



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

Transforming Ideas into Opportunities

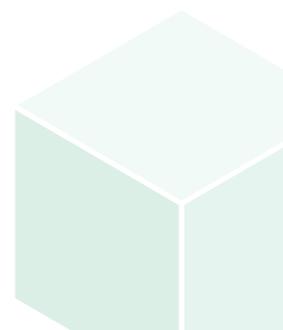
開拓意念 創立商機



2014/15
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. 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.
TC & Co.
Patrick Mak & Tse
Lo, Wong & Tsui

As to Bermuda Law

Appleby

As to the PRC Law

Hills & Co.

Corporate Information

PRINCIPAL BANKERS

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

PRINCIPAL REGISTRAR

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HONG KONG BRANCH REGISTRAR

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

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SHAREHOLDERS' SERVICE HOTLINE

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E-mail address: shareholder@styland.com

WEBSITE

<http://www.styland.com>

INVESTORS' WEBSITE

<http://www.irasia.com/listco/hk/styland/>



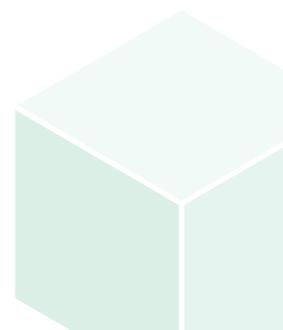
The board of directors (the “**Directors**” or the “**Board**”) of Styland Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2014 (the “**Review Period**”) together with the comparative figures as follows:

Condensed Consolidated Statement of Comprehensive Income

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| • TURNOVER | | 59,524 | 66,785 |
| Revenue | 2 | 22,874 | 20,359 |
| Cost of sales | | (2,356) | (2,389) |
| • GROSS PROFIT | | 20,518 | 17,970 |
| Other income | | 462 | 21,235 |
| Administrative expenses | | (17,001) | (14,314) |
| Selling and distribution costs | | (2,337) | (1,602) |
| Change in fair value of financial assets at fair value through profit or loss | | 40,760 | (3,577) |
| Gain on disposal of financial assets at fair value through profit or loss | | 11,630 | 399 |
| Impairment loss recognised in respect of loan receivables | | (1,043) | (791) |
| Reversal of impairment loss recognised in respect of loan receivables | | 370 | 282 |
| • PROFIT FROM OPERATIONS | | 53,359 | 19,602 |
| Finance costs | | (1,351) | (1,205) |
| • PROFIT BEFORE TAXATION | 3 | 52,008 | 18,397 |
| Income tax expenses | 4 | – | – |
| • PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 52,008 | 18,397 |
| • PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY | | 52,008 | 18,397 |
| • EARNINGS PER SHARE | 6 | | |
| — Basic | | HK1.44 cents | HK0.51 cent |
| — Diluted | | HK1.35 cents | HK0.51 cent |

Condensed Consolidated Statement of Financial Position

| | | At 30 September 2014 (Unaudited) HK\$'000 | At 31 March 2014 (Audited) HK\$'000 |
|--|-------|---|---|
| | Notes | | |
| • NON-CURRENT ASSETS | | | |
| Fixed assets | | 3,314 | 1,276 |
| Investment properties | | 206,000 | 206,000 |
| Loan receivables | 7 | 50,755 | 48,840 |
| Deposits paid for the redevelopment project | | 3,207 | 2,275 |
| Available-for-sale investment | | – | – |
| | | 263,276 | 258,391 |
| • CURRENT ASSETS | | | |
| Inventories | | 309 | 330 |
| Loan receivables | 7 | 89,018 | 92,584 |
| Trade receivables | 8 | 26,443 | 15,989 |
| Other receivables, deposits and prepayments | 9 | 4,187 | 5,085 |
| Financial assets at fair value through profit or loss | | 75,536 | 46,183 |
| Client trust funds | | 82,570 | 46,081 |
| Pledged bank deposits | | 6,291 | 6,280 |
| Bank balances and cash | | 131,177 | 95,247 |
| | | 415,531 | 307,779 |
| • CURRENT LIABILITIES | | | |
| Trade payables | 10 | 91,328 | 48,151 |
| Other payables and accruals | | 8,094 | 5,480 |
| Dividend payable | | 6,346 | 4,924 |
| Borrowings | 11 | 100,730 | 98,911 |
| | | 206,498 | 157,466 |
| • NET CURRENT ASSETS | | | |
| | | 209,033 | 150,313 |
| • TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 472,309 | 408,704 |
| • NET ASSETS | | | |
| | | 472,309 | 408,704 |
| • CAPITAL AND RESERVES | | | |
| Share capital | | 37,488 | 35,694 |
| Reserves | | 434,821 | 373,010 |
| | | 472,309 | 408,704 |
| • EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY AND TOTAL EQUITY | | | |
| | | 472,309 | 408,704 |



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 | Accumulated losses HK\$'000 | Total HK\$'000 |
| At 1 April 2014 | 35,694 | 55,581 | 7,480 | 571,147 | 565,121 | (826,319) | 408,704 |
| Total comprehensive income for the period | - | - | - | - | - | 52,008 | 52,008 |
| Dividend recognised as distribution (note) | - | - | - | - | (6,346) | - | (6,346) |
| Exercise of bonus warrants | 1,794 | 16,149 | - | - | - | - | 17,943 |
| At 30 September 2014 | 37,488 | 71,730 | 7,480 | 571,147 | 558,775 | (774,311) | 472,309 |
| At 1 April 2013 | 37,098 | 55,251 | 6,040 | 571,147 | 589,890 | (907,922) | 351,504 |
| Total comprehensive income for the period | - | - | - | - | - | 18,397 | 18,397 |
| Shares repurchased and cancelled | (1,440) | - | 1,440 | - | (19,845) | - | (19,845) |
| At 30 September 2013 | 35,658 | 55,251 | 7,480 | 571,147 | 570,045 | (889,525) | 350,056 |

Note: The payment of final dividend of HK0.168 cent per share was made on 28 October 2014 to shareholders whose names appeared on the register of members of the Company on 7 Oct 2014. This dividend has been included as a liability in the condensed consolidated financial statements at 30 September 2014.

Condensed Consolidated Statement of Cash Flows

| | Six months ended | |
|--|---------------------------------|---------------------------------|
| | 30 September | |
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Net cash generated from/(used in) operating activities | 26,386 | (25,631) |
| Net cash used in investing activities | (3,932) | (398) |
| Net cash generated from/(used in) financing activities | 13,476 | (2,911) |
| Net increase/(decrease) in cash and cash equivalents | 35,930 | (28,940) |
| Cash and cash equivalents at 1 April | 95,247 | 96,211 |
| Cash and cash equivalents at 30 September | 131,177 | 67,271 |
| Analysis of the balances of cash and cash equivalents | | |
| Bank balances and cash | 131,177 | 67,271 |



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 “**Stock Exchange**”) (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 condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2014 except as described below.

In the Review Period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the Group’s condensed consolidated financial statements:

| | |
|---|--|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment Entities |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| HK (IFRIC) 21 | Levies |

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.



Notes to the Condensed Consolidated Financial Statements

2. Segmental Information

Information reported to the Board, being the chief operating decision makers, 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 results from the Group's new line of business, which is the retail sales of goods, has been assessed together with the Group's trading business. As a result, the name of the trading segment has been changed from "Trading" to "Retailing and trading". The Group's reportable segments under HKFRS 8 are as follows:

- the securities dealing, broking and other financing segment provides securities broking, margin financing, corporate finance and other financing services;
- the mortgage financing segment mainly engages in corporate and personal loans that are secured by real properties;
- the retailing and trading segment mainly engages in retailing and trading of food products;
- the property development and investment segment engages in property redevelopment and letting of properties; and
- the securities trading segment engages in the trading of securities or underlying securities.



Notes to the Condensed Consolidated Financial Statements

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 2014 and the corresponding period in 2013 respectively:

For the six months ended 30 September 2014 (unaudited)

| | Securities dealing, broking and other financing HK\$'000 | Mortgage financing HK\$'000 | Retailing and trading HK\$'000 | Property development and investment HK\$'000 | Securities trading HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|---|---|--------------------------------|-----------------------------------|---|--------------------------------|--------------------------|--------------------------|
| Segment revenue: | | | | | | | |
| External sales | 7,924 | 13,217 | 343 | 1,104 | 286 | - | 22,874 |
| Intersegment sales | 112 | - | 11 | - | - | (123) | - |
| | <u>8,036</u> | <u>13,217</u> | <u>354</u> | <u>1,104</u> | <u>286</u> | <u>(123)</u> | <u>22,874</u> |
| Segment (loss)/profit after intersegment transactions | (464) | 9,119 | (1,512) | 599 | 52,676 | - | 60,418 |
| Unallocated income and expenses | | | | | | | (8,410) |
| Profit before taxation | | | | | | | <u>52,008</u> |

For the six months ended 30 September 2013 (unaudited)

| | Securities dealing, broking and other financing HK\$'000 | Mortgage financing HK\$'000 | Retailing and trading HK\$'000 | Property development and investment HK\$'000 | Securities trading HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|---|---|--------------------------------|-----------------------------------|---|--------------------------------|--------------------------|--------------------------|
| Segment revenue: | | | | | | | |
| External sales | 8,098 | 10,778 | 638 | 788 | 57 | - | 20,359 |
| Intersegment sales | 296 | - | - | - | - | (296) | - |
| | <u>8,394</u> | <u>10,778</u> | <u>638</u> | <u>788</u> | <u>57</u> | <u>(296)</u> | <u>20,359</u> |
| Segment profit/(loss) after intersegment transactions | 2,160 | 7,317 | (181) | 605 | (3,417) | - | 6,484 |
| Unallocated income and expenses | | | | | | | 11,913 |
| Profit before taxation | | | | | | | <u>18,397</u> |



Notes to the Condensed Consolidated Financial Statements

2. Segmental Information (Continued)

Other segment information

For the six months ended 30 September 2014 (unaudited)

| | Securities dealing, broking and other financing HK\$'000 | Mortgage financing HK\$'000 | Retailing and trading HK\$'000 | Property development and investment HK\$'000 | Securities trading HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|---|-----------------------------------|--------------------------------------|--|-----------------------------------|-------------------------|--------------------------|
| Amounts included in the measurement of segment profit or loss or segment assets: | | | | | | | |
| Change in fair value of financial assets at fair value through profit or loss | | | | | | | |
| Change in fair value of financial assets at fair value through profit or loss | - | - | - | - | 40,760 | - | 40,760 |
| Gain on disposal of financial assets at fair value through profit or loss | - | - | - | - | 11,630 | - | 11,630 |
| Impairment loss recognised in respect of other receivables | - | (124) | - | - | - | - | (124) |
| Impairment loss recognised in respect of loan receivables | - | (1,043) | - | - | - | - | (1,043) |
| Reversal of impairment loss recognised in respect of other receivables | - | 52 | - | - | - | - | 52 |
| Reversal of impairment loss recognised in respect of loan receivables | - | 370 | - | - | - | - | 370 |
| Depreciation | (111) | (37) | (15) | - | - | (571) | (734) |
| Gain on disposal of fixed assets | - | - | - | - | - | 1 | 1 |
| Addition to non-current assets (note) | 538 | 238 | 245 | 932 | - | 2,001 | 3,954 |
| 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 | 3 | - | - | - | - | 18 | 21 |
| Finance costs | - | (174) | - | (164) | - | (1,013) | (1,351) |
| Income tax expenses | - | - | - | - | - | - | - |

Note: It excluded those additions to loan receivables and available-for-sale investment.



Notes to the Condensed Consolidated Financial Statements

2. Segmental Information (Continued)

Other segment information (Continued)

For the six months ended 30 September 2013 (unaudited)

| | Securities dealing, broking and other financing HK\$'000 | Mortgage financing HK\$'000 | Retailing and trading HK\$'000 | Property development and investment HK\$'000 | Securities trading HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|---|-----------------------------------|--------------------------------------|--|-----------------------------------|-------------------------|--------------------------|
| Amounts included in the measurement of segment profit or loss or segment assets: | | | | | | | |
| Change in fair value of financial assets at fair value through profit or loss | - | - | - | - | (3,577) | - | (3,577) |
| Gain on disposal of financial assets at fair value through profit or loss | - | - | - | - | 399 | - | 399 |
| Impairment loss recognised in respect of other receivables | - | (82) | - | - | - | - | (82) |
| Impairment loss recognised in respect of loan receivables | - | (791) | - | - | - | - | (791) |
| Reversal of impairment loss recognised in respect of loan receivables | - | 282 | - | - | - | - | 282 |
| Bad debt recovery for loan receivables | 602 | - | - | - | - | - | 602 |
| Depreciation | (61) | (10) | (1) | (1) | - | (329) | (402) |
| Loss on disposal of fixed assets | - | - | - | - | - | (2) | (2) |
| Addition to non-current assets (note 1) | 62 | - | - | 592 | - | 39 | 693 |
| 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 (note 2) | 2 | - | 247 | - | - | 46 | 295 |
| Finance costs | (1) | (152) | - | - | - | (1,052) | (1,205) |
| Income tax expenses | - | - | - | - | - | - | - |

Notes:

1. It excluded those additions to loan receivables and available-for-sale investment.
2. It excluded the interest of HK\$20,000,000 received from Mr. Cheung Chi Shing ("Mr. Cheung") in relation to the settlement of judgment debts.



Notes to the Condensed Consolidated Financial Statements

3. Profit Before Taxation

Profit before taxation is arrived at after charging:

| | Six months ended 30 September | |
|--------------|----------------------------------|---------------------------------|
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Depreciation | 734 | 402 |
| Staff costs | 8,890 | 7,833 |

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 the prior period 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 (2013: nil).

5. Dividends

The Board resolved to recommend a payment of interim dividend of HK0.2 cent per share for the Review Period with a scrip alternative to offer the right to shareholders 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 (2013: HK0.138 cent per share).

6. Earnings Per Share

The calculation of basic and diluted earnings per share for the Review Period is based on the following data:

Earnings:

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share | 52,008 | 18,397 |



Notes to the Condensed Consolidated Financial Statements

6. Earnings Per Share (Continued)

Number of shares:

| | Six months ended 30 September | |
|---|----------------------------------|---------------------|
| | 2014 (Unaudited) | 2013 (Unaudited) |
| Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share | 3,604,765,726 | 3,588,592,760 |
| Effect of dilutive potential ordinary shares — Bonus warrants | 252,810,742 | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 3,857,576,468 | 3,588,592,760 |

7. Loan Receivables

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|--|--|--|
| Securities dealing and broking services: | | |
| — Secured margin loans | 43,686 | 55,586 |
| Less: Impairment loss recognised | (15,015) | (15,015) |
| | 28,671 | 40,571 |
| Financing business: | | |
| — Unsecured loans | 7,492 | 7,571 |
| — Secured mortgage loans | 112,590 | 101,589 |
| Less: Impairment loss recognised | (8,980) | (8,307) |
| | 111,102 | 100,853 |
| | 139,773 | 141,424 |
| The Group's loan receivables (net of impairment loss) are analysed into: | | |
| — Non-current assets | 50,755 | 48,840 |
| — Current assets | 89,018 | 92,584 |
| Total | 139,773 | 141,424 |

There was no significant movement in the impairment of loan receivables during the Review Period. For the mortgage financing business, the balance of secured loans (net of impairment) was HK\$110,079,000 at 30 September 2014 (31 March 2014: HK\$99,871,000).



Notes to the Condensed Consolidated Financial Statements

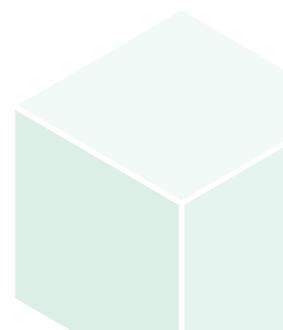
7. Loan Receivables (Continued)

No aged analysis on secured margin loans was disclosed, as it is in the opinion of the Directors that an aged analysis does not give additional value in view of the nature of the securities margin financing business. The aged analysis of the Group's loan receivables net of impairment for the financing business based on contractual maturity dates is as follows:

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|-------------------------------|--|--|
| On demand or within 1 year | 60,347 | 52,305 |
| Over 1 year and up to 5 years | 30,214 | 20,127 |
| Over 5 years | 20,541 | 28,421 |
| | 111,102 | 100,853 |

8. Trade Receivables

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|---|--|--|
| Trade receivables | 31,808 | 21,354 |
| Less: Impairment loss recognised | (5,365) | (5,365) |
| | 26,443 | 15,989 |
| Balance in relation to: | | |
| — Securities dealing and broking services | 26,397 | 15,928 |
| — Retailing and trading | 46 | 61 |
| | 26,443 | 15,989 |



Notes to the Condensed Consolidated Financial Statements

8. Trade Receivables (Continued)

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

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|--------------------------------|--|--|
| Within 6 months | 25,350 | 14,461 |
| Over 6 months and up to 1 year | 1,079 | 131 |
| Over 1 year | 14 | 1,397 |
| | 26,443 | 15,989 |

9. Other Receivables, Deposits and Prepayments

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|------------------------------------|--|--|
| Promissory note receivable (note) | 42,960 | 42,960 |
| Deposits | 1,514 | 1,737 |
| Prepayments | 465 | 881 |
| Interest receivable | 1,809 | 1,687 |
| Other receivables | 1,054 | 1,487 |
| | 47,802 | 48,752 |
| Less: Impairment losses recognised | (43,615) | (43,667) |
| | 4,187 | 5,085 |

Note: Reference is made to note 22 to the audited consolidated financial statements of the Company for the year ended 31 March 2014. The Group still believes that it is in its best interest not to take legal action for the time being and will continue to closely monitor the progress of the recovery of the outstanding money due to the note issuer's subsidiary by its joint venture partner in the toll road project in Wuhan, the PRC.



Notes to the Condensed Consolidated Financial Statements

10. Trade Payables

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|--|--|--|
|--|--|--|

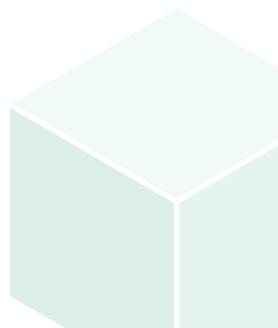
Balance in relation to:

| | | |
|--|---------------|---------------|
| Securities dealing and broking services (note) | 91,092 | 47,924 |
| Retailing and trading | 236 | 227 |
| | <u>91,328</u> | <u>48,151</u> |

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

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

| | | |
|-----------------|------------|------------|
| Within 6 months | 10 | 1 |
| Over 1 year | 226 | 226 |
| | <u>236</u> | <u>227</u> |



Notes to the Condensed Consolidated Financial Statements

11. Borrowings

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|--|--|--|
| Secured bank loans | 100,730 | 84,779 |
| Other secured loans | – | 14,132 |
| | 100,730 | 98,911 |
| Borrowings are repayable: | | |
| — Within one year | 4,429 | 17,808 |
| — Carrying amount of bank loans that are not repayable within one year from the end of the Review Period but contain a repayment demand clause | 96,301 | 81,103 |
| | 100,730 | 98,911 |

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

The Group leases out its investment properties under operating leases, the tenancies of which will expire within one to three years. The turnover-related rental income received during the Review Period amounted to HK\$1,104,000 (2013: HK\$788,000).



Notes to the Condensed Consolidated Financial Statements

12. Operating Lease Arrangements (Continued)

(a) Lessor (Continued)

At the end of Review Period, the future aggregate minimum lease receipts under non-cancellable operating leases receivable by the Group were as follows:

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|---|--|--|
| Within one year | 2,335 | 1,186 |
| In the second to fifth years, inclusive | 1,670 | – |
| | 4,005 | 1,186 |

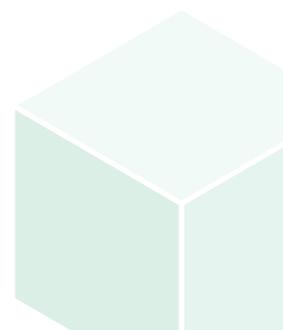
(b) Lessee

At the end of the Review Period, 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 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|---|--|--|
| Within one year | 3,186 | 2,251 |
| In the second to fifth years, inclusive | 1,734 | 408 |
| | 4,920 | 2,659 |

13. Contingent Liabilities

As at 30 September 2014, the Group had no material contingent liabilities.



Management Discussion and Analysis

Results

During the Review Period, the Group recorded a turnover of HK\$59,524,000 as compared to the HK\$66,785,000 that was recorded for the corresponding period in 2013. However, the Group had improved its bottom line for the Review Period as shown by the net profit of HK\$52,008,000 in the Review Period as compared with the net profit of HK\$18,397,000 in the corresponding period in 2013. This improvement in net profit was mainly attributable to the gain arising from the disposal of or changes in fair value of financial assets through profit and loss.

Review of Operations

- **Brokerage Business**

In April 2014, the central government announced the Shanghai-Hong Kong Stock Connect (the “**Stock Connect**”), a pilot programme for the establishment of mutual stock market access between Mainland China and Hong Kong. The Stock Connect creates for the first time, a channel that allows Hong Kong and overseas investors to trade Shanghai Stock Exchange securities and certain eligible Mainland investors to trade Hong Kong Stock Exchange securities. To capitalize on this golden opportunity, we applied to become a service provider of the Stock Connect. During the Review Period, we enhanced our computer hardware and software system and took part in and completed the market rehearsals of trading process as well as clearing and settlement matters for the Stock Connect. After such sufficient preparations, we have been recognised as one of the market participants that is allowed to provide brokerage services for the Stock Connect transactions.

With the popularity of online securities trading, we managed to provide our online clients more latest stock market information and online margin financing services with a view to increase the frequency of our clients’ online trading transactions. Thanks to these value-added services, the turnover of our online trading transactions had increased significantly as compared with the corresponding period in 2013. To broaden our client base, during the Review Period, we introduced a new marketing promotional program pursuant to which we offered our clients interest free loans when they subscribed for the iBond issued by the government of Hong Kong. This program was well received by our clients. Not only did the program expedite the growth of new accounts, it also encouraged dormant clients to reactivate their accounts.

During the Review Period, the Group recorded a total securities dealing turnover of approximately HK\$3.4 billion, an increase of approximately 34% when compared to that in the corresponding period in 2013. The number of active client accounts also grew by approximately 9% in the Review Period.



Management Discussion and Analysis

- **Mortgage Financing**

We observed that the growth momentum of real estate-backed loan service was sustained throughout the Review Period. With our strong cash flow position, we were capable of providing sufficient resources to develop our mortgage financing business, thus the net balance of loan receivables remained as high as approximately HK\$110,079,000 as at 30 September 2014. In the Review Period, interest income earned by the mortgage financing segment was approximately HK\$13,217,000, representing an increase of 23% as compared to the corresponding period in 2013.

To sustain the growth of this segment, during the Review Period, we demonstrated our ability to effectively manage the credit risk of our loan portfolio. As such, even though our mortgage financing business had grown substantially, the Group did not record any material bad debt provisions over the past years. Benefiting from our long-standing, cordial business connections, which have been in place since the inception of this business, we believe that the revenue from our mortgage financing division will continue to be one of our major sources of income.

- **Retailing and Trading Businesses**

The retailing and trading businesses are promoted and marketed by Quoting Life, the Group's distribution vehicle launched in the 2013/2014 financial year. Under the Quoting Life brand, we have the exclusive distribution right to distribute the chocolate and confectionery products of an Italian company, Maglio Arte Dolciaria S.R.L. ("**Maglio**"), in Hong Kong, Macau and Mainland China except for Qing Dao.

During the Review Period, we opened a new Quoting Life shop in Causeway Bay, one of Hong Kong's busiest shopping districts. Additionally, we continued to cooperate with a cake shop chain to sell our Maglio products. To promote the Quoting Life brand, we also set up sales booths in Yata shops in San Po Kong, Tsuen Wan, Mongkok, Tuen Mun, Tai Po and Shatin. Sales booths were also set up at Citistore shops in Tsuen Wan, Ma On Shan and Tuen Mun. To provide a convenient way for customers to buy our products, we also launched our Quoting Life online store at www.quotinglife.com.hk.

- **Property Development and Investment**

As at 30 September 2014, our property portfolio included residential and commercial properties located in Sai Kung, Fei Ngo Shan and Central, and the market value totalled HK\$206,000,000. The rental revenue from our Sai Kung and Central properties provided us stable income. With regard to the Fei Ngo Shan property, we have planned to redevelop this property into a two-storey dignitary house to maximize its value. In light of the ever-increasing demand for commercial properties in Central, the heart of Hong Kong's financial hub, we believe that the rental value of the Group's Central property will still have an upside potential.





Management Discussion and Analysis

Prospects

Despite the US Federal Reserve having ended its quantitative easing policy in October 2014, we continue to hold a positive view on the territory's economy, mainly because of its close proximity to Mainland China, where the growth of gross domestic product will still be maintained at a reasonable level. Also, after the launch of the Stock Connect, we expect that cross-border stock trading activities will boom in the long term, and this is expected to benefit broker firms like ours, that are allowed to provide such services. To capture new clients of the mainland market, we have set up a representative office in Jiangmen City, Guangdong Province to facilitate the development of our financial services business in the PRC.

Faced with keen competition in the mortgage financing market, the Group will consolidate and reinforce its competitive advantages in risk management, and will also consider to diversify its financing channels by expanding its funding source in order to further grow its loan portfolio.

To promote the Quoting Life brand, we will continue to add other products into the Quoting Life product line to offer a greater variety of products to customers. To broaden our sales channels, we plan to open more new shops in Hong Kong, and start a series of marketing activities to boost the sales of our products.

The Group holds a cautiously optimistic view on Hong Kong's economy as well as the prospect of the property market. During and after the Review Period, the property price index has rebounded notwithstanding the government's measures to stabilize property prices. We believe that the prices of the Group's properties will stay at a stable level in the foreseeable future.

Financial Review on Liquidity and Financial Resources and Capital Structure

As at 30 September 2014, the Group's net asset value was approximately HK\$472,309,000 (31 March 2014: approximately HK\$408,704,000) and cash at bank and in hand totaled approximately HK\$131,177,000 (31 March 2014: HK\$95,247,000) of which approximately 98.29% was held in Hong Kong dollars, approximately 1.53% in Renminbi and approximately 0.18% in US dollars.

Borrowings as at 30 September 2014 amounted to approximately HK\$100,730,000 (31 March 2014: HK\$98,911,000), of which approximately HK\$4,429,000 (31 March 2014: HK\$17,808,000) were repayable within one year. All of the borrowings were denominated in Hong Kong dollar. During the Review Period, the interest rates for bank borrowings were charged on a monthly basis at the rates of 2.85% or 2.75% below the prime rate of 5.25% per annum for Hong Kong dollars quoted by the bank, and the effective rates were 2.4% and 2.5% per annum respectively. The gearing ratio, being the ratio of total borrowings to shareholders' fund of approximately HK\$472,309,000, was about 0.21 (31 March 2014: 0.24).

As at 30 September 2014, time deposits totaling approximately HK\$6,291,000 and investment properties with a total market value of approximately HK\$206,000,000 were pledged to a bank to secure the banking facilities that were granted to the Group.



Management Discussion and Analysis

Investments in Financial Assets

As at 30 September 2014, other than the holding of a portfolio of listed securities with a market value of approximately HK\$75,536,000 for the trading purpose, the Group did not make any other major investments during the Review Period. The Group will continue to adopt a prudent approach for all its investments.

Closure of Register of Members

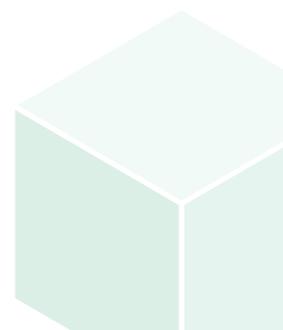
The register of members of the Company will be closed from 3 February 2015 to 5 February 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, shareholders and warrant holders of the Company are reminded to ensure that all completed share transfer or subscription forms accompanied by the relevant share certificates or warrant certificates together with subscription monies must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 2 February 2015.

Credit Risk

For the brokerage business, 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 charged to customers will be determined based on these factors. Generally, margin loans will be demanded for repayment once a customer fails to maintain the maintenance margin or fails to repay the margin loan or another sum that is due to the Group.

For the mortgage financing business, mortgage loans will be granted to clients based on the aggregate market value of the pledged properties as confirmed by independent valuers. To lower the Group's risk exposure in its mortgage financing 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.



Management Discussion and Analysis

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 who have acted in compliance with the SFO, has been set up to monitor the settlement matters of traded securities and cash, and to provide clients services of the regulated activities. Set out below is the information for the number of responsible officers of the Group for each regulated activity:

| Type of licence | Regulated activity | Number of responsible officers |
|-----------------|-------------------------------|--------------------------------|
| Type 1 | Dealing in securities | 6 |
| Type 4 | Advising on securities | 4 |
| Type 6 | Advising on corporate finance | 3 |

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 we are able to maintain our service standard at a satisfactory level. Our clients were satisfied with our services. During Review Period, we have properly managed a total securities dealing turnover of approximately HK\$3.4 billion.

To maintain our strong internal controls system, we have four certified public accountants on our management team, three of whom are Board members. These individuals will monitor and advise the Group on its internal control matters. Under the mortgage financing business, we had a net balance of mortgage loans of approximately HK\$110,079,000 as at 30 September 2014, and customers were satisfied with our services.

Interest Rate Risk

During the Review Period, all of the Group's borrowings were denominated in Hong Kong dollar, and its interest risk arises from interest payments which are charged according to floating interest rates with remaining repayment periods ranging from around 18 to 20 years. The Group monitors its interest rate exposure regularly to ensure that the underlying risk is within an acceptable range.

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. As at 30 September 2014, the amount of undrawn banking facilities of the Group was approximately HK\$12,777,000.



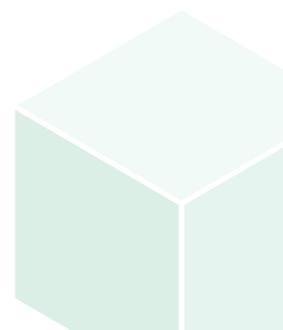
Management Discussion and Analysis

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 dollar, US dollar, Euro and Renminbi. In light of the exchange rate peg between the Hong Kong dollar and US dollar, and the immaterial balance of assets and liabilities denominated in Renminbi and Euro when compared to the Group's total assets or liabilities, 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.

Staff

As at 30 September 2014, the Group had 69 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 the employees' 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.





Directors' Interest in Securities

As at 30 September 2014, none of the Directors and chief executive of the Company had any interest 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 required notification 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 have taken or deemed to have taken 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 2014, the Company had been notified of the following interests in the Company:

| | Number of shares | Number of underlying shares | Total | Percentage |
|---|------------------|-----------------------------|-------------|------------|
| Mr. Cheung (note 1) | 802,979,609 | 160,595,916 | 963,575,525 | 25.70% |
| Ms. Yeung Han Yi Yvonne ("Ms. Yeung") (note 2) | 802,979,609 | 160,595,916 | 963,575,525 | 25.70% |
| Mr. Cheung Hoo Yin (note 3) | 206,010,000 | 41,202,000 | 247,212,000 | 6.59% |

Notes:

1. Mr. Cheung personally held 722,866,457 shares and underlying shares of the Company. As Mr. Cheung is the sole shareholder of K.Y. Limited ("KY"), he was deemed to have interest in 114,318,870 shares and underlying shares of the Company held by KY. Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 126,390,198 shares and underlying 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 837,185,327 shares and underlying shares of the Company beneficially interested by Mr. Cheung.
3. Mr. Cheung Hoo Yin is the son of Mr. Cheung and Ms. Yeung.

Save as disclosed herein, so far known to the Directors or chief executives of the Company, as at 30 September 2014, there was no other person had interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.





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 uphold that belief, the Company keeps enhancing its corporate governance.

During the Review Period, the Company has strictly complied with all of the code provisions in the Corporate Governance Practices Code (the "**Code**") contained in Appendix 14 of the Listing Rules except that two independent non-executive Directors ("**INEDs**"), one of whom being the Chairman of the Company, did not attend the Annual General Meeting 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, employee, consultant, agent, contractor, customer or 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.

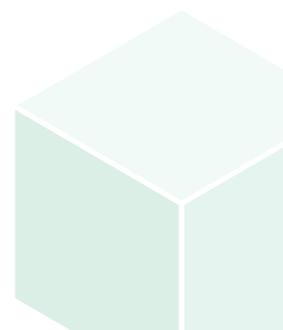
Share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the INEDs.

The exercise price of the share options is determined by the Directors, however, the exercise price 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.

The share options do not confer rights onto the share option holders to receive dividends or vote at shareholders’ meetings.

Under the Scheme, there was no option granted, exercised, cancelled or lapsed during the Review Period.

As at 30 September 2014, 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 | |
|--------------------------|----------------------------------|---------------------------------|
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Short-term benefits | 1,744 | 1,283 |
| Post-employment benefits | 32 | 29 |
| | 1,776 | 1,312 |

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 had no material transactions with its related parties. For the six months ended 30 September 2013, the Group received from Mr. Cheung a judgement debt of HK\$20,000,000. Mr. Cheung is a substantial shareholder of the Company and the father of Mr. Cheung Hoo Win ("**Mr. Hoowin Cheung**"), a Director and the Chief Executive Officer of the Company. Please refer to note 14 to the condensed consolidated financial statement for the six months ended 30 September 2013 for details of the judgement debt.
- (c) Save as disclosed above, as at the end of the Review Period, the Group had the following material balances with its related parties:

| | As at 30 September 2014 (Unaudited) HK\$'000 | As at 31 March 2014 (Audited) HK\$'000 |
|--|--|--|
| Trade payables: | | |
| Amount due to Mr. Cheung (note 1) | 302 | – |
| Amount due to Mr. Hoowin Cheung (note 1) | 4,294 | 4,144 |
| Amount due to Elfie Limited (notes 1 and 2) | 3,936 | 4,294 |
| Amount due to Mr. Cheung Hoo Yin (notes 1 and 3) | 731 | 472 |
| | 9,263 | 9,010 |
| Loan receivable | | |
| Amount due from Mr. Ng Yiu Chuen (note 4) | 163 | 212 |
| | 163 | 212 |



Related Party Transactions

(c) (Continued)

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

Note 2: Elfie Limited is beneficially owned by Mr. Cheung and Ms. Yeung. The directors of Elfie Limited include a director of the Company and two of his close family members.

Note 3: Mr. Cheung Hoo Yin is the son of Mr. Cheung and Ms. Yeung.

Note 4: Mr. Ng Yiu Chuen is an executive Director of the Company. The amount is unsecured, interest bearing at 4% per annum. It was fully repaid on 31 October 2014.

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 Review Period.



Bonus Issue of Warrants

On 27 November 2013, the Board proposed an issue of bonus warrants to the shareholders on the basis of 2 warrants for every 10 shares (the “**Bonus Issue of Warrants**”). For details of the Bonus Issue of Warrants, please refer to the announcement of the Company dated 30 December 2013 (the “**Announcement**”). On 27 January 2014, the shareholders approved the Bonus Issue of Warrants, pursuant to which 713,154,617 warrants were issued. The initial subscription price is HK\$0.10 and the subscription period will be from 19 February 2014 to 18 August 2015 (both days inclusive). Full exercise of the subscription rights attaching to the 713,154,617 warrants would result in the issue of 713,154,617 new shares. Details of exercise of warrants are set out as follows:

| | Number of warrants | Amount HK\$'000 |
|---|--------------------|--------------------|
| Number of warrants issued | 713,154,617 | 71,315 |
| Exercised during the year ended 31 March 2014 | (3,663,126) | (366) |
| At 1 April 2014 | 709,491,491 | 70,949 |
| Exercised during the Review Period | (179,430,706) | (17,943) |
| At 30 September 2014 | 530,060,785 | 53,006 |

As disclosed in the Announcement, the Group will apply any subscription monies received as and when subscription rights are exercised (the “**Subscription Monies**”) towards general working capital of the Group and potential investments as intended. As at 30 September 2014, the Subscription Monies were placed in a bank.

Review by Audit Committee

The Company has an audit committee comprising of 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, 25 November 2014



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