



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 2004

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 (the “Group”) for the six months ended 30 September 2004 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
TURNOVER	2	52,247	64,722
Cost of sales		(42,700)	(47,263)
Gross profit		9,547	17,459
Other revenue		27,813	21,424
Administrative expenses		(13,004)	(17,770)
Selling and distribution costs		(312)	(752)
Reversal of provision for doubtful debts		2,594	17,803
Net realised holding gains on investments		232	1,366
Net unrealised holding (losses)/gains on investments		(8,589)	4,499
Amortisation of goodwill		(292)	(292)
Impairment loss of long term investments		–	(43,951)
Amortisation of investment in a joint venture		(22,836)	(34,255)
Other operating expenses		(408)	(1,829)
LOSS FROM OPERATIONS		(5,255)	(36,298)
Finance costs		(3,642)	(4,507)
LOSS BEFORE TAXATION	3	(8,897)	(40,805)
Taxation	4	(250)	1,294
LOSS BEFORE MINORITY INTERESTS		(9,147)	(39,511)
Minority interests		1,817	9,720
NET LOSS FOR THE PERIOD		(7,330)	(29,791)
DIVIDENDS	5	2,144	1,749
LOSS PER SHARE	6		
Basic (Hong Kong cents)		(0.39)	(1.79)

Notes

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2004.

2. Segmental information

(a) Business segments

The following table present revenue and results of the Group’s business segments for the six months ended 30 September 2004 and 2003 respectively:

2004

	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
Segmental revenue:									
External sales	46,294	2,163	3,790	-	-	-	-	-	52,247
Other revenue	176	349	3,337	-	23,919	2	9	-	27,792
Inter-segment sales	-	716	-	480	-	6,758	-	(7,954)	-
Total revenue	<u>46,470</u>	<u>3,228</u>	<u>7,127</u>	<u>480</u>	<u>23,919</u>	<u>6,760</u>	<u>9</u>	<u>(7,954)</u>	<u>80,039</u>
Segment results	<u>807</u>	<u>714</u>	<u>5,867</u>	<u>(138)</u>	<u>(3,226)</u>	<u>(1,313)</u>	<u>(7,987)</u>	<u>-</u>	<u>(5,276)</u>
Interest and dividend income and unallocated gains									21
Loss from operations									(5,255)
Finance costs									(3,642)
Loss before taxation									(8,897)
Taxation									(250)
Loss before minority interests									(9,147)
Minority interests									1,817
Net loss for the period									<u>(7,330)</u>

2003

	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
Segmental revenue:									
External sales	52,627	2,549	9,474	72	-	-	-	-	64,722
Other revenue	161	418	338	-	1,482	184	-	-	2,583
Inter-segment sales	-	463	-	-	-	7,700	-	(8,163)	-
Total revenue	<u>52,788</u>	<u>3,430</u>	<u>9,812</u>	<u>72</u>	<u>1,482</u>	<u>7,884</u>	<u>-</u>	<u>(8,163)</u>	<u>67,305</u>

	General import and export trading <i>HK'000</i>	Securities dealing and broking <i>HK'000</i>	Financing <i>HK'000</i>	Property development and 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>
Segment results	<u>1,661</u>	<u>(411)</u>	<u>23,088</u>	<u>(837)</u>	<u>(75,188)</u>	<u>(4,142)</u>	<u>691</u>	<u>–</u>	<u>(55,138)</u>
Interest and dividend income and unallocated gains									18,840
Loss from operations									(36,298)
Finance costs									(4,507)
Loss before taxation									(40,805)
Taxation									1,294
Loss before minority interests									(39,511)
Minority interests									9,720
Net loss for the period									<u>(29,791)</u>

(b) Geographical segments

The following table present revenue of the Group's geographical segments for the six months ended 30 September 2004 and 2003 respectively:

	Hong Kong		Europe		North America		Others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Segmental revenue:										
External sales	<u>18,867</u>	<u>26,239</u>	<u>32,802</u>	<u>36,089</u>	<u>–</u>	<u>2,216</u>	<u>578</u>	<u>178</u>	<u>52,247</u>	<u>64,722</u>

3. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	698	663
Staff costs	<u>6,275</u>	<u>8,699</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. Taxation in other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong		
Provision of Profits Tax for current period	(250)	–
Overprovision in prior periods	–	1,346

	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Elsewhere	(250)	1,346
	–	(52)
	(250)	1,294

5. Dividends

The Board declared to pay an interim dividend of HK\$0.025 (the “Cash Dividend”), totaling HK\$467,797, for every 100 shares of the Company held at 6 January 2005.

Other than the Cash Dividend, the Board also declared an interim dividend in specie that will be satisfied by the distribution of one share of each of M Dream Inworld Limited (“M Dream”) and B.A.L. Holdings Limited (“B.A.L.”) and two shares of Riverhill Holdings Limited (“Riverhill”) for every 100 shares of the Company held at 6 January 2005.

On the basis of 1,871,188,679 issued shares of the Company at the date of approval of the interim report, 18,711,887 shares of HK\$0.01 each of M Dream, 18,711,887 Shares of HK\$0.01 each of B.A.L. and 37,423,774 shares of HK\$0.1 each of Riverhill will be distributed (the “Distribution Shares”). The net carrying value of the Distribution Shares at the balance sheet date was approximately HK\$1,677,000. The dividend warrant of the Cash Dividend and the share certificates of the Distribution Shares are expected to be dispatched to shareholders at about 21 January 2005.

No fractional Distribution Shares will be distributed to Shareholders of the Company under the distribution. Fractional entitlements to Distribution Shares will be aggregated and sold for the benefit of the Company.

The register of members of the Company will be closed from 3 January 2005 to 6 January 2005, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registers, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 31 December 2004 in order to qualify for the interim dividends.

6. Loss per share

The calculation of loss per share is based on the net loss of HK\$7,330,000 for the six months ended 30 September 2004 (2003: HK\$29,791,000) and the weighted average number of 1,871,188,679 shares (2003: 1,668,113,611 shares) in issue during the period.

Diluted loss per share for the periods ended 30 September 2004 and 2003 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.

LITIGATIONS

- (1) On 1 December 2004, the Company, as a guarantor, received a writ of summons dated 30 November 2004 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”) which was 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”). The Company shall seek legal advice on this. As 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 impact to the Company.
- (2) On 24 September 2003, the Company received a writ of summons from the High Court of Hong Kong, in which Messrs. Sun Jinlin (孫進林先生) and Lin Wen (林文先生) (the “Plaintiffs”) sued the Company and six of its existing directors and other ex-directors (the “Defendants”) for breach of various duties owed to the Company and claimed against the Defendants for (a) damages to be assessed; (b) an account of profits made by the Defendants and that all sums found due upon such account be paid by them to the Company; (c) six of its existing directors of the Company be removed

from the board of directors of the Company; (d) an order that a receiver and manager be appointed to preserve and safeguard the assets and undertaking of the Company; (e) interest; (f) further and/or other relief; and (g) costs.

The Plaintiff's claim (d) was dismissed on 13 October 2003 and the Plaintiffs were ordered to pay the cost of HK\$862,000 to the Company on 5 July 2004. In relation to the main action of the legal proceeding, the Defendant filed their defence on 22 December 2003. The Plaintiffs have stayed all their action in relation to the main action since then. On 8 November 2004, certain Defendants applied for court order ("Order") to demand that unless the Plaintiffs provided security for costs within 21 days after service of the Order, the Plaintiffs' action will be dismissed. As at the date hereof, the Plaintiffs failed to place such deposit and the Board believes that the Plaintiffs' action may have been dismissed subject to issuance of further documents by the court.

- (3) 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 established in the PRC and independent to the Company. Sheng Da has been involved as 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 Haikou City 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 (the "Retained Amount") until the dispute is resolved.

The Board understands that there was no business relations between Shengda Fangdichan and Sheng Da since 1997, in which year the Company began to have an interest in Sheng Da. The Shengda Case related to three existing shareholders (the "Old Shareholders") of Sheng Da, who in total currently holds 44.32% interest in Sheng Da and have been being the shareholders before the Company initially acquired any interests in Sheng Da in 1997. The Old Shareholders have provided the Company an undertaking that they will bear any liability arising from the Shengda Case in view of the fact that the subject of the Shengda Case took place before the Company had an interest in Sheng Da (the "Undertaking").

The directors of the Company consider that:

- (i) the subject of the case was to claim for receivable due from Shengda Fangdichan to Hainan Wanzhong and Sheng Da should not be claimed for; and
- (ii) through the provision of the Undertaking, there will be no material financial impact to the Company. Any further dividend or distribution payable to the Old Shareholders shall be retained by Sheng Da to set off the Retained Amount.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the period under review, the Group's turnover was approximately HK\$52.2 million, representing a drop of 19.3% compared to the same period last year. The net loss for the period was minimized to HK\$7.3 million from HK\$29.8 million for the corresponding period in 2003. This was attributable to a combination of factors, including continuing cost rationalization and having mitigated the adverse effect from its long term investments. The improvement in results was partly setoff by net unrealized losses on listed securities and reduced reversal of provision for doubtful debts for the current period.

Review of operations

As a result of the keen competition in Hong Kong and Europe markets, the trading business of the Group recorded turnover of HK\$46.3 million for the six months ended 30 September 2004, representing a decrease of 12% as compared with HK\$52.6 million for the corresponding period in 2003. Also, with the persistent price pressure and increasing outsourcing activities costs, the gross profit margin of the garments trading dropped by 2%. By 2005, free quota policy will be launched among World Trade Organization member countries. Without the quota restriction, garment importers may place their orders with those

exporters that offered lowest cost with good quality assurance. Under such circumstance, the Group will focus on streamlining its operations and improving the quality of production to maintain the competitive edges.

Other than trading business, securities dealing & brokerage and money lending services are also the core businesses of the Group. Being a small to medium size broker firm, the Group did not gain substantial benefits from the increasing trading turnover in the local stock market during the six months ended 30 September 2004. Also, as a result of the tighten credit control policies over the financing business, the interest income from money lending business reduced from HK\$9.5 million in 2003 to HK\$3.8 million for the current period under review. With the adoption of the Individual Visa Scheme by the mainland government, the number of the visitors from the PRC to Hong Kong has increased significantly. The Group will seek to solicit the visitors from the PRC to widen its customer base for its brokerage and money lending businesses.

Investments

Other than the long term investments made in previous years, the Group had made no further investment during the six months ended 30 September 2004. The Group will continue to review the existing investments for the possibility of realizing their value. As at 30 September 2004, the Group held a portfolio of listed securities with market value of HK\$10.2 million as short term investments.

As disclosed in the Company's announcement dated 27 February 2004, the contractual joint venture partner ("CJV Partner") in the National Highway 318 in Wuhan, China (the "Toll Road") had unilaterally decided to relocate the toll station of the Toll Road, which results in significant drop in traffic flows of the Toll Road. The Group has been liaising with the CJV Partner for compensation for the loss. As both parties cannot come to an agreed consideration for the compensation, the Group decided to apply for arbitration through the Wuhan Arbitration Commission in China in October 2004. The Group is not expected to receive any more dividends from the joint venture and a significant provision of HK\$174.9 million, had been made in the financial year ended 31 March 2004.

Credit policies

Most of overseas customers under the Group's trading business are transacted under letters of credit while the local ones will 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 is also determined thereon. Financial assistance will be repayable on demand once a client fail to repay any deposits or margins or other sums payable to the Group.

Liquidity and financial resources

At 30 September 2004, the Group had cash at bank and in hand of approximately HK\$4.7 million (31 March 2004: HK\$4.8 million) and net assets value of approximately HK\$141.2 million (31 March 2004: HK\$148.5 million).

Interest-bearing bank loans at 30 September 2004 amounted to HK\$120.9 million (31 March 2004: HK\$128.6 million), of which HK\$18.0 million (31 March 2004: HK\$48.6 million) were repayable within one year. The gearing ratio, being the ratio of total bank loans and hire purchase payables of approximately HK\$122.5 million to shareholders' fund of approximately HK\$141.2 million, was about 0.87 (31 March 2004: 0.88).

During the period under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars, Renminbi and US dollars. In view of stable exchange rates of between these currencies, the foreign currency exchange risk of the Group is not significant. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

As at 30 September 2004, a time deposit of HK\$9.0 million, a property held for redevelopment at a revalued amount of HK\$45.0 million, an investment property at a valuation of HK\$13.0 million, the Group's investment in a joint venture with a net book value of HK\$131.4 million and certain listed

securities placed by clients as securities under the financing, securities dealing & brokerage businesses were pledged to banks for their banking facilities granted to the Group.

PROSPECT

Though the PRC government has now taken tighten credit policies and other administrative measures to cool down the economy, mainland's economic outlook remains prosperous in the future.

In Hong Kong, the latest Consumer Price Index has showed that the persistent period of deflation has come to an end. Domestic consumption continues to rise and the local employment market is improving.

In order to capture the opportunities, the Group has diversified its product items and will explore more overseas markets for its trading business. The Group shall also explore and develop the securities dealing & brokerage and money lending businesses to the potential mainland clients as more and more mainland companies and individuals have expressed their interests to raise capital from overseas markets or invest overseas.

STAFF

As at 30 September 2004, the Group had 50 employees. Remuneration packages are generally structured with reference to prevailing market practice and individual merits. Salaries are reviewed annually 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.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30 September 2004 except that the independent non-executive directors are not appointed on specific terms but subject to retirement by rotation in accordance with the Company's Bye-laws.

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 2004 and discussed the financial related matters with the management.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board
Johnny Wing Fai Tam
Managing Director

Hong Kong, 16 December 2004

* *For identification purpose only*

As at the date of this announcement, the executive directors are Mr. Johnny Wing Fai Tam, Ms. Yvonne Han Yi Yeung, Ms. Miranda Chi Mei Chan and Mr. Suet Ming Ching and the independent non-executive directors are Mr. David Man San Lim, Mr. Edward Shun Kee Yeung and Mr. Pak Kan Chow.

Please also refer to the published version of this announcement in The Standard.