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

# Strengthening our Foundation
# 紮穩根基 無懼風雨

INTERIM REPORT 2012 / 2013 中期報告

# Contents



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive Directors**
Mr. Cheung Hoo Win (Chief Executive Officer)
Mr. Ng Yiu Chuen
Ms. Mak Kit Ping
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:**
Michael Li & Co.
P.C. Woo & Co.
D.S. Cheung & Co.
Patrick Mak & Tse
Huen & Partners

**As to Bermuda Law:**
Appleby

**As to the PRC Law:**
Hills & Co.

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
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<br>6 Front Street<br>Hamilton HM11<br>Bermuda |
| **HONG KONG BRANCH REGISTRAR** | Tricor Tengis Limited<br>26th Floor<br>Tesbury Centre<br>28 Queen's Road East<br>Wanchai, Hong Kong |
| **REGISTERED OFFICE** | Canon's Court<br>22 Victoria Street<br>Hamilton HM12<br>Bermuda |
| **PRINCIPAL PLACE OF BUSINESS** | 28th Floor<br>Aitken Vanson Centre<br>61 Hoi Yuen Road<br>Kwun Tong, Kowloon<br>Hong Kong<br>Telephone: (852) 2959 3123<br>Facsimile: (852) 2310 4824<br>E-mail address: sty@styland.com |
| **SHAREHOLDERS' SERVICE HOTLINE** | Telephone: (852) 2959 7200<br>Facsimile: (852) 2310 4824<br>E-mail address: shareholder@styland.com |
| **WEBSITE** | http://www.styland.com |
| **INVESTORS' WEBSITE** | http://www.irasia.com/listco/hk/styland/ |

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 2012 (the "**Review Period**") together with the comparative figures as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Six months ended 30 September 2012 (Unaudited) HK$'000 | Six months ended 30 September 2011 (Unaudited) HK$'000 |
|---|---|---|---|
| • **TURNOVER** | | **77,663** | 143,020 |
| Revenue | 2 | **13,798** | 20,852 |
| Cost of sales | | **(1,882)** | (9,763) |
| • **GROSS PROFIT** | | **11,916** | 11,089 |
| Other income | | **17,296** | 3,935 |
| Administrative expenses | | **(14,261)** | (13,513) |
| Selling and distribution costs | | **(844)** | (542) |
| Change in fair value of financial assets at fair value through profit or loss | | **(7,814)** | (6,285) |
| (Loss) gain on disposal of financial assets at fair value through profit or loss | | **(341)** | 4,330 |
| Net fair value of derivative financial instrument | | **–** | (1,935) |
| Impairment loss recognised in respect of loan receivables | | **(174)** | (191) |
| Reversal of impairment loss recognised in respect of loan receivables | | **341** | 121 |
| Bad debt written-off | | **(44)** | – |
| Gratuity payments | | **–** | (6,047) |
| • **PROFIT (LOSS) FROM OPERATIONS** | | **6,075** | (9,038) |
| Finance costs | | **(245)** | (855) |
| • **PROFIT (LOSS) BEFORE TAX** | 3 | **5,830** | (9,893) |
| Income tax expenses | 4 | **–** | – |
| • **PROFIT (LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **5,830** | (9,893) |
| • **EARNINGS (LOSS) PER SHARE** — Basic and diluted | 6 | **HK0.16 cent** | (HK0.51 cent) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 30 September 2012 (Unaudited) HK$'000 | As at 31 March 2012 (Audited) HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | | **1,847** | 2,045 |
| Investment properties | 12(a) | **150,000** | 67,000 |
| Loan receivables | 7 | **24,088** | 11,316 |
| Available-for-sale investment | | **–** | – |
| | | **175,935** | 80,361 |
| **CURRENT ASSETS** | | | |
| Promissory note receivable | 8 | **–** | – |
| Loan receivables | 7 | **46,000** | 39,864 |
| Trade receivables | 9 | **25,582** | 12,586 |
| Other receivables, deposits and prepayments | | **3,739** | 3,146 |
| Financial assets at fair value through profit or loss | | **34,614** | 38,460 |
| Tax recoverable | | **859** | 859 |
| Amounts due from former directors | 14 | **–** | 85,950 |
| Client trust funds | | **56,352** | 82,875 |
| Pledged bank deposits | | **6,216** | 6,211 |
| Bank balances and cash | | **79,380** | 70,195 |
| | | **252,742** | 340,146 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 10 | **57,853** | 89,027 |
| Other payables and accruals | | **6,136** | 4,377 |
| Loan from a shareholder | 14 | **–** | 10,000 |
| Bank borrowing | 11 | **47,500** | 5,700 |
| Obligation under finance lease — due within one year | | **54** | 92 |
| | | **111,543** | 109,196 |
| **NET CURRENT ASSETS** | | **141,199** | 230,950 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **317,134** | 311,311 |
| **NON-CURRENT LIABILITY** | | | |
| Obligation under finance lease — due after one year | | **–** | 7 |
| **NET ASSETS** | | **317,134** | 311,304 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **37,098** | 37,098 |
| Reserves | | **280,036** | 274,206 |
| **TOTAL EQUITY** | | **317,134** | 311,304 |

# 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 | Accumulated losses HK$'000 | Total HK$'000 |
| At 1 April 2012 | **37,098** | **55,251** | **6,040** | **571,147** | **589,890** | **–** | **(948,122)** | **311,304** |
| Total comprehensive income for the period | **–** | **–** | **–** | **–** | **–** | **–** | **5,830** | **5,830** |
| At 30 September 2012 | **37,098** | **55,251** | **6,040** | **571,147** | **589,890** | **–** | **(942,292)** | **317,134** |
| At 1 April 2011 | 18,712 | 35,831 | 6,040 | 571,147 | 596,954 | – | (958,334) | 270,350 |
| Total comprehensive expense 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 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Net cash used in operating activities | **(32,844)** | (46,538) |
| Net cash generated from investing activities | **524** | 4,781 |
| Net cash generated from financing activities | **41,505** | 5,862 |
| • **Net increase (decrease) in cash and cash equivalents** | **9,185** | (35,895) |
| Cash and cash equivalents at 1 April | **70,195** | 100,043 |
| • **Cash and cash equivalents at 30 September** | **79,380** | 64,148 |
| • **Analysis of the balances of cash and cash equivalents** | | |
| Bank balances and cash | **79,380** | 64,148 |
| • **Cash and cash equivalents at 30 September** | **79,380** | 64,148 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND PRINCIPAL 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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2012 except as described below.

In the Review Period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the financial year beginning 1 April 2012:

| | |
|---|---|
| Amendments to HKFRS 7 | Financial instruments: Disclosures — Transfers of financial assets |
| Amendments to HKAS 12 | Deferred tax: Recovery of underlying assets |

The application of the above amendments to HKFRSs in the Review Period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or the disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The following new and revised HKFRSs have been issued after the date the consolidated financial statements for the year ended 31 March 2012 were authorised for issuance and are not yet effective:

| | |
|---|---|
| Amendments to HKFRS | Annual Improvements 2009–2011 Cycle[1] |
| Amendments to HKFRS 1 | Government loans[1] |
| Amendments to HKFRS 7 | Disclosures — Offsetting financial assets and financial liabilities[1] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory effective date of HKFRS 9 and transition disclosures[3] |
| HKFRS 9 | Financial instruments[3] |
| HKFRS 10 | Consolidated financial statements[1] |
| HKFRS 11 | Joint arrangements[1] |
| HKFRS 12 | Disclosure of interests in other entities[1] |
| HKFRS 13 | Fair value measurements[1] |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income[4] |
| HKAS 19 (Revised) | Employee benefits[1] |
| HKAS 27 (Revised) | Separate financial statements[1] |
| HKAS 28 (Revised) | Investments in associates and joint ventures[1] |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities[2] |

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012

The directors of the Company (the "**Directors**") anticipate that the adoption of these new and revised HKFRSs will have no material impact on the results and financial position of the Group.

## 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. The Group's reportable segments under HKFRS 8 are as follows:

— the securities dealing and broking services segment provides securities broking, margin financing and corporate finance;

— the financing segment mainly engages in corporate and personal loans that are secured by real properties;

— the general trading segment mainly engages in the trading of frozen foods;

— the trading of securities segment engages in trading of listed securities;

— the property development and investment segment engages in property redevelopment and letting of property; and

— the strategic investments segment engages in investments for an identified long-term purpose.

## 2. SEGMENTAL 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 2012 and the corresponding period in 2011 respectively:

**For the six months ended 30 September 2012**

| | Securities dealing and broking services HK$'000 | Financing HK$'000 | General trading HK$'000 | Trading of listed securities HK$'000 | Property development and investment HK$'000 | Strategic investments HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Segment revenues: | | | | | | | | |
| External sales | 5,671 | 6,923 | 862 | 211 | 131 | – | – | 13,798 |
| Inter-segment sales | 464 | – | – | – | – | – | (464) | – |
| | 6,135 | 6,923 | 862 | 211 | 131 | – | (464) | 13,798 |
| Segment (loss) profit | (71) | 5,224 | (32) | (7,925) | (69) | (17) | – | (2,890) |
| Unallocated income and expenses | | | | | | | | 8,720 |
| Profit before tax | | | | | | | | 5,830 |

For the six months ended 30 September 2011

| | Securities dealing and broking services HK$'000 | Financing HK$'000 | General trading HK$'000 | Trading of listed securities HK$'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) | – |
| | 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) |

## 2. SEGMENTAL INFORMATION *(Continued)*

### Other segment information
### For the six months ended 30 September 2012

| | Securities dealing and broking services HK$'000 | Financing HK$'000 | General trading HK$'000 | Trading of listed securities HK$'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 | – | – | – | (7,814) | – | – | – | (7,814) |
| Loss on disposal of financial assets at fair value through profit or loss | – | – | – | (341) | – | – | – | (341) |
| Reversal of impairment loss recognised in respect of trade receivables | – | – | 29 | – | – | – | – | 29 |
| Impairment loss recognised in respect of loan receivables | – | (174) | – | – | – | – | – | (174) |
| Reversal of impairment loss recognised in respect of loan receivables | – | 341 | – | – | – | – | – | 341 |
| Bad debt written-off | – | (44) | – | – | – | – | – | (44) |
| Depreciation | (88) | (2) | – | – | – | – | (168) | (258) |
| Loss on disposals of plant and equipment | – | – | – | – | – | – | (5) | (5) |
| Addition to non-current assets (Note) | 50 | 9 | – | – | 83,000 | – | 6 | 83,065 |
| Amounts regularly provided to the chief operating decision maker but not included in the assessment of segment profit or loss or segment assets: | | | | | | | | |
| Interest income | 9 | – | 195 | – | – | – | 16,741 | 16,945 |
| Finance costs | – | – | (1) | – | (60) | – | (184) | (245) |
| Income tax expenses | – | – | – | – | – | – | – | – |

Note: Non-current assets excluded loan receivables.

## 2. SEGMENTAL INFORMATION *(Continued)*

### Other segment information *(Continued)*

For the six months ended 30 September 2011

| | Securities dealing and broking services HK$'000 | Financing HK$'000 | General trading HK$'000 | Trading of listed securities HK$'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 for the granting of derivative financial instrument | – | – | – | – | – | (1,935) | – | (1,935) |
| Impairment loss recognised in respect of loan receivables | – | (191) | – | – | – | – | – | (191) |
| Reversal of impairment loss recognised in respect of loan receivables | – | 121 | – | – | – | – | – | 121 |
| Depreciation | (147) | (2) | – | – | – | – | (206) | (355) |
| Loss on disposal 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 assessment 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.

## 3. PROFIT (LOSS) BEFORE TAX

Profit (loss) before taxation is arrived at after charging:

| | Six months ended 30 September | |
|---|---|---|
| | **2012 (Unaudited) HK$'000** | 2011 (Unaudited) HK$'000 |
| Depreciation | **258** | 355 |
| Staff costs | **7,024** | 7,076 |

## 4. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries either has available losses brought forward from prior periods to offset the assessable profits generated during the Review Period or did not generate any assessable profits arising in Hong Kong during the Review Period (2011: nil).

## 5. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the Review Period (2011: nil).

## 6. EARNINGS (LOSS) PER SHARE

The calculation of the earnings per share is based on the Group's profit attributable to owners of the Company of HK$5,830,000 for the Review Period (2011: a loss of HK$9,893,000) on 3,709,773,088 (2011: 1,956,950,409) ordinary shares in issue during the period.

Diluted earnings per share was not disclosed as there were no potential ordinary shares outstanding for the Review Period while the options outstanding during the period for the six months ended 30 September 2011 had an anti-dilutive effect on the basic loss per share.

## 7. LOAN RECEIVABLES

| | **As at 30 September 2012 (Unaudited) HK$'000** | As at 31 March 2012 (Audited) HK$'000 |
|---|---|---|
| Securities dealing and broking services: | | |
| — Secured margin loans | **41,658** | 27,674 |
| Less: Impairment loss recognised | **(15,283)** | (15,283) |
| | **26,375** | 12,391 |
| Financing business: | | |
| — Unsecured loans | **7,978** | 7,585 |
| — Secured mortgage loans | **43,687** | 39,323 |
| Less: Impairment loss recognised | **(7,952)** | (8,119) |
| | **43,713** | 38,789 |
| | **70,088** | 51,180 |
| The Group's loan receivables (net of impairment loss) are analysed into: | | |
| — Non-current assets | **24,088** | 11,316 |
| — Current assets | **46,000** | 39,864 |
| Total | **70,088** | 51,180 |

There was no significant movement in the impairment of loan receivables during the Review Period.

No aged analysis on margin loans is disclosed as, in the opinion of the Directors, 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 2012 (Unaudited) HK$'000** | As at 31 March 2012 (Audited) HK$'000 |
|---|---|---|
| On demand or within 1 year | **19,624** | 27,473 |
| In more than 1 year but not more than 5 years | **15,795** | 5,717 |
| Over 5 years | **8,294** | 5,599 |
| | **43,713** | 38,789 |

## 8. PROMISSORY NOTE RECEIVABLE

Reference is made to note 20 to the annual consolidated financial statements of the Company for the year ended 31 March 2012. Following further discussion with the issuer of the promissory note (the "**Note Issuer**", together with its subsidiaries, the "**Note Issuer Group**"), the Group believes that it is in its best interest not to take legal action for the time being. However, the Group will continue to closely monitor the progress of the recovery of the outstanding money due to the Note Issuer Group by the joint venture partner in the toll road project in Wuhan, the PRC.

## 9. TRADE RECEIVABLES

| | **As at 30 September 2012 (Unaudited) HK$'000** | As at 31 March 2012 (Audited) HK$'000 |
|---|---|---|
| Trade receivables | **25,908** | 12,942 |
| Less: Impairment loss recognised | **(326)** | (356) |
| | **25,582** | 12,586 |
| Balance in relation to: | | |
| — Securities dealing and broking services | **20,988** | 7,412 |
| — General trading | **4,594** | 5,174 |
| | **25,582** | 12,586 |

An aged analysis of the Group's trade receivables net of impairment is as follows:

| | | |
|---|---|---|
| Within 6 months | **21,601** | 12,527 |
| 7 to 12 months | **3,868** | 49 |
| Over 1 year | **113** | 10 |
| | **25,582** | 12,586 |

## 10. TRADE PAYABLES

| | As at 30 September 2012 (Unaudited) HK$'000 | As at 31 March 2012 (Audited) HK$'000 |
|---|---|---|
| Balance in relation to: | | |
| — Securities dealing and broking services (Note) | **57,597** | 88,726 |
| — General trading and others | **256** | 301 |
| | **57,853** | 89,027 |

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

An aged analysis of the Group's trade payables excluding the balance in relation to the securities dealing and broking services is as follows:

| | | |
|---|---|---|
| Within 6 months | **30** | 74 |
| 7 to 12 months | **–** | 99 |
| Over 1 year | **226** | 128 |
| | **256** | 301 |

## 11. BANK BORROWING

| | As at 30 September 2012 (Unaudited) HK$'000 | As at 31 March 2012 (Audited) HK$'000 |
|---|---|---|
| Secured bank loan | **47,500** | 5,700 |
| Bank borrowing that is repayable: | | |
| — Within one year | **1,873** | 1,200 |
| — Carrying amount of bank loan that is not repayable within one year from the end of the Review Period but contain a repayment demand clause | **45,627** | 4,500 |
| | **47,500** | 5,700 |

## 12. OPERATING LEASE ARRANGEMENTS

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

### (a) Lessor

During the Review Period, the Group had acquired an additional investment property with fair value of HK$83 million.

The Group leases out the investment property under operating leases, the tenancies of which will be expired within one year. The turnover-related rental income received during the Review Period amounted to HK$131,000 (2011: Nil).

The future aggregate minimum lease receipts under non-cancellable operating leases receivable by the Group were as follows:

| | **As at 30 September 2012 (Unaudited) HK'000** | As at 31 March 2012 (Audited) HK'000 |
|---|---|---|
| Investment property: | | |
| Not later than one year | **1,104** | – |

Asset held for deployment on operating leases was as follows:

| | **As at 30 September 2012 (Unaudited) HK'000** | As at 31 March 2012 (Audited) HK'000 |
|---|---|---|
| Investment property at fair value | **83,000** | – |

### (b) Lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the rental premises that fall due as follows:

| | **As at 30 September 2012 (Unaudited) HK$'000** | As at 31 March 2012 (Audited) HK$'000 |
|---|---|---|
| Within one year | **1,472** | 1,346 |
| In the second to fifth years, inclusive | **766** | 50 |
| | **2,238** | 1,396 |

## 13. CONTINGENT LIABILITIES

As at 30 September 2012, the Group had no material contingent liabilities.

## 14. PETITION

Reference is made to the section headed "Petition" under the "Management Discussion and Analysis" contained in the Annual Report 2011/12 of the Company. On 26 June 2012, the Company and the concerned former Directors entered into a settlement agreement (the "**Settlement Agreement**") in respect of the repayment of judgement debts ordered by the Court (the "**Judgement Debts**"). The Settlement Agreement was approved by the shareholders of the Company on 30 August 2012 and was completed on 5 September 2012 (the "**Completion Date**"). According to the Settlement Agreement, the loan of HK$10,000,000 from a shareholder, who is also one of the concerned former Directors, to the Group was used to partially set off against the Judgment Debts during the Review Period. Up to the end of the Review Period, the Group had received approximately HK$102,617,000, of which HK$85,950,000 was recorded as income of the Group for the financial year ended 31 March 2012 with the balance of approximately HK$16,667,000 recognised as interest income for the Review Period. Pursuant to the Settlement Agreement, the outstanding balance of the Judgment Debts will be settled within one year after the Completion Date.

## 15. SUBSEQUENT EVENT

Subsequent to the end of the Review Period, the Group has drawn a loan of HK$42,500,000 under the banking facilities granted by a bank in July 2012. The Group has pledged to the bank a property that it owns, with a fair value of HK$83,000,000, as security for this loan.

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

During the Review Period, the Group recorded a turnover of HK$77,663,000 as compared to HK$143,020,000 for the corresponding period in 2011. However, the Group had improved its bottom line in the Review Period as shown by the profit of HK$5,830,000 in the Review Period as compared with the loss of HK$9,893,000 in the corresponding period in 2011.

## REVIEW OF OPERATIONS

- **Brokerage Business:**
  During the Review Period, the issues pertaining to the European debt crisis and the recovery of the United States' economy remained the focus of the market and had dampened investment sentiment. As a result, the overall market turnover had dropped significantly. The resulting reduction in transaction volume had adversely affected the financial industry as well as the brokerage business of the Group.

  The Group had completed a total turnover of approximately HK$1.7 billion during the Review Period. Facing the fluctuation of the global economic condition and the slow down of the PRC economy, the Group had reinforced its cost control measures to improve its profitability. To encourage investors to make more investments, the Group managed to offer its clients, in particular those on the Chinese mainland, more value added services such as the provision of more updated and comprehensive market information for their reference before making investment decisions.

  Despite shrinkage in the Hong Kong Stock Exchange's market turnover, the Group kept its steady momentum in developing its brokerage business. The Group believes that the dips that occurred in the Hong Kong stock market during the Review Period gave rise to hiring opportunities for the Group. As a result, the Group was able to recruit more experienced account executives. Upon joining the Group, the newly hired account executives have referred new clients to the Group.

- **Money Lending Business:**
  The Group's money lending business, which comprises mainly of mortgages, was launched in the 2011 financial year. The Group has witnessed the continuous growth of this segment since its inception. During the Review Period, the Group recorded interest income of HK$6.4 million from this segment, which represents a 108% increase as compared to the corresponding period in 2011. In light of the overwhelming demand for corporate loans and personal loans, the Group has resolved to further raise its business target to a new high, and believes that the mortgage segment will continue to be a major and stable source of income for the Group.

  To accommodate for the growth of this business, the Group is optimising its operational procedures by computerising its operational system, which will certainly improve the efficiency of the management staff. Also, due to the expansion of its customer base, the Group had enhanced its credit control work with a view to minimise the unpredictable credit risk which may result from the turbulent business environment.

- **Property Development and Investment:**
  In order to curb speculation, the HKSAR Government had proposed new measures to cool down the property market. Despite these new measures, property prices continued their upward trend during the Review Period. Under such circumstance, the Group believes that the market value of its premium property located at Fei Ngo Shan Road, Hong Kong, on a redevelopment basis, may climb up significantly. To maximise the value of this dignitary property, the Group has decided to redevelop this property into a higher quality property, and has engaged a reputable land development consultancy company to advise the Group on this redevelopment subsequent to the end of the Review Period. Upon the recognition of the revaluation surplus, the Group's operational results and net assets value will rise accordingly.

  According to the Settlement Agreement and the sale and purchase agreement referred to therein, the Group had acquired a commercial property with a fair value of HK$83 million during the Review Period. Currently, the property is leased out, the tenancies of which will expire in 2013. As such, the Group is entitled to the rental income starting from the second half of the 2013 financial year.

- **Trading Business:**
  As a result of the tight credit control measures, the turnover of the Group's general trading business decreased significantly during the Review Period when compared to the corresponding period in 2011. Other than the trading of frozen foods, the Group is considering about diversifying the range of products for its general trading business segment. Nevertheless, the Group will regularly review the turnover and results of this segment and if necessary, reallocate its internal resources to more profitable business segments to improve the return on its internal resources.

## PROSPECTS

As an international financial centre, Hong Kong has become one of the preferred listing platforms for overseas and Chinese enterprises. The Group will continue its strategy to strengthen its online trading system targeting the clients from Mainland China. The Group will provide them more transparent information and the latest market information. With this improved service, Mainland clients will be encouraged to make more investments and the commission income of the Group will increase accordingly. Locally in Hong Kong, other than the referrals from new account executives, the Group also targets retail customers. To implement this strategy, the Group opened a new branch in North Point, Hong Kong. To lower the risk exposure associated with the walk-in clients, the Group will intensify its credit assessment in this regard. By balancing risk and customer base expansion effectively, the Group believes that it can benefit from this strategy.

For the money lending business, the Group will capitalize on the opportunities stemming from the rising demand for short-term loans in the market, which may be attributable to the increasingly stringent lending requirements by banks. Leveraging on the skills and talent of the newly joined team members, the Group will widen its business network and may approach new customers. Following the rapid growth of this business segment, the Group also plans to strengthen its risk management as well as improve its operational work flow. The Group believes that the adoption of professional credit control measures and the computerization of the operational system will build up a solid foundation for the long-term development of the money lending business.

The United States has launched the third quantitative easing measures ("**QE3**") and it is generally believed that the Central Government of the PRC tends to implement an appropriate monetary or fiscal easing policy to tackle its downturn economic problems. The Group believes that these stimulus measures will further boost the property prices in Hong Kong including the value of the residential and the commercial properties of the Group. Subsequent to the launch of QE3, both the Hang Seng Index and average market turnover have risen steadily. The Group believes that in addition to the revaluation surplus it may gain from the appreciation of the properties, its financial services including the brokerage and corporate finance businesses will also benefit from the abundant fund flows in the market.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the Group had cash at bank and in hand of approximately HK$79,380,000 (31 March 2012: HK$70,195,000) and a net assets value of approximately HK$317,134,000 (31 March 2012: HK$311,304,000).

The bank borrowing and financial lease as at 30 September 2012 totalled HK$47,554,000 (31 March 2012: HK$5,799,000), of which HK$1,927,000 (31 March 2012: HK$1,292,000) were repayable within one year. However, as the loan agreement contains a repayment demand clause, the Group has therefore reclassified the long-term portion of the bank loan amounting to HK$45,627,000 (31 March 2012: HK$4,500,000) as a current liability to comply with the accounting standard. All of the borrowings were denominated in Hong Kong dollar. The gearing ratio, being the ratio of total bank borrowing and financial lease of approximately HK$47,554,000 to shareholders' fund of approximately HK$317,134,000, was about 0.15 (31 March 2012: 0.02).

As at 30 September 2012, the time deposits of approximately HK$6,216,000, an investment property of approximately HK$67,000,000 and part of the plant and equipment with a net book value of HK$183,000 were pledged to banks for obtaining banking facilities or borrowings for the Group.

## STAFF

As at 30 September 2012, the Group had 52 employees. During the Review Period, the Group's remuneration packages were structured with reference to prevailing market practice and individual merits. Salaries have been reviewed periodically based on performance appraisal and other relevant factors. The Group also maintains certain staff benefit plans including medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

## CREDIT RISK

For the brokerage businesses, the Group is strictly in compliance with the Securities and Futures Ordinance (the "**SFO**"). Margin loans are granted to customers based on their individual assessment of financial status, repayment records and the liquidity of collaterals placed by them. The applicable interest rate is determined according to these factors. Margin loans are demanded for repayment once a customer fails to repay a deposit, margin loan or another sum that is due to the Group.

For the money lending business, mortgage loans are granted to clients based on the aggregate market value of the pledged properties as confirmed by independent valuers. To lower the Group's exposure to risk in its money lending business, the mortgage amounts to be granted to a client in general shall not exceed 80% of the aggregate market value of the pledged properties.

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

## OPERATIONAL RISK

The Group has put in place an effective internal controls system for its operations. Under the brokerage business, a monitoring team comprised of licensed responsible officers registered under the SFO and senior management personnel who have a good track record in complying with the SFO, has been set up to monitor the settlement matters of traded securities and cash. In order to safeguard clients' interests and comply with the requirements of the SFO, our monitoring team has continually carried out ongoing checks and verification so that we are able to maintain our service standard at a satisfactory level. During the Review Period, the brokerage operation of the Group had complied with the SFO. All of our clients were satisfied with our services and did not lodge any complaints.

## INTEREST RATE RISK

The Group monitors its interest rate exposure regularly to ensure that the underling risk is within an acceptable range. The Group's interest rate risk arises from bank loans as interest is charged according to a floating interest rate with a loan repayment period of 20 years.

## 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 Review Period, 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, the Group considers its foreign exchange risk immaterial for the Review Period. It is the Group's treasury policy to manage its foreign currency exposure to minimise any material financial impact to the Group.

# DIRECTORS' INFORMATION

## INTERESTS IN SECURITIES

As at 30 September 2012, none of the Directors and chief executive of the Company had any interests or short positions 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.

## CHANGES IN BIOGRAPHICAL DETAILS

Mr. Lo Tsz Fung Philip, an independent non-executive Director (the "**INED**") of the Company, has been appointed as an independent director of Dragon Jade International Limited, a company listed on OTCBB in the United States since 1 September 2012. He also served as the chief financial officer of Wuhan General Group (China) Inc., a company listed on NASDAQ (WUHN), from February 2010 to January 2012.

## SUBSTANTIAL SHAREHOLDERS

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, as at 30 September 2012, 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) | 842,790,772 | 22.72% |
| Ms. Yeung Han Yi Yvonne ("**Ms. Yeung**") (Note 2) | 842,790,772 | 22.72% |
| Gloryrise Group Limited (Note 3) | 370,000,000 | 9.97% |
| Mr. Tai Kwok Leung Alexander (Note 3) | 370,000,000 | 9.97% |

Notes:

1. Mr. Cheung personally held 626,322,263 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 105,325,167 shares of the Company beneficially interested by Ms. Yeung.

2. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 737,465,605 shares of the Company beneficially interested by Mr. Cheung.

3. Mr. Tai Kwok Leung Alexander beneficially owns the entire issued share capital of Gloryrise Group Limited, and is therefore deemed to be interested in the 370,000,000 shares beneficially interested by Gloryrise Group Limited.

4. On 20 August 2002, Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生) notified the Company that they respectively held 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), though it had tried to seek valid notification under the SFO from them. Up to the date of this report, the Company has not received any further response from Mr. Lin Wen (林文先生) or Mr. Sun Jin Lin (孫進林先生).

# CORPORATE GOVERNANCE

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

During the Review Period, the Company had strictly complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**Code**") contained in Appendix 14 of the Listing Rules except that two INEDs, one of whom being the Chairman of the Company, did not attend the special general meeting and annual general meeting of the Company held during the Review Period due to their personal engagements.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code for securities transactions by Directors. All members of the Board has confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the Review Period.

## SHARE OPTION SCHEME

On 21 September 2012, the Company adopted a new share option scheme (the "**Scheme**") to replace the old one that expired on 21 August 2012. The purpose of the Scheme is to enable the Company to grant options to the participants in recognition of their contribution to the Group. Pursuant to the Scheme, the Directors may, within a period of 10 years, grant options to any director or employee, adviser, consultant, agent, contractor, customer and supplier of the Group so that they can subscribe for shares in the Company.

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

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

The exercise price of the share options is determined by the Directors, 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 2012, 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 | |
|---|---|---|
| | **2012** | 2011 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Short-term benefits | **1,200** | 1,233 |
| Post-employment benefits | **30** | 18 |
| | **1,230** | 1,251 |

The remuneration for Directors and key executives is determined by the Remuneration Committee which takes into consideration the performance of the individual and market trends.

(b) During the Review Period, the Group entered into the following material transactions with its related parties:

| | Six Months ended 30 September | |
|---|---|---|
| | **2012** | 2011 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Consultancy fee paid to Mr. Cheung Chi Shing ("**Mr. Cheung**") (Note 1) | **–** | 190 |
| Commission income from Mr. Cheung (Note 1) | **120** | 530 |
| Commission income from Mr. Cheung Hoo Win ("**Mr. Hoowin Cheung**") (Note 1) | **1** | 3 |
| Commission income from Hoowin Limited (Note 2) | **73** | 51 |
| Commission income from Elfie Limited (Note 3) | **15** | 13 |
| Commission income from Mr. Yeung Shun Kee ("**Mr. Yeung**") (Note 4) | **–** | 1 |
| Interest income from Mr. Cheung (Note 5) | **8,209** | – |
| Interest income from Ms. Yeung Han Yi Yvonne ("**Ms. Yeung**") (Note 5) | **8,458** | – |
| | **16,667** | – |

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. Hoowin Cheung, Ms. Cheung Lok Chi and Mr. Cheung Hoo Yin. All of them are children of Mr. Cheung and Ms. Yeung.

(3) Elfie Limited is beneficially owned by Mr. Cheung and Ms. Yeung, the spouse of Mr. Cheung. The directors of Elfie Limited are Mr. Hoowin Cheung and Ms. Cheung Lok Chi, the children of Mr. Cheung and Ms. Yeung.

(4) Mr. Yeung is an INED.

(5) Please refer to note 14 to the condensed consolidated financial statements for the six months ended 30 September 2012 for details of interest income.

The amounts of securities dealing transactions of Mr. Cheung, Mr. Hoowin Cheung, Hoowin Limited, Elfie Limited and Mr. Yeung during the Review Period were approximately HK$47,857,000 (2011:HK$211,957,000), HK$480,000 (2011: HK$1,201,000), HK$29,324,000 (2011: HK$20,200,000), HK$6,040,000 (2011: HK$10,012,000) and HK$45,000 (2011: HK$390,000) respectively.

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

| | **As at 30 September 2012 (Unaudited) HK$'000** | As at 31 March 2012 (Audited) HK$'000 |
|---|---|---|
| Trade payables: | | |
| Amount due to Hoowin Limited (Note 1) | **7,914** | 18,464 |
| Amount due to Mr. Cheung (Note 1) | **4,063** | 11,983 |
| Amount due to Mr. Hoowin Cheung (Note 1) | **581** | – |
| Amount due to Elfie Limited (Note 1) | **5,097** | 7,442 |
| Loan advance: | | |
| Amount due to Mr. Cheung (Note 2) | **–** | 10,000 |

Notes:

(1) The amount is unsecured, interest bearing at the bank deposit saving rate per annum and repayable on clients' demand.

(2) The amount is unsecured, non-interest bearing and was offset against the debt due to the Company during the Review Period.

## 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 Review Period.

## REVIEW BY AUDIT COMMITTEE

The Company has an audit committee comprising four INEDs. The audit committee has reviewed the unaudited interim financial statements for the Review Period and has discussed the financial related matters with the management.

On behalf of the Board
**Zhao Qingji**
Chairman

Hong Kong, 27 November 2012

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