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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Styland Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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## **STYLAND HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 211)

### **DISCLOSEABLE TRANSACTIONS**

**Financial Assurances and Advances to an Entity  
and  
IPO Financial Assurances**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:*

|                           |   |
|---------------------------|---|
| “Company”                 | Styland Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange   |
| “Directors”               | directors of the Company  |
| “Ever-Long”               | Ever-Long Securities Company Limited, a wholly-owned subsidiary of the Company  |
| “Financial Assistance(s)” | the loan(s) granted under the Group’s securities dealings and brokerage & money lending business  |
| “Group”                   | the Company and its subsidiaries  |
| “Huge Gain”               | Huge Gain Development Limited, a margin client of Ever-Long   |
| “IPO”                     | initial public offer  |
| “Latest Practicable Date” | 7 January 2005 being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular  |
| “Market Capitalization”   | the average market capitalization of approximately HK\$46,780,000 of the Company based on the closing price of the last trading day before the Shares of the Company was suspended on 21 April 2004 as quoted on the Stock Exchange |
| “Mr. Cheung”              | Mr. Cheung Chi Shing, a substantial shareholder of the Company  |
| “Ms. Yeung”               | Ms. Yvonne Han Yi Yeung, one of the Directors and the spouse of Mr. Cheung  |
| “PRC”                     | The People’s of Republic of China   |
| “Prime Rate”              | Hong Kong prime rate per annum  |
| “Rules”                   | the Rules of governing the Listing of Securities on the Stock Exchange  |
| “RMB”                     | Renminbi, the lawful currency of the PRC  |
| “SFO”                     | the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)  |

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## DEFINITIONS

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|                  |   |
|------------------|---|
| “Shares”         | ordinary share(s) of HKD0.01 each in the capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited                         |
| “HKD”            | Hong Kong dollar, the lawful currency of Hong Kong              |
| “%”              | per cent  |

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## LETTER FROM THE BOARD

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# STYLAND HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock code: 211)

*Directors:*

Johnny Wing Fai Tam (*Managing Director*)

Yvonne Han Yi Yeung

Miranda Chi Mei Chan

Suet Ming Ching

David Man San Lim\*

Edward Shun Kee Yeung\*

Pat Kan Chow\*

\* *Independent non-executive directors*

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Principal Office:*

13th Floor

Edward Wong Tower

910 Cheung Sha Wan Road

Kowloon

Hong Kong

10 January 2005

*To the shareholders*

Dear Sir or Madam,

## **DISCLOSEABLE TRANSACTIONS**

### **Financial Assurances and Advances to an Entity and IPO Financial Assurances**

#### **INTRODUCTION**

The Company, through Ever-Long, engages in securities dealings and brokerage and money lending business and the Directors announced on 20 December 2004 certain Financial Assurances granted by Ever-Long pursuant to the Rules. The purpose of this circular is to give you details of such Financial Assurances.

As of 19 November 2004 and 25 November 2004, Ever-Long granted accumulated Financial Assurances of HK\$4,474,000 and HK\$5,066,000 respectively to Huge Gain.

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## **LETTER FROM THE BOARD**

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Ever-Long also involved in recent local IPO Financial Assistances. On 9 December 2004, Ever-Long granted IPO Financial Assistances of approximately HK\$2,954,000 to Mr. A, HK\$5,415,000 to Ms. B & Mr. C (in joint account) and HK\$6,892,000 to Ms. D.

Each of above Financial Assistances exceeded 5% but less than 25% of the Market Capitalization and constituted a discloseable transaction under the Chapter 14.06(2) of the Rules.

### **INFORMATION RELATING TO FINANCIAL ASSISTANCES TO HUGE GAIN**

The interest rate charged to Huge Gain is 3% over the Prime Rate. A penalty rate at 6% over the Prime Rate will be imposed for any excess of its credit limit and the Financial Assistances will become payable to Ever-Long. The market value of the collateral in form of listed shares placed by Huge Gain for its Financial Assistances was HK\$134,988,000 as at 25 November 2004.

The Financial Assistances were granted based on assessment to financial status, repayment records and the liquidity of collaterals placed by Huge Gain and the interest rates were also determined thereon.

### **INFORMATION RELATING TO IPO FINANCIAL ASSISTANCES**

Before Ever-Long granted them IPO Financial Assistances on 9 December 2004, each of Mr. A, Ms. B & Mr. C (in joint account) and Ms. D had deposited 10% of the subscription money for the IPO ("Security Deposit") to Ever-Long, which then granted the remaining balances. The interest rate for the IPO Financial Assistances was 3% per annum and additional interest at the rate of 10% would be charged for any shortage of the Security Deposit until such shortage was settled.

### **REASONS FOR AND BENEFITS OF THE GRANTING OF THE FINANCIAL ASSISTANCES TO HUGE GAIN AND THE IPO FINANCIAL ASSISTANCES**

The Directors are of the view that granting of Financial Assistances to Huge Gain and the IPO financing to above clients will expand the revenue resources of the Group and believe that they are fair and reasonable and in the interests of the shareholders as a whole and they will not have any material effects on the earnings and assets and liabilities of the Group.

### **CLIENTS' INFORMATION**

Huge Gain is an investment company. The beneficial owner of Huge Gain, Huge Gain, Mr. A, Ms. B, Mr. C and Ms. D are independent third parties to the Company and not connected with the Directors, chief executive or substantial shareholders of the Company and subsidiaries or their respective associates (as defined in the Rules).

### **GENERAL**

The principal activities of the Group consist of investment holding, securities dealing & brokerage, money lending, general import & export trading and property development & investment.

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## LETTER FROM THE BOARD

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The Financial Assistances to each of Huge Gain, Mr. A, Ms. B & Mr. C (in joint account) and Ms. D exceeded 5% but less than 25% of the Market Capitalization and constituted a discloseable transaction under the Chapter 14.06(2) of the Rules.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendix to this circular.

By Order of the Board  
**Styland Holdings Limited**  
**Johnny Wing Fai Tam**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and that there are no other facts the omission of which would make any statement contained herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests of each Director and the chief executive of the Company in the Shares or underlying Shares which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

| Directors                   | Number of Shares held<br>and nature of interest |                       |             | Approximate<br>shareholding<br>percentage |
|-----------------------------|---|-----------------------|-------------|---|
|                             | Family<br>interests                             | Personal<br>interests | Total       |   |
| Ms. Yeung                   | 369,995,967<br>(Note)                           | 30,000,000            | 399,995,967 | 21.38%                                    |
| Ms. Miranda<br>Chi Mei Chan | –   | 39,288                | 39,288      | 0.00%                                     |

*Note:* Ms. Yeung is the spouse of Mr. Cheung. She was deemed to have interests in 369,995,967 Shares of the Company that Mr. Cheung had beneficial interests in.

Pursuant to the share option scheme adopted on 22 August 2002, the Company granted option to Mr. Johnny Wing Fai Tam, the managing director of the Company, to subscribe for 17,000,000 Shares at an exercise price of HK\$0.0228 per Share with an exercise period of three years from 13 November 2003, the date of grant.

Save as disclosed in this circular, none of the Directors or the chief executive of the Company had interests, or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange as at the Latest Practical Date.

(ii) **Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

*Interests in the Company*

| <b>Name</b>            | <b>Nature of interest</b> | <b>Number of Shares</b>       | <b>Approximate shareholding percentage</b> |
|------------------------|---------------------------|-------------------------------|--|
| Mr. Cheung             | Note 1                    | 399,995,967                   | 21.38%                                     |
| Ms. Yeung              | Note 2                    | 399,995,967                   | 21.38%                                     |
| Mr. Lin Wen            | Personal                  | 165,050,000 ( <i>Note 3</i> ) | 8.82%                                      |
| Mr. Sun Jin Lin        | Personal                  | 150,800,000 ( <i>Note 3</i> ) | 8.06%                                      |
| Mr. Rajkumar M Daswani | Personal                  | 112,411,667 ( <i>Note 4</i> ) | 6.01%                                      |

*Notes:*

- Mr. Cheung personally held 299,995,967 Shares as at the Latest Practicable Date. As Mr. Cheung is the sole shareholder of K.Y. Limited ("KY"), he was deemed to have interests in 60,000,000 Shares by KY and 10,000,000 Shares held by K.C. (Investment) Limited, a wholly owned subsidiary of KY as at the Latest Practicable Date.
- Ms. Yeung personally held 30,000,000 Share. As Ms. Yeung is the spouse of Mr. Cheung, she was deemed to have interests in 369,995,967 Shares that Mr. Cheung had interests in as at the Latest Practicable Date.
- The interests of Mr. Lin and Mr. Sun are set out based on their notifications given to the Company on 20 August 2002 pursuant to the SFO. The Company wrote to Mr. Lin and Mr. Sun to inquire their then shareholdings in the Company on 14 June 2004. On 13 December 2004, the Company received a letter from Mr. Lin, claiming that he currently held approximately 5 million shares of the Company, which was substantially different from the record of Mr. Lin's interests available from the web site of the Stock Exchange and the Company. The company tried to seek valid notification under the SFO from Mr. Lin. However, up to the Latest Practical Date, the Company had not received any response from Mr. Lin or Mr. Sun.
- The interests of Mr. Rajkumar M Daswani is set out based on his notification given to the company on 1 April 2004 pursuant to the SFO. On 7 December 2004, the Company wrote to Mr. Rajkumar M Daswani for his shareholding in the Company as at 30 September 2004 and received a letter dated 13 December 2004 from Mr. Rajkumar M Daswani that he and Shalini R Daswani jointly held 114,731,667 Shares of the Company.

*Interests in other member of the Group*

As at the Latest Practicable Date, Ms. Wan Qing Hua and Ms. Li Kai Yin held 50,000 shares and 21,633 shares of HK\$1 each in Sheng Da Investment Holding (HK) Ltd. (a non-wholly owned subsidiary of the Company) respectively, representing 24.5% and 10.6% in its issued share capital respectively.

Save as disclosed above, so far is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the company had an interest or short position in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital as the Latest Practicable Date.

**3. COMPETING INTERESTS**

None of the Directors or the chief executive of the Company and their respective associates had any interest in a business which competes or may compete with the business of the Group.

**4. SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

**5. LITIGATION**

- (1) On 1 December 2004, the Company, as a guarantor, received a writ of summons dated 30 November 2004 from the solicitors acting for C.A. Pacific Finance Limited (in liquidation) to claim a sum of HK\$1,197,349.50 (the "Claimed Amount") which was due by Eastex Investment Far East Limited (formerly known as Styland Investment Far East Limited), a former subsidiary of the Company that was disposed in December 1997 (the "CAP Case"). The Company shall seek legal advice on this. As the Claimed Amount is relative small compared to the net assets value of the Company, the Directors do not consider the CAP Case having a material impact to the Company.
- (2) 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 six of 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 six 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 Plaintiffs' 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. On 8 November 2004, certain Defendants applied for court order ("Order") to demand that unless the Plaintiffs' action will be dismissed. As at the date hereof, the Plaintiffs failed to place such deposit and the Directors believes that the Plaintiffs' action may has been dismissed subject to issuance of further documents by the court.

- (3) In June 2003, Hainan WanZhong ShiYe TouZi Co., Ltd (海南萬眾實業投資有限公司) ("Hainan WanZhong") sued Wuhan ShengDa FangDiChan KaiFa Co., Ltd (武漢盛達房地產開發有限公司) ("ShengDa FangDiChan") and Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da"), a non-wholly owned subsidiary of the Company, for repayment of a debt in the sum of RMB19,270,000, interest thereon and legal costs ("Shengda Case"). Both Hainan WanZhong and ShengDa FangDiChan are companies incorporated in the PRC and independent to the Company. The reason for Sheng Da to be involved in the Case was that Hainan WanZhong alleged that ShengDa FangDiChan 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 (執行協助通知) 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 the Shengda 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 of the Company consider that:

- (i) the subject of the Shengda Case was to claim for receivable due from ShengDa FangDiChan to Hainan WanZhong and Sheng Da shouldn't be claimed for;
- (ii) through the provision of the Undertaking, there will be no material 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.

**6. GENERAL**

- (a) The company secretary and qualified accountant of the Company is Wang Chin Mong, AHKSA, FCCA.
- (b) The Company's registered and principal office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and 13th Floor, Edward Wong Tower, 910 Cheung Sha Wan Road, Kowloon, Hong Kong respectively.
- (c) The English text of this circular shall prevail over the Chinese text.