 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 were the mortgage loans, HK\$18.6 secured by those subsidiaries' properties with the total market value of HK\$61.6 million. As such, the Company considers its exposure is minimal.

## 14. 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 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 progress of the CAP Case. In view of the foregoing and that the Claimed Amount is relatively small compared to the net asset value of the Company, the Directors do not consider the CAP Case having a material financial impact on the Company.

## 15. Post balance sheet event

Reference is made to note 39(2) 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, a non-wholly owned subsidiary of the Company, was dismissed in October 2006 and the Group has recovered RMB17,000,000 of the retained money. The Group will receive the balance RMB2,270,000 of the retained money in December 2006. (For details of the lawsuit, please refer to the Company's announcement dated 28 November 2006 and future announcements.)

## 16. 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 for the period attributable to equity holders was approximately HK\$7.1 million (2005: HK\$3.0 million).

### **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 PRC JV 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 JV 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 JV to the JV 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### Operational risk

The Group has put in place the effective internal control system for its operations. Under the business of securities dealing and broking, a monitoring team consisting of Securities and Future Commission ("SFC") licensed responsible officers and senior management, who have been acting in compliance with Securities and Futures Ordinance ("SFO"), has been set up to monitor the settlement matters of traded securities and cashes. In order to safeguard clients' interests and comply with the requirements of SFC and SFO, our monitoring team carries out ongoing checks and verification so that our service standard has been maintaining at a satisfactory level.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of operations *(Continued)*

As the stock market recovered steadily during the period under review, the Group's trading volume in listed security investments 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 operating strategies.

### Liquidity and financial resources

At 30 September 2006, the Group had cash at banks and in hand of approximately HK\$22.1 million (31 March 2006: HK\$12.5 million) and net asset 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. 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 0.87 (31 March 2006: 0.85). 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 JV, please refer to the Investment section headed "Investments" above.)

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 JV Partner, the assets pledged to banks for borrowings, the Group considers the current gearing position is suitable.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 has appointed a legal firm and a financial advisor to handle this matter. This process is continuing. The Company will continue its efforts to seek resumption of trading of its shares and hopes that it can make announcements in this respect as approved by the Stock Exchange in the short run.

### Staff

As at 30 September 2006, the Group had 50 employees (excluding employees of part-time job and other job nature). 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.

The Board may from time to time review the overall staff benefits and, subject to the relevant rules and regulations, may implement and grant new incentive scheme, such as new share option plan and quasi share option plan to the existing employees with a view to reward their contribution to the Group by way of benefits in kind.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2006, the interests and short positions of the Directors of the Company (the "Directors") in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Interests in ordinary shares of HK\$0.01 each in the Company:

Name of Directors	Number and nature of interest			Shareholding percentage
	Family interests	Personal interests	Total	
Ms. Yeung Han Yi Yvonne ("Ms. Yeung")	369,995,967 (Note)	30,000,000	399,995,967	21.38%
Ms. Chan Chi Mei Miranda	–	39,288	39,288	0.00%

*Note:* Mr. Cheung Chi Shing Kenneth ("Mr. Cheung") personally held 299,995,967 shares of the Company. As Mr. Cheung is the sole shareholder of K.Y. Limited ("KY"), he was deemed to have interests in 60,000,000 shares of the Company held by KY and Mr. Cheung is further deemed to be interested in 10,000,000 shares of the Company held by K.C. (Investment) Limited, a wholly owned subsidiary of KY.

Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares of the Company that Mr. Cheung is beneficially interested.

All the interests stated above represented long positions. As at 30 September 2006, no short positions were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept under Section 352 of the SFO.

Save as disclosed above, as at 30 September 2006, none of the directors of the Company had any interest or short position whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## SUBSTANTIAL SHAREHOLDERS

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, as at 30 September 2006, the Company had been notified of the following interests in the Company:

	Number of shares	Percentage
Mr. Cheung ( <i>Note 1</i> )	399,995,967	21.38%
Ms. Yeung ( <i>Note 2</i> )	399,995,967	21.38%
Mr. Rajkumar M Daswani ( <i>Note 3</i> )	112,411,667	6.01%

### Notes:

1. Please refer to the note under the heading "Directors' Interests in Securities" for details of Mr. Cheung's beneficial interests in the shares of the Company. Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 30,000,000 shares of the Company personally held by Ms. Yeung.
2. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares beneficially interested by Mr. Cheung.
3. The interests of Mr. Rajkumar M Daswani are set out based on his notification given to the Company on 1 April 2004 pursuant to the SFO. On 7 December 2004, the Company wrote to Mr. Rajkumar M Daswani for his shareholding in the Company and received a letter dated 13 December 2004 from Mr. Rajkumar M Daswani that he and Shalini R Daswani in the joint account held 114,731,667 shares of the Company as at 30 September 2004. The Company didn't receive valid notification pursuant to the SFO from Shalini R Daswani.
4. On 20 August 2002, Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生) notified the Company that they respectively held shares of 165,050,000 and 150,800,000 in the Company. To ensure the accuracy of its Register, the Company wrote to Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生) to inquire their then shareholdings in the Company on 14 June 2004. On 13 December 2004, the Company received a letter from Mr. Lin Wen (林文先生), claiming that he held approximately 5 million shares of the Company, which was substantially different from the record of Mr. Lin Wen's (林文先生) interests available from the web site of the Stock Exchange and the Company. The Company has repeatedly tried to seek valid notification under the SFO from Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生). However, up to the date of this report, the Company has not received any further response from Mr. Lin Wen (林文先生) or Mr. Sun Jin Lin (孫進林先生).



## **SHARE OPTION SCHEME**

The Company operates a share option scheme (the "Scheme") for the purpose of attracting and retaining quality personnel and other persons and providing them with incentive to contribute to the business and operation of the Group. Under the Scheme which was approved and adopted in a special general meeting of the Company held on 23 August 2002, the directors may, within a period of 10 years, grant options to any director, employee or consultant of the Group to subscribe for shares in the Company.

The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors.

The exercise price of the share options is determined by directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of the grant of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

### SHARE OPTION SCHEME (Continued)

The following was the share option movements under the Scheme during the period:

Name of grantee	Number of share options				At 30 September 2006	Date of grant of share options	Exercise period of share options	Exercise price per share HK\$
	At 1 April 2006	Granted during the period	Exercised during the period	Lapsed during the period				
Director								
Mr. Tam Wing Fai Johnny	17,000,000	—	—	17,000,000	—	13 November 2003	13 Nov 2003 – 12 Nov 2006	0.0228
Employee A	14,549,800	—	—	14,549,800	—	20 June 2003	20 Jun 2003 – 19 Jun 2006	0.0148
Employee B	17,000,000	—	—	17,000,000	—	13 November 2003	13 Nov 2003 – 12 Nov 2006	0.0228
Total	<u>48,549,800</u>	<u>—</u>	<u>—</u>	<u>48,549,800</u>	<u>—</u>			

## **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 applicable 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 of 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 interim report.

### **Audit committee review**

The Company has an audit committee comprising three independent non-executive directors of the Company. The audit committee has reviewed the unaudited condensed consolidated 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