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## **STYLAND HOLDINGS LIMITED**

**大凌集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 211)**

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018**

Reference is made to the section headed “Basis for Qualified Opinion” contained in the Independent Auditor’s Report for the year ended 31 March 2018 of Styland Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) contained in the annual report of the Company for the year ended 31 March 2018. Unless the context otherwise defined, capitalized terms used in this announcement should have the same meanings as those defined in the Independent Auditor’s Report.

The board of directors (the “**Directors**”) of the Company wishes to provide additional information in respect of the auditor’s basis for qualified opinion on the Equity Fund.

#### **Auditor’s Key Concerns on the Valuation of the Equity Fund for the Year Ended 31 March 2018**

The Equity Fund’s portfolio of investments mainly comprised of listed and unlisted equity securities. The Equity Fund itself was unlisted and did not have a quoted market price in an active market. The fair value of the Equity Fund as at 31 March 2018 was determined by the Directors with reference to the portfolio of investments held by the Equity Fund, including the valuation reports on the unlisted equity securities held by the Equity Fund performed by an independent valuer engaged by the Equity Fund as at 31 December 2017. The Directors were of the opinion that there were no material changes to the fair value of the unlisted equity securities held by the Equity Fund from 31 December 2017 to 31 March 2018.

\* *For identification purposes only*

During the course of the audit, the Equity Fund was unable to facilitate direct communication between its valuer and our auditor in the performance of the necessary audit procedures. The auditor was unable to obtain sufficient audit evidence to assess the appropriateness of the methodologies, inputs and the assumptions adopted by the independent valuer for the purposes of their valuations as at 31 December 2017.

In addition, the period of the valuations of the respective unlisted equity securities held by the Equity Fund was up to 31 December 2017, and the auditor was unable to obtain sufficient audit evidence to ensure that there were no material changes to the fair value of the respective unlisted equity securities held by the Equity Fund from 31 December 2017 to 31 March 2018.

### **Auditor's Key Concern on the Carrying Balance of the Equity Fund as at 31 March 2017**

According to the Company's accounting policies, the available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment. As such, the Equity Fund with a carrying amount of HK\$5,000,000 was carried at cost less impairment as at 31 March 2017. However, whereas the Equity Fund was stated at its fair value as at 31 March 2018, the auditor was unable to determine whether the Equity Fund's fair value as at 31 March 2017 could be reliably measured and whether the Equity Fund's carrying amount should be stated at fair value or costs less impairment, and this was the auditor's key concern leading to the qualified opinion on the carrying amount of Equity Fund as at 31 March 2017.

### **Audit Committee's View on the Valuation Attributable to the Qualified Opinion**

The Group determined the fair value of its investment in the Equity Fund as at 31 March 2018 with reference to the investment portfolios held by the Equity Fund, including the valuation reports prepared by the Equity Fund's valuer on the unlisted securities held by the Equity Fund as at 31 December 2017. The Audit Committee was of the view that there was no material movement to the fair value of the unlisted securities held by the Equity Fund within such relatively short period of time from 31 December 2017 to 31 March 2018, and regarded the fair value measurement remaining reliable.

In respect of the carrying balance of the Equity Fund as at 31 March 2017, taking into account the unavailability of the fair value information of the Equity Fund as at 31 March 2017, the Audit Committee thought that the basis of the record of the carrying amount of the Equity Fund at its cost was appropriate.

## **Action Plan for Removal of Audit Qualification**

Notwithstanding the Audit Committee's view on the valuation of the Equity Fund as above-mentioned, in order to address the auditor's concerns and to facilitate the communication between the valuer and the auditor, the Company itself has engaged a valuer to carry out valuation on the Equity Fund. The Company's valuer has discussed with the auditor about the valuation approach and is in the process of performing the valuation.

The Company believes that the Company's auditor and valuer could thoroughly discuss on the methodologies, assumptions and inputs for the new valuation. However, to ensure the removal of the auditor's qualified opinion, in the extreme case that the auditor's concerns could not be addressed even with the assistance of the Company's own valuer, the Company would consider other alternatives, e.g. to dispose of the Equity Fund, to settle this matter.

Further announcement(s) will be made by the Company to update its shareholders about this matter as and when appropriate.

By order of the Board  
**Styland Holdings Limited**  
**Zhao Qingji**  
*Chairman*

Hong Kong, 1 November 2018

*As at the date of this announcement, the executive directors of the Company are Mr. Cheung Hoo Win, Mr. Ng Yiu Chuen, Ms. Mak Kit Ping, Ms. Zhang Yuyan and Ms. Chen Lili and the independent non-executive directors of the Company are Mr. Zhao Qingji, Mr. Yeung Shun Kee, Mr. Li Hancheng, Mr. Lo Tsz Fung Philip and Mr. Lee Kwok Yin Denthur.*