



大凌集團有限公司
STYLAND HOLDINGS LIMITED
(股份代號 Stock Code: 0211)

REACHING

久經歷練
同迎新天

New Horizons

2011/2012 INTERIM REPORT
中期報告



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Hoo Win (Chief Executive Officer)
Mr. Ng Yiu Chuen
Ms. Ho Mei Sheung
Ms. Zhang Yuyan
Ms. Chen Lili

Independent Non-Executive Directors

Mr. Zhao Qingji (Chairman)
Mr. Yeung Shun Kee
Mr. Li Hancheng
Mr. Lo Tsz Fung Philip

AUDIT COMMITTEE

Mr. Lo Tsz Fung Philip (Chairman)
Mr. Zhao Qingji
Mr. Yeung Shun Kee
Mr. Li Hancheng

REMUNERATION COMMITTEE

Mr. Yeung Shun Kee (Chairman)
Mr. Zhao Qingji
Mr. Li Hancheng
Mr. Lo Tsz Fung Philip

NOMINATION COMMITTEE

Mr. Li Hancheng (Chairman)
Mr. Zhao Qingji
Mr. Yeung Shun Kee
Mr. Lo Tsz Fung Philip

COMPANY SECRETARY

Mr. Wang Chin Mong

AUDITOR

UHY Vocation HK CPA Limited

LEGAL ADVISERS

As to Hong Kong Law:

P.C. Woo & Co.
D.S. Cheung & Co.
Michael Li & Co.
Chiu & Partners
Andrew Law & Franki Ho
Huen & Partners

As to Bermuda Law:

Appleby

As to the PRC Law:

Hills & Co.



PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Wing Hang Bank Limited
Standard Chartered Bank
DBS Bank (Hong Kong) Limited
Chong Hing Bank Limited

PRINCIPAL REGISTRAR

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH REGISTRAR

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REGISTERED OFFICE

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INVESTORS' WEBSITE

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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 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 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
		Notes	
•	TURNOVER		143,020
	Revenue	2	39,008
	Cost of sales		(26,425)
•	GROSS PROFIT		11,089
	Other income		7,446
	Administrative expenses		(12,465)
	Selling and distribution costs		(20)
	Change in fair value of financial assets at fair value through profit or loss		(584)
	Gain on disposal of financial assets at fair value through profit or loss		10,196
	Gain on disposal of available-for-sale investment		241
	Net fair value of derivative financial instrument	12	—
	Impairment loss recognized in respect of loan receivables		—
	Reversal of impairment loss recognized in respect of loan receivables		121
	Bad debt recovery of loan receivables		20
	Bad debt written-off		(7)
	Gratuity payments	16a	—
•	(LOSS)/PROFIT FROM OPERATIONS		(9,038)
	Finance costs		(95)
•	(LOSS)/PROFIT BEFORE TAX	3	(9,893)
	Income tax expenses	4	(200)
•	(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(9,893)
•	(LOSS)/EARNINGS PER SHARE	6	
	Basic and diluted		HK0.92 cent
			(HK0.51 cent)

**Condensed Consolidated Statement of Comprehensive Income**

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) 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

	Notes	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
• 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



Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve HK\$'000	Contributed surplus HK\$'000	Other reserves HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2011	18,712	35,831	6,040	571,147	596,954	—	—	(958,334)	270,350
Total comprehensive loss for the period	—	—	—	—	—	—	—	(9,893)	(9,893)
Issue of scrip shares	4,554	2,510	—	—	(7,064)	—	—	—	—
Issue of bonus shares	4,678	(4,678)	—	—	—	—	—	—	—
Convertible bonds — equity component	—	—	—	—	—	2,267	—	—	2,267
At 30 September 2011	27,944	33,663	6,040	571,147	589,890	2,267	—	(968,227)	262,724
At 1 April 2010	18,712	35,831	6,040	571,147	598,139	—	(12)	(1,022,803)	207,054
Total comprehensive income for the period	—	—	—	—	—	—	12	17,236	17,248
At 30 September 2010	18,712	35,831	6,040	571,147	598,139	—	—	(1,005,567)	224,302



Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(46,538)	4,888
Net cash generated from investing activities	4,781	9,686
Net cash generated from/(used in) financing activities	5,862	(736)
• Net (decrease)/increase in cash and cash equivalents	(35,895)	13,838
Cash and cash equivalents at 1 April	100,043	77,776
• Cash and cash equivalents at 30 September	64,148	91,614
• Analysis of the balances of cash and cash equivalents		
Bank balances and cash	64,148	91,614
• Cash and cash equivalents at 30 September	64,148	91,614



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 the 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. SEGMENT 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.



2. SEGMENT INFORMATION (Continued)

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	Elimination HK\$'000	Consolidated HK\$'000
Segment revenues:								
External sales	8,684	3,327	8,480	361	—	—	—	20,852
Inter-segment sales	795	—	—	—	—	—	(795)	—
	9,479	3,327	8,480	361	—	—	(795)	20,852
Segment profit/(loss)	2,334	3,062	371	(1,595)	(173)	2,642	—	6,641
Unallocated income and expenses								(16,534)
Loss before tax								(9,893)

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)	—
	12,879	381	26,210	85	—	—	(547)	39,008
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								17,436


2. SEGMENT INFORMATION (Continued)

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.



2. SEGMENT INFORMATION (Continued)

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 for such period, 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 the weighted average number of 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 recognized	(6,355)	(6,355)
	23,129	21,869
Financing business:		
— Unsecured loans	7,971	8,187
— Secured mortgage loans	30,000	10,880
Less: Impairment loss recognized	(7,928)	(7,858)
	30,043	11,209
The Group's loan receivables (net of impairment loss) are analysed into:		
— Non-current assets	12,228	3,885
— Current assets	40,944	29,193
Total	53,172	33,078

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

No aging analysis on margin loans is disclosed as, in the opinion of the directors of the Company, an aging analysis does not give additional value in view of the nature of the business of securities margin financing. The aging 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	5,565	2,296
	30,043	11,209



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
	11,068	9,963
Less: Impairment loss recognized	(645)	(671)
	10,423	9,292
Balance in relation to:		
— Securities dealing and broking services	5,545	3,083
— General trading	4,878	6,209
	10,423	9,292

An aging 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
	10,423	9,292



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	1,136	2,746
	81,532	148,732

An aging 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	227	402
	1,136	2,746

Trade payables in relation to securities dealing and broking services were repayable on demand. No aging analysis is disclosed as in the opinion of the directors of the Company, an aging 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 (the "**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
	2,255	2,973

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 Gratuity 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 (31 March 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 ACTIVITY

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 a 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 subscription 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 organized by The Community Chest of Hong Kong.



Directors' Interests in Securities

As at 30 September 2011, none of the directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company 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 Issuers.



Substantial Shareholders

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, as at 30 September 2011, the Company had been notified of the following interests in the Company:

	Number of ordinary shares of HK\$0.01 each held	Shareholding percentage
Mr. Cheung Chi Shing (" Mr. Cheung ") (Note 1)	635,098,465	22.73%
Ms. Yeung (Note 2)	635,098,465	22.73%
Gloryrise Group Limited (Note 3)	370,000,000	13.24%
Mr. Tai Kwok Leung Alexander (Note 3)	370,000,000	13.24%

Notes:

- Mr. Cheung personally held 476,322,263 shares of the Company. As Mr. Cheung is the sole shareholder of K.Y. Limited ("**KY**"), he was deemed to have interests in 95,265,727 shares of the Company held by KY and Mr. Cheung was further deemed to be interested in 15,877,615 shares of the Company held by K.C. (Investment) Limited, a wholly owned subsidiary of KY.

Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 47,632,860 shares of the Company beneficially interested by Ms. Yeung.

- Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 587,465,605 shares of the Company beneficially interested by Mr. Cheung.
- The Company entered into the Option Agreement with Gloryrise Group Limited ("**Gloryrise**") on 7 June 2007, pursuant to which Gloryrise conditionally agreed to subscribe and the Company conditionally agreed to grant Options which, upon full exercise, would entitle the holder of the Options to require the Company to allot and issue up to 370,000,000 shares of the Company at the subscription price of HK\$8,880,000 in total (equivalent to HK\$0.024 per share). Gloryrise is hence interested in the 370,000,000 underlying shares of the Company that may fall to be issued under the Option Agreement.

Mr. Tai Kwok Leung Alexander beneficially owns the entire issued share capital of Gloryrise, and is therefore deemed to be interested in the 370,000,000 underlying shares that may fall to be issued under the Option Agreement.

- 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 165,050,000 and 150,800,000 shares of the Company. To ensure the accuracy of its register of members, the Company wrote to Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生) to inquire into 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 website of the Stock Exchange and the record of the Company. The Company could not reach Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生) thereafter. Up to the date of this report, the Company had not received any further response from Mr. Lin Wen (林文先生) or Mr. Sun Jin Lin (孫進林先生). According to the High Court order (case no. HCA3544/03), Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生) were ordered to pay the legal costs of HK\$861,818 to the Company. The Group has been considering the way to recover the costs.



Share Option Scheme

The Company operates a share option scheme (the “**Scheme**”) for the purpose of attracting and retaining quality personnel and other persons who have relevant contribution to the Group. The Scheme provides them incentive to contribute to the business and operations of the Group. Under the Scheme which was approved and adopted in the Special General Meeting of the Company held on 22 August 2002, the directors of the Company may, within a period of 10 years, grant options to any director, employee or consultant of the Group so that they can subscribe for shares of 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 of the Company.

The exercise price of the share options is determined by the directors of the Company, however, it cannot 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.

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

As at 30 September 2011, the Company had no share options outstanding under the Scheme.



Related Party Transactions

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

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

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 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Consultancy fee paid to 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	—

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 (2010: 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 Mr. Cheung (note 1)	(2,409)	(56,201)
Amount due to Mr. Hoowin Cheung (note 1)	(93)	—
Amount due to Hoowin Limited (note 1)	(18,463)	(4,764)
Amount due to Elfie Limited (note 1)	—	—
Amount due to Ms. Chan (notes 1&2)	—	(7)
Other payables:		
Amount due to Mr. Zhao Qingji (note 3)	—	(100)
Amount due to Mr. Yeung (note 3)	—	(40)
Amount due to Mr. Li Hancheng (note 3)	—	(50)
Amount due to Mr. Lo Tsz Fung Philip (note 3)	—	(40)

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

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