STYLAND HOLDINGS LIMITED
大凌集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 211)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2004

RESULTS

The Board of Directors (the "Directors") of Styland Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004 and the comparative figures for the year ended 31 March 2003 as follows:

	Notes	**2004** **HK$'000**	2003 *HK$'000* (Restated)
Turnover	2	**114,728**	119,137
Cost of sales		**(96,631)**	(98,437)
Gross profit		**18,097**	20,700
Other revenue and gains		**47,701**	48,670
Reversal of provision for doubtful debts		**7,930**	1,630
Selling and distribution expenses		**(1,304)**	(2,244)
Administrative expenses		**(37,565)**	(52,632)
Net realised holding gains/(losses) on listed investments		**8,739**	(7,317)
Reversal of impairment loss of property under re-development		**12,000**	–
Impairment loss of property under re-development		**–**	(7,000)
Revaluation increase/(decrease) on investment properties		**2,000**	(2,720)
Impairment loss of investment in a joint venture		**(174,913)**	–
Impairment loss of long term investments		**(56,765)**	(118,905)
Provisions against accounts and loans receivable		**(12,839)**	(75,236)
Amortisation of investment in a joint venture		**(68,510)**	(68,510)
Other expenses		**(4,578)**	(17,028)
Loss from operations	3	**(260,007)**	(280,592)
Finance costs		**(8,829)**	(11,284)
Loss before taxation		**(268,836)**	(291,876)
Taxation	4	**655**	2,667
Loss before minority interests		**(268,181)**	(289,209)
Minority interests		**110,505**	21,689
Net loss for the year		**(157,676)**	(267,520)
Dividends	5	**1,749**	–
Loss per share	6		
– Basic		**(HK$0.09)**	(HK$0.17)
– Diluted		**N/A**	N/A

Notes:

1. **Adoption of Statement of Standard Accounting Practice**

   In the current year, the Group has adopted, for the first time, the Statement of Standard Accounting Practice 12 (Revised) "Income Taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants.

   The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

As a result of this change in policy, the loss for the year ended 31 March 2003 and the accumulated losses brought forward on 1 April 2003 has been decreased by HK$902,000.

2. Segmental information

(a) Business segments

The following tables present revenue, and profit/(loss) information for the Group's business segments:

	General import and export trading	Securities dealing and broking	Financing	Property development and investment	Strategic investments	Corporate	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2004									
Segment revenue:									
External sales	**98,221**	**6,739**	**9,696**	**72**	**–**	**–**	**–**	**–**	**114,728**
Other revenue	**1,705**	**2,887**	**677**	**4,307**	**2,566**	**184**	**20**	**–**	**12,346**
Inter-segment sales	**–**	**2,392**	**18**	**720**	**–**	**14,732**	**–**	**(17,862)**	**–**
Total revenue	**99,926**	**12,018**	**10,391**	**5,099**	**2,566**	**14,916**	**20**	**(17,862)**	**127,074**
Segment result	**(3,579)**	**3,593**	**(1,852)**	**15,918**	**(293,218)**	**(11,984)**	**(4,240)**	**–**	**(295,362)**
Interest and dividend income and unallocated gains									**35,355**
Loss from operations									**(260,007)**
Finance costs									**(8,829)**
Loss before tax									**(268,836)**
Tax									**655**
Loss before minority interests									**(268,181)**
Minority interests									**110,505**
Net loss for the year									**(157,676)**
For the year ended 31 March 2003									
Segment revenue:									
External sales	104,942	6,091	7,898	206	–	–	–	–	119,137
Other revenue	1,585	5,172	547	10	1,779	208	1,633	–	10,934
Inter-segment sales	–	7,486	358	720	–	20,703	–	(29,267)	–
Total revenue	106,527	18,749	8,803	936	1,779	20,911	1,633	(29,267)	130,071
Segment result	(2,578)	(9,772)	(65,679)	(16,083)	(185,687)	(22,146)	(16,383)	–	(318,328)
Interest and dividend income and unallocated gains									37,736
Loss from operations									(280,592)
Finance costs									(11,284)
Loss before tax									(291,876)
Tax									2,667
Loss before minority interests									(289,209)
Minority interests									21,689
Net loss for the year									(267,520)

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments:

	Sales to external customers	
	2004	2003
	HK$'000	*HK$'000*
Hong Kong	**42,344**	44,132
Mainland China	**–**	42
Europe	**68,801**	68,475
North America	**3,067**	3,065
Others	**516**	3,423
	114,728	119,137

3. **Loss from operations**

Loss from operations has been arrived after charging/(crediting):

	2004	2003
	HK$'000	*HK$'000*
Depreciation	**1,608**	2,104
Amortisation of goodwill	**584**	2,242
Loss on disposals of fixed assets	**1,009**	2,761
Loss on disposal of an investment property	**850**	2,000
Loss on disposals of subsidiaries	**–**	702
Net realised holding losses on listed investments	**–**	7,317
Staff costs, including directors' remuneration	**18,087**	20,471
Interest income	**(518)**	(374)
Dividend income	**(34,837)**	(37,362)
Negative goodwill recognised as income	**(2,164)**	(1,624)
Net realised holding gains on listed investments	**(8,739)**	–
Gains on disposals of investment properties	**(3,327)**	–

4. **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year.

5. **Dividends**

During the year, the Directors withdrew the resolution for approving the proposed final dividend for the year ended 31 March 2003 at the annual general meeting of the Company held on 26 September 2003 as the preceding conditions could not be met.

A special dividend for the year ended 31 March 2004 was paid and satisfied by the distribution to shareholders of one share of each of Inworld Group Limited, Riverhill Holdings Limited and Rainbow International Holdings Limited (the "Distribution Shares") respectively for every 50 shares of HK$0.01 each of the Company held on 26 September 2003 to replace the proposed final dividend for the year ended 31 March 2003. The Distribution Shares were dispatched to shareholders on 1 December 2003.

The Directors do not recommend the payment of any final dividend for the year ended 31 March 2004.

6. **Loss per share**

The calculation of loss per share is based on the net loss attributable to shareholders of HK$157,676,000 (2003: HK$267,520,000 as restated) and the weighted average of 1,750,282,292 (2003: 1,576,741,084) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2004 and 2003 have not been disclosed, as the options outstanding during both years had an anti-dilutive effect on the basic loss per share for those years.

7. **Inquiry by the Securities and Futures Commission ("SFC")**

As stated in the Company's announcement dated 3 June 2003, pursuant to a notice dated 20 March 2003, the SFC is conducting an inquiry into certain matters of the Group under section 29A of the former Securities and Futures Commission Ordinance. The inquiry is not yet concluded and the Directors are unable to estimate when the inquiry may expect to conclude. The Directors are at present not aware of any matters arising from the inquiry that might affect the preparation of these financial statements which have been prepared after due consideration.

8. **Qualified audit report**

As a result of "the preceding auditors' report on the financial statements for the year ended 31 March 2003 was qualified to the extent that no opinion could be expressed in respect of the fair values of two unlisted equity long term investments amounted to HK$26 million and HK$31 million respectively included as part of the total long term investments of HK$65.8 million as stated in the consolidated balance sheet as at 31 March 2003", the Company's auditors have issued a qualified opinion arising from limitation of audit scope as follows:

Except for the effects of any adjustments which might have been found to be necessary in respect of the Group's long term investments referred to above, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. In respect alone of the limitations on our work relating to the long term investments referred to above:

– we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
– we were unable to determine whether proper books of account have been kept.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's turnover was maintained at HK$114.7 million, which represented a drop of 3.7% compared to the previous year. Benefit from the pick up of stock and property market during the financial year under review, the Group recorded the gain from its investments in stock market, surplus from the revaluation of properties, improvement in and reversal of bad debts provision which contributed to the improvement in the loss attributable to shareholders from HK$267.5 million in the preceding year to HK$157.6 million in current year.

As a result of cost rationalization and business restructuring, the Group managed to reduce its administrative expenses, selling and distribution costs and financing expenses, in total, by HK$18.5 million, representing 28% decrease as compared to the corresponding year in 2003.

Review of operation and prospect

Although the SARS impact gradually fade out since June 2003, the consumers' confidence in Asian markets did not recover as quickly as expected which led to significant drop of the Group's garment trading to those markets. However, the Group managed to maintain its export to the Europe markets and sales in the Hong Kong market which in aggregate accounted for 97% of the turnover of its general trading, import and export business. To capitalize the opportunities of global economic recovery, the Group is now exploring overseas markets for its trading business.

With the gradual recovery of economic environment in the second half-year and a series of favourable policies from the Central Government including Closer Economic Partnership Agreement, investors' sentiments have been improved, which resulted in increase in turnover of securities and financing business of the Group by 17% when compared with that of the preceding year. In light of closer connection with the mainland, the fast growing market for financing and securities businesses, the Group plans to upgrade its securities trading system to facilitate its clients in the PRC.

It's the Group's strategy, on one hand, to continue the series of restructuring measures, on the other hand to review its internal procedures to cut corners on redundant expenditure and to efficiently utilize the capacity of its staff to reduce outsourcing. We believe that the lean cost structure helps to strengthen the competitive edge of the Group to face any challenges in the future.

Looking ahead, Hong Kong will have a promising environment for future development. The opening of Disneyland in 2005 and building the Hong Kong-Zhu Hai-Macau Bridge offer golden opportunities for the economic development of Hong Kong, which will bring further benefits to the Group.

Investment

During the year under review, the Group continued to review its long term investments, in particular, Well Pacific Investments Limited ("Well Pacific") and Seven Perfect Investment Co. Limited ("Seven Perfect"). Because of continuing disputes with the management of Well Pacific, the Group was still unable to obtain any latest financial information about Well Pacific. In view of that, full provision for the investment in Well Pacific was made in the current year. For Seven Perfect which failed to generate cash flows to the Group, the Group planned to dispose the investment in order to realize the value.

As disclosed in our announcement dated 27 February 2004, the contractual joint venture the ("CJV Partner") in the National Highway 318 in Wuhan, China had unilaterally decided to relocate the toll station of the National Highway ("Toll Road"), which results in significant drop in traffic flows of the Toll Road. The Group has been liasing with the CJV partner for compensation on the loss. As such, impairment of HK$174.9 million was proposed during the current year.

On 30 March 2004 ("Agreement Date"), the Group enter into conditional sales and purchase agreement to acquire 9% interest in a company which, through it's wholly owned subsidiary, holds various lots of land in Po Toi Island, which planned to be developed into resort hotel with golf course ("Acquisition"). The Group also on the same day entered into a conditional subscription agreement to subscribe 41 convertible loan notes issued by that company, which enables the Group to convert into 45% of its enlarged share capital ("Subscription"). As the related due diligence and feasibility review revealed that the project would be a very complex project and there are numerous outstanding issues relating to various government departments, the directors decided not to proceed with the Acquisition and Subscription.

Liquidity and financial resources

At 31 March 2004, the Group had cash at bank and in hand totaled approximately HK$4.8 million (31 March 2003: HK$23.0 million) and net assets value of approximately HK$148.5 million (31 March 2003: HK$303.2 million).

Proceeds from exercising of share option by employees were HK$4.8 million for the current year. Interest-bearing bank loans and other borrowings at 31 March 2004 amounted to HK$128.6 million (31 March 2003: HK$150.2 million), of which HK$48.6 million (31 March 2003: HK$71.9 million) were repayable within one year. The gearing ratio, being the ratio of total bank loans and other borrowings and hire purchase payables of approximately HK$130.6 million to shareholders' fund of approximately HK$148.5 million, was about 0.88 (31 March 2003: 0.50).

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

As at 31 March 2004, a time deposit of HK$9.0 million, a property held for redevelopment at a revalued amount of HK$45.0 million, an investment property at a valuation of HK$13.0 million and the Group's interest in a joint venture with a net book value of HK$131.4 million were pledged to secure the banking facilities granted to the Group.

Contingent liabilities

As at 31 March 2004, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with the banking facilities granted to certain subsidiaries amounting to approximately HK$151.9 million (31 March 2003: HK$115.1 million), subject to unlimited amount to two subsidiaries (31 March 2003, one subsidiary) to which the bank may renew the limit from time to time. As at 31 March 2004, the total amount utilized by the subsidiaries was approximately HK$38.4 million (31 March 2003: HK$28.5 million).

Litigation

(1) On 24 September 2003, the Company received a writ of summons from the High Court of Hong Kong, in which Messrs. Jinlin Sun (孫進林先生) and Wen Lin (林文先生) (the "Plaintiffs") sued the Company and its existing directors and ex-directors (the "Defendants") for breach of various duties owed to the Company and claimed against the Defendants for (a) damages to be assessed; (b) an account of profits made by the Defendants and that all sums found due upon such account be paid by them to the Company; (c) the existing directors of the Company be removed from the board of directors of the Company; (d) an order that a receiver and manager be appointed to preserve and safeguard the assets and undertaking of the Company; (e) interest; (f) further and/or other relief; and (g) costs.

The Plaintiff's claim (d) was dismissed on 13 October 2003 and the Plaintiffs were ordered to pay the cost of HK$862,000 to the Company on 5 July 2004. In relation to the main action of the legal proceeding, the Defendants filed their defence on 22 December 2003. The Plaintiffs have stayed all their action in relation to the main action since then.

(2) In June 2003, 海南萬眾實業投資有限公司("海南萬眾") sued 武漢盛達房地產開發有限公司("武漢盛達") and Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da"), a non-wholly owned subsidiary of the Group, for repayment of a debt in the sum of RMB19,270,000, interest thereon and legal costs (the "Case"). Both 海南萬眾and 武漢盛達 are companies incorporated in the PRC and independent to the Company. The reason for Sheng Da to be involved in the Case was that 海南萬眾alleged that 武漢盛達 held shareholding interest in and had a receivable due from Sheng Da. On 22 August 2003, the court of Hainan issued a Notice of Assistance in Execution against Wuhan Dongseng Highway Building Development Co. Limited, in which Sheng Da has 48.67% shareholding interest, requesting for retaining the dividend to be distributed to Sheng Da up to RMB19,270,000 ("Retained Amount") until the dispute is resolved.

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

The Directors consider that:

(i) the subject of the case was to claim for receivable due from 武漢盛達 to 海南萬眾 and Sheng Da shouldn't be claimed for;

(ii) through the provision of the Undertaking, there will be no material adverse financial impact to the Company. Any further dividend or distribution payable to the Old Shareholders shall be retained by Sheng Da to set off the Retained Amount.

Staff

As at 31 March 2004, the Group employed 55 employees (2003: 75). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the financial year ended 31 March 2004 save that the independent non-executive directors are not appointed on specific term as required by paragraph 7 of the Code but subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee, comprising of the two independent non-executive directors of the Company, has reviewed the annual results.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

Financial and other information of the Company for the year ended 31 March 2004 required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules of the Stock Exchange will be published on the Stock Exchange's website in due course.

On behalf of the Board
Styland Holdings Limited
Johnny Wing Fai Tam
Managing Director

Hong Kong, 21 July 2004

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

* *for identification only*

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