



STYLAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2003

RESULTS

The Board of Directors of Styland Holdings Limited (the “Company”) is pleased to announce the audited consolidated result of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2003 together with comparative figures for the year ended 31 March 2002 as follows:

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
TURNOVER	2	119,137	122,784
Cost of sales		<u>(98,437)</u>	<u>(102,043)</u>
Gross profit		20,700	20,741
Other revenue and gains		48,670	84,303
Reversal of provision for doubtful debts		1,630	10,920
Selling and distribution costs		(2,244)	(1,747)
Administrative expenses		(52,632)	(47,390)
Impairment loss of long term investments		(118,905)	(86,664)
Provisions against accounts and loans receivable		(75,236)	(11,100)
Amortisation of investment in a joint venture		(68,510)	(68,510)
Other expenses		<u>(34,065)</u>	<u>(51,214)</u>
LOSS FROM OPERATING ACTIVITIES	3	(280,592)	(150,661)
Finance costs		(11,284)	(13,088)
Share of losses of associates		—	(2,760)
LOSS BEFORE TAX		(291,876)	(166,509)
Tax	4	<u>1,765</u>	<u>(5,782)</u>
LOSS BEFORE MINORITY INTERESTS		(290,111)	(172,291)
Minority interests		<u>21,689</u>	<u>21,708</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(268,422)</u>	<u>(150,583)</u>
LOSS PER SHARE	5		
BASIC		(\$0.17)	(\$0.15)
DILUTED		N/A	N/A

Notes:

1. Basis of presentation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard of Accounting Practice, accounting principals generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. The financial statements have been prepared under the historical cost convention except for the periodic remeasurement of investment properties, long term investments and short term investments.

The following new and revised Hong Kong Statements of Standard Accounting Practice (“SSAPs”) are effective for the first time for the current year’s financial statements:

- SSAP 1 (Revised): “Presentation of financial statements”
- SSAP 11 (Revised): “Foreign currency transaction”
- SSAP 15 (Revised): “Cash flow statements”
- SSAP 34: “Employee benefits”

2. Turnover, revenue and segment information

The group is principally engaged in investment holding, securities dealing and broking, financing, general import and export trading, property development and investment.

(a) Business segments

The following tables present revenue and profit/(loss) information for the Group’s business segments.

Group

	General import and export trading		Securities dealing and broking		Financing		Property development and investment		Strategic investments		Corporate		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:																		
Sales to external customers	104,942	101,450	6,091	9,445	7,898	11,624	206	265	-	-	-	-	-	-	-	-	119,137	122,784
Other revenue	1,585	2,344	5,172	5,551	547	55	10	-	1,779	12,421	208	5,737	1,633	13,000	-	-	10,934	39,108
Inter-segment sales	-	-	7,486	2,077	358	579	720	720	-	-	20,703	24,033	-	-	(29,267)	(27,409)	-	-
Total revenue	106,527	103,794	18,749	17,073	8,803	12,258	936	985	1,779	12,421	20,911	29,770	1,633	13,000	(29,267)	(27,409)	130,071	161,892
Segment results	(2,578)	(8,717)	(9,772)	7,770	(65,679)	(228)	(16,083)	(882)	(185,687)	(158,753)	(22,146)	(16,468)	(16,383)	(18,578)	-	-	(318,328)	(195,856)
Interest and dividend income and unallocated gains																	37,736	45,195
Loss from operating activities																	(280,592)	(150,661)
Finance costs																	(11,284)	(13,088)
Share of losses of associates																	-	(2,760)
Loss before tax																	(291,876)	(166,509)
Tax																	1,765	(5,782)
Loss before minority interests																	(290,111)	(172,291)
Minority interests																	21,689	21,708
Net loss attributable to shareholders																	(268,422)	(150,583)

(b) *Geographical segments*

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

Group

	Hong Kong		Mainland China		Europe		North America		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	44,132	46,538	42	–	68,475	70,015	3,065	5,989	3,423	242	119,137	122,784

3. Loss from operating activities

This is arrived at after charging/(crediting):

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank interest income	(374)	(2,363)
Dividend income from listed investments	(52)	(163)
Dividend income from an unlisted investment	(37,310)	(40,466)
Gain on partial disposal of a subsidiary	–	(13,000)
Gain on deemed disposal of an associate	–	(6,816)
Gain on partial disposal of an associate	–	(3,441)
Depreciation	2,104	2,791
Loss on disposal of investment properties	2,000	–
Loss on disposal of fixed assets	2,761	–

4. Tax

Hong Kong profits tax has been provided at the rate of 16% (2002:16%) on the estimated assessable profits arising in Hong Kong during the year.

5. Loss per share

The calculation of loss per share is based on the loss attributable to shareholders of HK\$268,422,000 (2002: HK\$150,583,000) and the weighted average of 1,576,741,084 (2002: 1,020,829,578) shares in issue during the year.

Diluted loss per share amounts for the year ended 31 March 2003 and 2002 have not been disclosed, as the options and warrants outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

REPORT OF THE AUDITORS (EXTRACT)

The following is an extract of the auditors' report:–

Scope limitation – carrying value of long term investments

Included in the long term investments in the consolidated balance sheet as at 31 March 2003 is an unlisted equity investment, Well Pacific Investments Limited (“Well Pacific”) with a net carrying value of HK\$26 million. As further detailed in notes to the financial statements, such investment is stated after an impairment provision of HK\$36 million, of which HK\$22 million was provided in the year ended 31 March 2002 and HK\$14 million was provided in the current year. The provision was estimated by the directors based on the unaudited financial information of Well Pacific and its two subsidiaries as at 31 March 2002. Because of certain disputes with the management of Well Pacific, the directors were unable to obtain any more recent reliable financial information about Well Pacific. Nor have they been able to confirm the ongoing ownership by Well Pacific of its two operating subsidiaries in Mainland China. We were unable to satisfy ourselves as to either the reliability, or the adequacy of the financial information on which the directors' provision was based and there were no practical alternative audit procedures that we could perform to satisfy ourselves that this investment has been fairly stated at 31 March 2003, and consequently as to the appropriateness of the impairment loss of HK\$14 million included in the profit and loss account for the year ended 31 March 2003. Any adjustment to the carrying value of the investment would have a consequential impact on the Group's net assets at 31 March 2003 and its loss for the year then ended.

Also included in the long term investments in the consolidated balance sheet as at 31 March 2003 is an unlisted equity investment, Seven Perfect Investment Co. Limited (“Seven Perfect”), at a cost of HK\$31 million. As detailed in notes to the financial statements, the investment was acquired by the Group during the year for a cash consideration of HK\$31 million, which was determined with reference to a professional valuation based on the net present value of the then expected future cash flows to be generated by Seven Perfect. However, based on the limited information available to us, Seven Perfect has only generated an insignificant amount of cash flows. Accordingly, there is an indication that the investment may be impaired. We have been unable to see any detailed business plan for Seven Perfect or otherwise determine its prospects by reference to other datum such as sales orders on hand. There were no other satisfactory audit procedures that we could perform to assess the fair value of Seven Perfect, and hence the quantum of a provision for impairment of the investment as at 31 March 2003. Any adjustment to the carrying value of the investment in respect of an impairment provision would have a consequential impact on the Group's net assets at 31 March 2003 and its loss for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty relating to the inquiry by the Securities and Futures Commission (“SFC”)

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the inquiry by the SFC. As further detailed in notes to the financial statements, 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 directors consider that the inquiry is at its preliminary stage and the direction of such inquiry is currently unknown and unpredictable. The financial statements do not include any adjustments that might result from any findings of this inquiry. We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in this respect.

Qualified opinion arising from limitation of audit scope

Except for any adjustments or disclosures that might have been found to be necessary had we been able to obtain sufficient evidence relating to the Group's long term investments discussed above, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 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 investments discussed 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 had been kept.

DIVIDEND

The Board of Directors recommend the payment of a final dividend for the year ended 31 March 2003 which shall be satisfied by the distribution of assets subject to the terms and conditions set out in the paragraph "Proposed Dividend in Specie" below.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 September 2003 to 26 September 2003, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 22 September 2003 in order to qualify for the final dividend above mentioned.

REVIEW OF OPERATIONS

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2003, the Group's turnover was HK\$119 million (2002: HK\$123 million) and this represented a decrease of 3% as compared with the preceding year. The Group recorded a net loss of HK\$268 million (2002: HK\$151 million). Loss per share was HK\$0.17 (2002: HK\$0.15). The loss was mainly caused by losses on disposal of properties and year end revaluation amounted to HK\$14 million; provisions on bad and doubtful debts amounted to HK\$75 million; net realised holding losses on investments, unrealised holding losses on investments and impairment losses of long term investments amounted to HK\$136 million.

Proposed Dividend in Specie

It was mentioned in the announcement of the Company dated 29 June 2000 in relation to a rights issue of shares of the Company ("Rights Issue") that the Group would invest approximately HK\$488 million in communication, information technology and internet related business and other investments. In the past years, the Group has made investments in Inworld Group Limited, Riverhill Holdings Limited and Rainbow International Holdings Limited (the "Investments"), whose shares have successfully been listed on the Stock Exchange. However the subsequent change in macro economic environment has rendered

the Investments unable to deliver the expected return to the Group. In view of such, the directors propose the final dividend for the year ended 31 March 2003 be satisfied by the distribution of part of the shares in these companies held by the Group to the shareholders of the Company to enable them to realize the market value of such shares themselves, on the basis of one share of each of Inworld Group Limited, Riverhill Holdings Limited and Rainbow International Holdings Limited respectively (the "Distribution Shares") for every 50 shares of HK\$0.01 each of the Company ("Shares") held on 26 September 2003, subject as mentioned below ("Distribution").

No fractional Distribution Shares will be distributed to shareholders of the Company under the Distribution. Fractional entitlements to Distribution Shares will be aggregated and sold for the benefit of the Company.

On the basis of 1,677,048,018 issued Shares as at the date of this announcement, (i) 33,540,960 shares HK\$0.01 each of Inworld Group Limited; (ii) 33,540,960 shares of HK\$0.1 each of Riverhill Holdings Limited and (iii) 33,540,960 shares of HK\$0.01 each of Rainbow International Holdings Limited will be transferred to the shareholders pursuant to the Distribution. Subsequent to the Distribution, the Group will then hold (i) 126,459,040 shares HK\$0.01 each of Inworld Group Limited; (ii) 80,968,844 shares of HK\$0.1 each of Riverhill Holdings Limited and (iii) 239,666,818 shares of HK\$0.01 each of Rainbow International Holdings Limited.

As disclosed in the announcement of the Company dated 3 June 2003 (the "Announcement"), the Company amongst others, has omitted to comply with the disclosure/ shareholders' approval requirements of the Listing Rules in respect of various transactions in the past years part of which related to the Investments. The directors propose a special general meeting ("Special General Meeting") be convened to ratify various transactions detailed in the Announcement (the "Transaction").

The final dividend for the year ended 31 March 2003 and the Distribution will be conditional on the Transactions being ratified at the Special General Meeting on or before 26 September 2003.

A circular setting out details of the Distribution will be sent to the shareholders of the Company as soon as possible.

Review of Operations

Hong Kong market was suffering from deflation, falling property prices and distressed investment incentive for the past year. Poor global and Hong Kong economic conditions continued to adversely affect our Group. Nevertheless, we believe that consolidation of our portfolio of businesses can reduce the downside risk and allow the Group to get prepared for any turnaround.

Securities and Finance

The turnover of the securities dealing and financing businesses of the Group was HK\$14 million (2002: HK\$21 million) which represented a decrease of 33% as compared with the preceding year. During the financial year, the Hang Seng Index mostly strolled in a low level and this significantly affected individual and corporate investment sentiments.

During the year under review, the turnover of securities trading and the number of fund-raising activities were declining in Hong Kong market. The average daily turnover of Hong Kong's stock market fell by approximately 19% from HK\$8 billion in year 2001 to HK\$6.5 billion in year 2002. For the year ended 31 March 2003, the commissions from brokerage and underwriting businesses decreased by 36% and 33% respectively as compared with the preceding year.

Trading

The turnover of trading business for the year ended 31 March 2003 amounted to HK\$105 million and this represented an increase of 4% as compared with HK\$101 million for the preceding year. It accounted for 83% of the overall turnover of the Group. The biggest market for trading business continued to be the European market which accounted for 67% of the turnover of trading business.

For the past few years, the European market became more and more price competitive due to poor economic conditions in Europe and increased number of competitors. Despite our effort of streamlining the business process, reducing operating costs and exploring new markets, the performance of the garment trading segment did not improve as expected. In order to better utilize our resources, the Group may further streamline the operation of garment trading business.

Infrastructure

In the year under review, the annual traffic flow of the National Highway 318 in Wuhan was 6.8 million vehicles (2002: 6.4 million vehicles) and this represented an increase of 6% as compared to the preceding year. The investment in the said highway contributed approximately HK\$37 million income to the Group (2002: HK\$40 million) which represented a decrease of 7% compared with the preceding year. The decrease in income from the highway was due to the increasing number of vehicles purchasing monthly tickets with lower toll fees.

China's GDP grew markedly at 9.9% in the first quarter of 2003 after recording an 8.0% growth in 2002. The rapid growth of the economy in Wuhan area led to the rising of traffic flow. In October 2002, we increased our effective interest in the highway by approximately 6.8%.

Investment

During the year, the carrying values of all long term investments were reviewed and provisions for impairment losses amounted to approximately HK\$119 million were made.

During the year under review, two investments were acquired, namely Seven Perfect Investment Company Limited ("Seven Perfect") and World Mark Investment Limited ("World Mark"). Seven Perfect is engaged in the development of intelligent transportation systems and the provision of traffic information via global positioning system in the PRC, while World Mark is engaged in the provision of environment-related engineering services in Hong Kong and the PRC.

These companies have planned to apply for listing in Hong Kong or other stock market, although the timetable is still not yet finalized. We expect that their future fund-raising activities through initial public offerings will be successful and result in future cash inflow from the capital market to these companies to strengthen their financial positions, thus further expand their businesses and eventually add value to our Group.

Liquidity and Financial Resources

In August 2002, the Company received a net cash consideration of approximately HK\$2 million from allotting of shares under its share option scheme. In September 2002, the Company received a net cash consideration of approximately HK\$7 million from placement of shares. The proceeds from allotment and placement of shares were used to reduce bank loans and other borrowings.

As at 31 March 2003, the Group had cash on hand amounted to approximately HK\$23 million and net assets value of approximately HK\$302 million. Gearing ratio, being the ratio of total interest bearing loans of approximately HK\$152 million to shareholders' fund of approximately HK\$302 million, was about 0.5.

Most of the Group's bank balances and borrowings were denominated in Hong Kong dollars and Renmenbi, risk in exchange fluctuation will not be material.

Contingent Liabilities

As at 31 March 2003, the Company had contingent liabilities in respect of corporate guarantees of unlimited amount (2002: HK\$207,000,000) given to banks in connection with the banking facilities granted to certain subsidiaries, of which approximately HK\$28,499,000 (2002: HK\$4,267,000) had been utilized as at 31 March 2003.

Staff

As at 31 March 2003, the Group employed 75 employees (2002: 78). 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 2003 save that the independent non-executive directors are not appointed on specific terms but subject to retirement by rotation under the Bye-laws of the Company.

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 comprises the two independent non-executive directors of the Company.

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

During the year ended 31 March 2003, neither the Company nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

Financial and other information of the Company for the year ended 31 March 2003 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, 30 July 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Styland Holdings Limited (the "Company") will be held at Forum Room, Hotel Concourse, 22 Lai Chi Kok Road, Mongkok, Kowloon, Hong Kong, on Friday, 26 September 2003, at 9:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31 March 2003.
2. To declare a final dividend for the year ended 31 March 2003 in a sum equal to the aggregate net book value of the number of shares in each of (i) Inworld Group Limited; (ii) Riverhill Holdings Limited and (iii) Rainbow International Holdings Limited equal to 1/50 of the number of shares of HK\$0.01 each in the issued share capital of the Company at the close of business on 26 September 2003 (the "Distribution Shares") as may be determined by the directors of the Company to be distributed among the holders of shares in the capital of the Company on the register of members of the Company at the close of business on 26 September 2003 on condition that the same be not paid in cash but be satisfied by the transfer of all the Distribution Shares to such holders on the basis of and subject to the terms and conditions set out in the announcement of the Company dated 30 July 2003, provided that the approval of such final dividend and distribution shall be conditional on the ratification of the various transactions detailed in the announcement of the Company dated 3 June 2003 by the shareholders of the Company in general meeting on or before 26 September 2003, and the directors of the Company be and are hereby authorised to give effect to such distribution and transfer.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.

By Order of the Board
Styland Holdings Limited
Jennifer Mei Ha Cheung
Company Secretary

Hong Kong, 30 July 2003

Notes:

- (a) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company.
- (b) In order to be valid, the white form of proxy must be deposited at Tengis Limited, the Company's branch share registrar in Hong Kong, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority not less than 48 hours before the time for holding the meeting or adjourned meeting.