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STYLAND HOLDINGS LIMITED

大凌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 211)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 referred to as the “**Group**”) for the six months ended 30 September 2011 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
• TURNOVER		143,020	180,224
Revenue	2	20,852	39,008
Cost of sales		(9,763)	(26,425)
• GROSS PROFIT		11,089	12,583
Other income		3,935	7,446
Administrative expenses		(13,513)	(12,465)
Selling and distribution costs		(542)	(20)
Change in fair value of financial assets at fair value through profit or loss		(6,285)	(584)
Gain on disposal of financial assets at fair value through profit or loss		4,330	10,196
Gain on disposal of available-for-sale investment		—	241
Net fair value of derivative financial instrument	12	(1,935)	—
Impairment loss recognised in respect of loan receivables		(191)	—
Reversal of impairment loss recognised in respect of loan receivables		121	121
Bad debt recovery of loan receivables		—	20
Bad debt written-off		—	(7)
Gratuity payments	16a	(6,047)	—

* For identification purpose only

		Six months ended	
		30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
• (LOSS)/PROFIT FROM OPERATIONS		(9,038)	17,531
Finance costs		<u>(855)</u>	<u>(95)</u>
• (LOSS)/PROFIT BEFORE TAX	3	(9,893)	17,436
Income tax expenses	4	<u>—</u>	<u>(200)</u>
• (LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(9,893)</u>	<u>17,236</u>
• (LOSS)/EARNINGS PER SHARE	6		
Basic and diluted		<u>(HK0.51 cent)</u>	<u>HK0.92 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
• (LOSS)/PROFIT FOR THE PERIOD	(9,893)	17,236
Other comprehensive income:		
Reclassification adjustment for the cumulative gain included in profit upon disposal of available-for-sale investment	—	12
• TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(9,893)	17,248

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
	<i>Notes</i>		
• NON-CURRENT ASSETS			
Plant and equipment		2,374	2,751
Investment property		65,500	65,500
Loan receivables	7	12,228	3,885
		80,102	72,136
• CURRENT ASSETS			
Inventories		—	1,611
Promissory note receivable	8	42,960	45,292
Loan receivables	7	40,944	29,193
Trade and bills receivables	9	10,423	9,292
Other receivables, deposits and prepayments		4,728	5,590
Financial assets at fair value through profit or loss		40,814	34,751
Tax recoverable		547	1,152
Client trust funds		81,715	134,816
Pledged bank deposits		6,207	5,000
Bank balances and cash		64,148	100,043
		292,486	366,740
• CURRENT LIABILITIES			
Trade and bills payables	10	81,532	148,732
Other payables and accruals		12,341	11,427
Dividend payables		—	325
Convertible bonds	11	7,613	—
Derivative financial instrument	12	1,935	—
Tax liabilities		—	956
Bank borrowing — due within one year		6,300	6,900
Obligations under finance leases — due within one year		89	87
		109,810	168,427
• NET CURRENT ASSETS			
		182,676	198,313
• TOTAL ASSETS LESS CURRENT LIABILITIES			
		262,778	270,449
• NON-CURRENT LIABILITIES			
Obligations under finance leases — due after one year		54	99
• NET ASSETS			
		262,724	270,350
• CAPITAL AND RESERVES			
Share capital		27,944	18,712
Reserves		234,780	251,638
• TOTAL EQUITY			
		262,724	270,350

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

Principal accounting policies

Except as described below, the accounting policies applied for the condensed consolidated interim financial statements are consistent with those used for the annual consolidated financial statements for the year ended 31 March 2011 of the Group.

In the current period under review, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by HKICPA, which are effective for the Group’s financial year beginning on 1 April 2011. The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted:

HKFRS 7 (Amendments)	Disclosure — Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Amendments)	Presentation of Item of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁴

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2012.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2013.

The Group has not early adopted the new HKFRSs that have been issued but not yet effective.

The directors of the Company are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s result of operations and financial position.

2. SEGMENTAL INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. To facilitate the performance assessment, the revenue and result of the margin financing services were classified to the securities dealing and broking services segment during the period under review, and the interest income from the promissory note receivable was grouped into the strategic investments segment. The segment information for the corresponding period in 2010 was restated to conform to such reclassifications. The Group's reportable segments under the HKFRS 8 are as follows:

- the securities dealing and broking services segment provides securities dealing and broking services, as well as margin financing and underwriting services;
- the financing segment engages in money lending;
- the general import and export trading segment mainly engages in the trading of frozen foods and electronic accessories;
- the trading of securities segment engages in trading of listed securities;
- the property development and investment segment engages in property development and letting of properties; and
- the strategic investments segment engages in investments for an identified long-term purpose.

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments for the six months ended 30 September 2011 and the corresponding period in 2010 respectively:

For the six months ended 30 September 2011

	Securities dealing and broking services HK\$'000	Financing HK\$'000	General import and export trading HK\$'000	Trading of securities HK\$'000	Property development and investment HK\$'000	Strategic investments HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenues:								
External sales	8,684	3,327	8,480	361	—	—	—	20,852
Inter-segment sales	795	—	—	—	—	—	(795)	—
	<u>9,479</u>	<u>3,327</u>	<u>8,480</u>	<u>361</u>	<u>—</u>	<u>—</u>	<u>(795)</u>	<u>20,852</u>
Segment profit/(loss)	2,334	3,062	371	(1,595)	(173)	2,642	—	6,641
Unallocated income and expenses								<u>(16,534)</u>
Loss before tax								<u>(9,893)</u>

Segment revenues and results (Continued)

For the six months ended 30 September 2010

	Securities dealing and broking services HK\$'000	Financing HK\$'000	General import and export trading HK\$'000	Trading of securities HK\$'000	Property development and investment HK\$'000	Strategic investments HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Segment revenues:								
External sales	12,332	381	26,210	85	—	—	—	39,008
Inter-segment sales	547	—	—	—	—	—	(547)	—
	<u>12,879</u>	<u>381</u>	<u>26,210</u>	<u>85</u>	<u>—</u>	<u>—</u>	<u>(547)</u>	<u>39,008</u>
Segment profit/(loss)	5,263	4,457	2,259	9,629	(349)	2,309	—	23,568
Unallocated income and expenses								(6,132)
Profit before tax								<u>17,436</u>

Other segment information

For the six months ended 30 September 2011

	Securities dealing and broking services HK\$'000	Financing HK\$'000	General import and export trading HK\$'000	Trading of securities HK\$'000	Property development and investment HK\$'000	Strategic investments HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Change in fair value of financial assets								
at fair value through profit or loss	—	—	—	(6,285)	—	—	—	(6,285)
Gain on disposal of financial assets at fair value through profit or loss	—	—	—	4,330	—	—	—	4,330
Net fair value of derivative financial instrument	—	—	—	—	—	(1,935)	—	(1,935)
Impairment loss recognized in respect of loan receivables	—	(191)	—	—	—	—	—	(191)
Reversal of impairment loss recognized in respect of loan receivables	—	121	—	—	—	—	—	121
Depreciation	(147)	(2)	—	—	—	—	(206)	(355)
Loss on disposals of plant and equipment	—	—	—	—	—	—	(4)	(4)
Addition to non-current assets (Note)	275	6	—	—	—	—	16	297
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:								
Interest income	9	—	64	—	—	—	5	78
Finance costs	—	—	(2)	—	(75)	—	(778)	(855)
Income tax expenses	—	—	—	—	—	—	—	—

Note: Non-current assets excluded loan receivables.

Other segment information (Continued)

For the six months ended 30 September 2010

	Securities dealing and broking services HK\$'000	Financing HK\$'000	General import and export trading HK\$'000	Trading of securities HK\$'000	Property development and investment HK\$'000	Strategic investments HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Change in fair value of financial assets at fair value through profit or loss	—	—	—	(584)	—	—	—	(584)
Gain on disposal of financial assets at fair value through profit or loss	—	—	—	10,196	—	—	—	10,196
Reversal of impairment loss recognized in respect of loan receivables	—	121	—	—	—	—	—	121
Bad debt recovery of loan receivables	17	—	3	—	—	—	—	20
Depreciation	(56)	—	—	—	(1)	—	(163)	(220)
Gain on disposals of plant and equipment	—	—	—	—	—	—	231	231
Bad debt written-off	—	—	(7)	—	—	—	—	(7)
Addition to non-current assets (Note)	26	—	—	—	87	—	26	139
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:								
Interest income	4	1	222	—	—	—	1	228
Finance costs	—	—	—	—	(88)	—	(7)	(95)
Income tax expenses	(200)	—	—	—	—	—	—	(200)

Note: Non-current assets excluded loan receivables.

3. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	355	220
Staff costs	7,076	6,322

4. INCOME TAX EXPENSES

Taxes on income for the interim periods were accrued using the tax rate that would be applicable to expected total annual earnings. Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period under review.

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current income tax charge:		
Income tax expenses	—	200

5. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the period under review.

For the six months ended 30 September 2010, the Company paid an interim cash dividend of HK0.05 cent per share with a scrip alternative to offer the right to shareholders of the Company to elect to receive such interim dividend wholly or partly by allotment and issue of scrip shares credited as fully paid in lieu of cash dividend (the “**Interim Dividend**”). Other than the payment of Interim Dividend, the Company has also completed a bonus issue proposal, pursuant to which bonus shares were issued to shareholders on the basis of 1 bonus share for every 20 shares held by the shareholders of the Company.

6. (LOSS)/EARNINGS PER SHARE

The calculation of the loss per share is based on the Group’s loss attributable to owners of the Company of HK\$9,893,000 for the six months ended 30 September 2011 (2010: a profit of HK\$17,236,000) on 1,956,950,409 (2010: 1,871,188,679) ordinary shares in issue during the period.

Diluted loss per share was not disclosed as the options outstanding during the period under review had an anti-dilutive effect on the basic loss per share for the period while there were no potential ordinary shares outstanding for the six months ended 30 September 2010.

7. LOAN RECEIVABLES

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Securities dealing and broking services:		
— Secured margin loans	29,484	28,224
Less: Impairment loss recognised	<u>(6,355)</u>	<u>(6,355)</u>
	<u>23,129</u>	<u>21,869</u>
Financing business:		
— Unsecured loans	7,971	8,187
— Secured mortgage loans	30,000	10,880
Less: Impairment loss recognised	<u>(7,928)</u>	<u>(7,858)</u>
	<u>30,043</u>	<u>11,209</u>
The Group's loan receivables (net of impairment loss) are analysed into:		
— Non-current assets	12,228	3,885
— Current assets	<u>40,944</u>	<u>29,193</u>
Total	<u><u>53,172</u></u>	<u><u>33,078</u></u>

There were no significant movements in the impairment of loan receivables during the period under review.

No aged analysis on margin loans is disclosed as, in the opinion of the directors of the Company, an aged analysis does not give additional value in view of the nature of the business of securities margin financing. The aged analysis of the Group's loan receivables net of impairment for the financing business is as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Within 1 year	17,815	7,324
In more than 1 year but not more than 5 years	6,663	1,589
Over 5 years	<u>5,565</u>	<u>2,296</u>
	<u><u>30,043</u></u>	<u><u>11,209</u></u>

8. PROMISSORY NOTE RECEIVABLE

The promissory note receivable, which bears a 6% coupon rate per annum, became due on 30 September 2011 (the “**Maturity Date**”). According to the terms of the promissory note, Lucky Global Investments Limited (the “**Note Issuer**”) was required to pay the Group the principal amount of HK\$44 million together with the accrued interest of HK\$3.96 million (collectively, the “**Total Sum**”) on the Maturity Date. Up to the date of this announcement, the Company has received a cheque in the amount of HK\$5 million for the partial payment of the Total Sum. According to the Note Issuer, it needs more time to arrange for the payment of the remaining balance of the Total Sum due to the recent turbulence in the financial market and unexpected deterioration of the economic environment and therefore requests for an extension of time for the settlement of the remaining balance of the Total Sum.

The Group has demanded the payment of the outstanding balance of the Total Sum from the Note Issuer. Given that the promissory note is secured, among others, by the 90% equity interest in Onland Investment Limited (“**Onland**”) held by the Note Issuer, and Onland and its subsidiaries are entitled to receive a balance sum of more than RMB82,298,000, as a result of an arbitration judgement issued by Wuhan Traffic Commission as referred to in the annual consolidated financial statements of the Group for the year ended 31 March 2011, the Board considers that the promissory note receivable is recoverable and the impairment loss thereof is not required for the time being.

9. TRADE AND BILLS RECEIVABLES

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Trade receivables	11,068	9,667
Bills receivables	—	296
	<u>11,068</u>	<u>9,963</u>
Less: Impairment loss recognised	(645)	(671)
	<u>10,423</u>	<u>9,292</u>
Balance in relation to:		
— Securities dealing and broking services	5,545	3,083
— General trading	4,878	6,209
	<u>10,423</u>	<u>9,292</u>
An aged analysis of the Group's trade and bills receivables net of impairment is as follows:		
Within 6 months	10,382	9,255
Between 7 to 12 months	6	31
Over 1 year	35	6
	<u>10,423</u>	<u>9,262</u>

10. TRADE AND BILLS PAYABLES

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Balance in relation to:		
Securities dealing and broking services	80,396	145,986
General trading and others	<u>1,136</u>	<u>2,746</u>
	<u><u>81,532</u></u>	<u><u>148,732</u></u>

An aged analysis of the Group's trade and bills payables in relation to general trading and others is as follows:

Within 6 months	909	2,343
Between 7 to 12 months	—	1
Over 1 year	<u>227</u>	<u>402</u>
	<u><u>1,136</u></u>	<u><u>2,746</u></u>

Trade payables in relation to securities dealing and broking services were repayable on demand. No aged analysis is disclosed as in the opinion of the directors of the Company, an aged analysis does not give additional value in view of the nature of the business of securities dealing and broking services.

11. CONVERTIBLE BONDS

On 9 July 2007, the Company entered into eight subscription agreements in respect of the issue of convertible bonds in the aggregate principal amount of HK\$9,880,000 (the "Convertible Bonds"). The Convertible Bonds did not carry any interest. Each of the subscribers had a right to convert the Convertible Bonds into shares of the Company at the price of HK\$0.026 per share. The Convertible Bonds were issued on 28 September 2011 and were converted into shares of the Company on 10 October 2011.

The Convertible Bonds were separated into two component elements: The first component was a derivative that consisted of a conversion option and the second component was a liability component of the straight debt element of the Convertible Bonds. On the issue of the Convertible Bonds, the fair value of the Convertible Bonds was calculated using the Binomial model. The carrying amount of the conversion option was recognized and included in shareholders' equity and would not be revalued in subsequent years. The remainder of the Convertible Bonds was recorded as the liability component, and was subsequently carried at the amortised cost until extinguished on conversion or redemption.

12. DERIVATIVE FINANCIAL INSTRUMENT

On 7 June 2007, the Company entered into an option agreement to issue 370,000,000 options (the "Options") to an independent third party at the exercise price of HK\$0.024 per share. The exercisable period is 18 months starting from 9 September 2011, the date of fulfillment of conditions precedent set out in the option agreement. Exercise in full of the Options would result in the issue of 370,000,000 additional shares. On the grant date, the net fair value for the Options was approximately HK\$1,935,000. The fair value of the Options was calculated using the Binomial model.

13. OPERATING LEASE ARRANGEMENTS

As at 30 September 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the rental premises which fall due as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Within one year	1,748	1,748
In the second to fifth years, inclusive	507	1,225
	<u>2,255</u>	<u>2,973</u>

14. CONTINGENT LIABILITIES

As at 30 September 2011, the Group had no material contingent liabilities other than the outstanding petition as set out below.

15. PETITION

As more fully detailed in the Company's announcement dated 11 September 2008 and a supplemental circular dated 9 April 2009, it had been disclosed that the Company, as one of the defendants, and certain of its former directors have been served a petition (the "**Petition**") by the Securities and Futures Commission in relation to certain past transactions of the Group. The Petition was first heard on 17 December 2008. After the submission of affirmations by the defendants, the hearing was restored on 16 December 2009 for directions. Further hearing for the Petition was heard and completed in January 2011 and the Company is awaiting the judgement of the hearing. The directors of the Company consider that the Petition does not have significant financial and operating impact to the Group.

16. SUBSEQUENT EVENT

- a. The Company granted to each of two former directors of the Company, Ms. Yeung Han Yi Yvonne ("**Ms. Yeung**") and Ms. Chan Chi Mei ("**Ms. Chan**"), a gratuity of HK\$3,000,000 (the "**Gratuity**"). Each of Ms. Yeung and Ms. Chan was entitled to receive the Gratuity wholly or partly (i) in cash; or (ii) by way of issue of new shares of the Company in lieu of cash. The Gratuity payments were approved by shareholders of the Company on 25 August 2011. The total fair value for the Gratuity payments was HK\$6,047,000. After receiving the requests from Ms. Yeung and Ms. Chan to indicate that they would like to receive the Gratuity by way of the new shares of the Company in lieu of cash, the Company allotted and issued to each of them 57,692,307 new shares of the Company on 10 October 2011.
- b. On 10 October 2011, the Company also allotted and issued to the holders of Convertible Bonds (please refer to note 11 above for the details of the Convertible Bonds) a total of 380,000,000 new shares of the Company upon their conversions.

17. COMPARATIVE FIGURES

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

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices and considers effective corporate governance an essential element to the Group's success. To uphold that belief, the Company keeps enhancing its corporate governance.

During the period under review, the Company had strictly complied with all of the code provisions in the Code on Corporate Governance Practices (the “**Code**”) contained in Appendix 14 of the Listing Rules except that the Chairman did not attend the Annual General Meeting for the year 2011 due to his personal engagement.

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 the directors of the Company. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 September 2011, the Group recorded a turnover of HK\$143,020,000 (2010: HK\$180,224,000). During the period under review and at the end of such period, Hong Kong stock market suffered a significant setback in its market value, and the Group therefore recorded a revaluation deficit and a decrease in the disposal gain on its listed securities. Also, the Group recognized the payments of gratuities to two former directors of the Company during the current period. As a result, the Group incurred a loss of HK\$9,893,000 for the six months ended 30 September 2011 (2010: a profit of HK\$17,236,000).

Review of Operations

- ***Brokerage Business:***

During the period under review, the investors' sentiment was affected by the concerns over the United States' economy and the worsening debt troubles in the European countries. The Hang Seng Index closed at 17,592 on 30 September 2011, compared with 22,358 on 30 September 2010 and 23,527 on 31 March 2011, representing a drop of 21% and 25% respectively. Due to these factors, various companies have postponed their fund raising activities and initial public offering exercises.

Against such a backdrop, the Group recorded a decrease in commission incomes from the securities broking and corporate financing services. During the period under review, the Group managed a total transactions value of approximately HK\$3.2 billion, and the total number of transactions had declined by 18.9% to 19,597. Notwithstanding this, by adhering to its established credit control policy, the Group did not record a significant bad debt provision for its margin loans during the volatile market condition.

Facing the inevitable challenge, the Group continued to strengthen its business development. As a result, the Group's total number of brokerage clients had grown during the period under review. The Group also took the opportunity to sharpen its competitive edge by enhancing internal controls during the period. The Group has finished the review of its operational manual, and is now upgrading its online platform to provide its clients more comprehensive information for their reference before they make their investment decision. The Group believes that by implementing these enhancements, it would attract more clients and be able to reap the reward of an expanded client base after the economic recovery.

- ***Financing Business:***

The Group has witnessed the rising demand for short term financing services in the market, which may be attributable to the increasingly stringent lending requirements by banks. In light of this overwhelming demand for mortgage loans from clients, the Group has allotted more internal resources to such segment and has raised the maximum cap amount on mortgage loans to be granted. The Group considered that the provision of mortgage financing to customers gave the Group an opportunity to obtain a higher return for its surplus funds under the current low interest rate environment and expects it will become a major source of income for the Group.

- ***Property Development and Investment:***

The Group currently holds a premium property located on Fei Ngo Shan Road, Hong Kong which has a gross site area of approximately 17,000 square feet. In light of the current turbulence in the global economy and measures taken by the Hong Kong SAR government to cool down surging property prices, investors' confidence was suppressed by such sentiment. As a quick response to the turnaround in the residential property market conditions, the Group may realise it in the market to enhance its current working capital. However, the Group has seen great potential in the commercial property market and may make investments in such market.

- ***Trading Business:***

The Group's trading business continued to be a profitable segment despite the decrease in its turnover. The reason for the drop in turnover was that the Group had tightened its product quality controls against the suppliers with a view to lowering its operational risk arising from the deteriorated inventories. The Group believes that through the reinforcement of quality control measures, the level of customer satisfaction would substantially increase among its trading customers.

Prospects

Looking ahead, the Group expects that the second half of the 2011/2012 financial year will still be challenging. The economies of the United States and Europe are expected to continue to affect the world economies, impact investor confidence and keep the overall market sentiment suppressed. However, leveraging on the Group's sound operational structure and healthy financial position, we believe that by enduring these and other unforeseen market conditions, the Group will emerge as a stronger entity.

In 2010, Hong Kong was again top ranked in terms of funds raised. Although the market is still full of uncertainties, it is evident that there are still abundant opportunities for the Group to capture as shown by the vast number of initial public offerings in the pipeline in Hong Kong, as well as many listed companies will become active again in their merger and acquisition transactions. Leveraging on the Group's long established reputation and strong client base, the Group will certainly reap the benefits of such opportunities. To accommodate for the future growth of the Group, we have expanded our trading floor area. With the expanded trading floor area in place, we believe that we currently have the capacity to accommodate for higher securities trading volume. As such, we are ready for higher business volumes and growth in our financial businesses.

As a result of the popularity of the renminbi-denominated products in Hong Kong, and following the proposal of the "Dual Tranche, Dual Counter", the Group has fine-tuned its trading system to accommodate the trading of such new product features and made sure that the facilities for dealings in renminbi-denominated products are available to clients.

Despite the downturn in the United States and European economies, China's economy, however, remained steady in the first half of the 2011 calendar year. In fact, China's GDP grew in the third quarter by 9.1%, which has eased concerns over a hard landing amid tight monetary policies targeting high inflation. Furthermore, the Chinese Central Government has clearly emphasized in its Twelfth Five-Year Plan its aim to develop Hong Kong as a centre of international finance. To align with such policy, the Group's core business will remain focused on the financial sector, which encompasses securities broking services, corporate finance services in relation to acting as the placing agent or underwriter for the issuance of new shares for listed companies, as well as margin financing and mortgage loan financing services.

Liquidity and Financial Resources

As at 30 September 2011, the Group had cash in bank and on hand of HK\$64,148,000 (31 March 2011: HK\$100,043,000) and a net assets value of HK\$262,724,000 (31 March 2011: HK\$270,350,000).

Bank borrowings and financial leases as at 30 September 2011 amounted to HK\$6,443,000 (2011: HK\$7,086,000), of which HK\$6,389,000 (31 March 2011: HK\$6,987,000) were repayable within one year. However, in order to comply with the accounting standard, the Group has classified the long-term portion of the bank loan amounting to HK\$5,100,000 (31 March 2011: HK\$5,700,000) as a current liability. As at 30 September 2011, all of the Group's borrowings were denominated in Hong Kong dollar and the interest rate structure thereof did not have a material change when compared to those disclosures contained in the annual consolidated financial statements for the year ended 31 March 2011 of the Group. The gearing ratio, being the ratio of total bank borrowings and financial leases of approximately HK\$6,443,000 to shareholders' fund of HK\$262,724,000, was about 0.02 (31 March 2011: 0.03).

As at 30 September 2011, time deposits of HK\$6,207,000, an investment property of HK\$65,500,000 and part of the plant and equipment with a net book value of HK\$230,000 were pledged to banks for granting banking facilities or borrowings to the Group.

Fund Raising Activities

On 15 November 2007, the Company entered into eight subscription agreements to issue 600,000,000 shares of the Company, at the price of HK\$0.08 per share, which involved the total subscription price of HK\$48,000,000. Subsequently, seven of the subscribers mutually agreed with the Company to release each other from the respective subscription agreements to subscribe for an aggregate of 550,000,000 subscription shares. The long stop date for fulfillment of conditions precedent for the completion of the remaining 50,000,000 shares has been extended to 31 January 2012.

Credit Policies

For the brokerage and margin financing businesses, the Group is strictly in compliance with the Securities and Futures Ordinance (the "SFO"). Loans are granted to clients based on their individual assessment on financial status, repayment records and the liquidity of collaterals placed by them. The applicable interest rates are determined based on these factors. Loans will be demanded for repayment once the client fails to repay a deposit, margin or another sum that is due to the Group.

For mortgage financing, loans will be granted based on market values of pledged properties which are confirmed by independent valuers. To lower the Group's risk exposure to mortgage financing, the loan amounts to be granted, in general, shall not exceed 80% of the market values of the pledged properties.

Trading terms with general trading customers are mainly on credit, except for new customers, where payments in advance are normally required or letters of credit are received. 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.

Operational Risk

The Group has put in place effective internal controls systems for its operations. Under the brokerage business, a monitoring team has been set up to monitor the settlement matters of traded securities and cash. This monitoring team is comprised of licensed responsible officers registered under the SFO and senior management staff, who have acted in compliance with the SFO. In order to safeguard clients' interests and comply with the requirements of the SFO, our monitoring team has carried out ongoing checks and verifications so that our service standard is maintained at a satisfactory level. During the period under review, the brokerage operation of the Group has complied with the SFO. Clients were satisfied with the services and did not lodge any complaints.

Interest Rate Risk

The Group monitors its interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range. The Group's interest risk mainly arises from its financial instruments with floating interest rates.

Liquidity Risk

The Group's policy is to regularly assess current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realizable marketable securities, and adequate committed lines of funding from major financial institutions to meet its liquidity requirements.

Foreign Exchange Exposure

During the period under review, the Group's business activities as well as its assets and liabilities were mainly denominated in Hong Kong dollars and US dollars. In light of the exchange rate peg between the Hong Kong dollar and the US dollar, and the majority of the Group's operations and transactions having been denominated in Hong Kong dollar, the Group considers its foreign exchange risk immaterial. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

SOCIAL RESPONSIBILITY

Caring for Employees' Development

The Group has always regarded its employees as important assets. The Group also believes that its employees play a key role in its long-term development. As such, the Group is strongly committed to bring their talent into full play. After the launch of the Continued Learning Sponsorship Scheme in the previous financial year, pursuant to which each employee is entitled to an annual sponsorship of HK\$10,000 for their continued education, the Group received positive feedback from its employees. To support the employees' personal development, the Group will continue the scheme in the future.

As we care about our employees' welfare and satisfaction, the Group will update its Staff Handbook to extend its scope to allow for paid leave to employees. Also, after the introduction of the statutory minimum wage ordinance in May 2011, the Group has ensured that it has met the requirements of the ordinance. In addition, newly recruited employees were paid at a rate higher than the statutory minimum wage rate.

As at 30 September 2011, the Group had 53 employees. Remuneration packages are generally structured with reference to prevailing market practice and individual merits. Salaries are reviewed periodically based on performance appraisal or other relevant factors. The Group also maintains certain staff benefit plans including medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

Occupational Health and Environmental Protection

The management of the Group recognizes the importance of employees' health, thus it cares about its employees' health and safety including their mental health. In addition to creating a safe and comfortable workplace, the Group also maintains a high-quality air-conditioning system in the workplace to have the ventilation system cleaned regularly by a professional air-conditioning cleaning company.

With a view to enhance the sense of belonging, the Group has regularly organized staff gatherings for its employees. The gatherings not only help ease staff's work pressure, but also improve their relationships, which in turn, strengthen teamwork. Moreover, to promote employees' family harmony and to gain their family members' recognition towards their work, the Group may continue to organize fun-filled trips for its staff and their family members.

The Group supports the government's call for environmental protection by reducing carbon emission. During the period under review, the Group had, for the first time, participated in WWF Hong Kong's Earth Hour activity by switching off lights for one hour on a certain day of the year. To fulfill its responsibilities to society and benefit the public, the Group continues to promote the awareness of environmental conservation in the workplace by reducing waste and saving energy. In fostering the "green office" concept, the Group has adopted the tips provided by CLP and posts them at the office for the employees to view to teach them about environmental protection.

Giving to the Community and Corporate Responsibility

Following its support to the ORBIS 2010 Pin Campaign and having provided donations to help victims who suffered loss in the earthquakes of Qinghai, China and Japan earlier this year, the Group continued its spirit of giving to the community by providing aid whenever there is a real need for it. In the past Mid-Autumn Festival, the Group made donations to Sin Kai Funds Limited by buying each of its employees a box of mooncake, the proceeds of which was used for the building of educational institutions in GuiZhou Province, China. On 30 September 2011, the Group participated in the Dress Casual Day 2011 organised by The Community Chest of Hong Kong.

RELATED PARTY TRANSACTIONS

(a) Compensation to the directors and key management personnel of the Group:

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	1,233	1,253
Post-employment benefits	18	39
	<u>1,251</u>	<u>1,292</u>

The remuneration of directors and key executives of the Group is determined by the remuneration committee of the Company which takes into consideration the experience, duties and responsibilities of the individual and market trends.

(b) During the period under review, the Group entered into the following material transactions with its related parties:

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Consultancy fee paid to Mr. Cheung Chi Shing ("Mr. Cheung") (note 1)	190	444
Commission income from Mr. Cheung (note 1)	530	325
Commission income from Mr. Cheung Hoo Win ("Mr. Hoowin Cheung") (note 1)	3	—
Commission income from Hoowin Limited (note 2)	51	58
Commission income from Elfie Limited (note 3)	13	—
Commission income from Mr. Yeung Shun Kee ("Mr. Yeung") (note 4)	1	—
	<u>1</u>	<u>—</u>

Notes:

- (1) Mr. Cheung is a substantial shareholder of the Company and the father of Mr. Hoowin Cheung, a director and the chief executive officer of the Company.
- (2) Hoowin Limited is beneficially owned by Mr. Cheung and Ms. Yeung, the spouse of Mr. Cheung. The directors of Hoowin Limited are Mr. Cheung, Ms. Yeung, Mr. Hoowin Cheung and Ms. Cheung Lok Chi, the daughter of Mr. Cheung and Ms. Yeung.
- (3) Elfie Limited is beneficially owned by Mr. Cheung and Ms. Yeung. The directors of Elfie Limited are Mr. Cheung, Ms. Yeung, Mr. Hoowin Cheung and Ms. Cheung Lok Chi.
- (4) Mr. Yeung is an independent non-executive director of the Company.

The total amounts of securities dealing transactions of Mr. Cheung, Mr. Hoowin Cheung, Hoowin Limited, Elfie Limited and Mr. Yeung during the period under review were HK\$211,957,000 (2010: HK\$130,026,000), HK\$1,201,000 (2010: Nil), HK\$20,200,000 (2010: HK\$23,079,000), HK\$10,012,000 (2010: Nil) and HK\$390,000 (2009: Nil) respectively.

- (c) Save as disclosed above, as at the end of the reporting period, the Group had the following balances with its related parties:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 30 September 2010 (Unaudited) HK\$'000
Trade payables:		
Amount due to Hoowin Limited (<i>note 1</i>)	(18,463)	(4,764)
Amount due to Mr. Cheung (<i>note 1</i>)	(2,409)	(56,201)
Amount due to Mr. Hoowin Cheung (<i>note 1</i>)	(93)	—
Amount due to Elfie Limited (<i>note 1</i>)	—	—
Amount due to Ms. Chan (<i>notes 1&2</i>)	—	(7)
Other payables:		
Amount due to Mr. Zhao Qingji (<i>note 3</i>)	—	(100)
Amount due to Mr. Yeung (<i>note 3</i>)	—	(40)
Amount due to Mr. Li Hancheng (<i>note 3</i>)	—	(50)
Amount due to Mr. Lo Tsz Fung Phillip (<i>note 3</i>)	—	(40)
	<u> </u>	<u> </u>

Notes:

- (1) The amount was unsecured, interest bearing at the bank deposit saving rate per annum and repayable on the client's demand.
- (2) Ms. Chan retired on 5 December 2010.
- (3) The amount was the accrued director fee.

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.

REVIEW BY AUDIT COMMITTEE

The Company has an audit committee comprising four independent non-executive directors of the Company. The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 September 2011 and discussed the financial related matters with the management.

On behalf of the Board
Zhao Qingji
Chairman

Hong Kong, 22 November 2011

As at the date of this announcement, the Board comprises five executive directors, Mr. Cheung Hoo Win, Mr. Ng Yiu Chuen, Ms. Ho Mei Sheung, Ms. Zhang Yuyan and Ms. Chen Lili and four independent non-executive directors, Mr. Zhao Qingji, Mr. Yeung Shun Kee, Mr. Li Hancheng and Mr. Lo Tsz Fung Philip.