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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 TRANSACTION**

#### **Financial Assurances to an Entity**

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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 & brokerage and margin financing business   |
| “Group”                   | the Company and its subsidiaries  |
| “Latest Practicable Date” | 24 January 2006 being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| “Mr. Cheung”              | Mr. Cheung Chi Shing, a substantial shareholder of the Company  |
| “Ms. Yeung”               | Ms. Yeung Han Yi Yvonne, 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 quoted by Wing Hang Bank Limited   |
| “Listing 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)  |
| “Shares”                  | ordinary share(s) of HKD0.01 each in the capital of the Company   |
| “Star Master”             | Star Master International Ltd., a margin client of Ever-Long  |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited   |

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## DEFINITIONS

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“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)*

*Directors:*

Lim Man San David (*Chairman*)\*  
Tam Wing Fai Johnny (*Managing Director*)  
Yeung Han Yi Yvonne  
Chan Chi Mei Miranda  
Ching Suet Ming  
Yeung Shun Kee Edward\*  
Chow Pat Kan\*

\* *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

27 January 2006

*To the shareholders*

Dear Sir or Madam,

## **DISCLOSEABLE TRANSACTION**

### **Financial Assurances to an Entity**

#### **INTRODUCTION**

The Company, through Ever-Long, engages in securities dealings & brokerage and margin financing businesses.

As of 27 January 2005, Ever-Long has granted accumulated Financial Assurances of HK\$2,311,000 to Star Master and the relevant announcement was made on 11 January 2006. The purpose of this circular is to give you details of such Financial Assurances.

The applicable percentage ratios for the granting of accumulated Financial Assurances to Star Master calculated pursuant to 14.07 of the Listing Rules exceeded 5% but were less than 25% and the granting of the accumulated Financial Assurances constituted a discloseable transaction under the Chapter 14.06(2) of the Listing Rules.

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## LETTER FROM THE BOARD

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### INFORMATION RELATING TO THE FINANCIAL ASSISTANCES

The interest rate charged to Star Master is 3% over the Prime Rate. Ever-Long will assess the total outstanding Financial Assistances which include principals and accumulated interests in determining the sufficiency of the securities placed by Star Master from time to time. A penalty rate at 6% over the Prime Rate will be imposed for any excess of its credit limit and the whole amount of Financial Assistances will become immediately repayable to Ever-Long if it fails to provide additional deposits or collateral upon request. The market value of the collateral in form of listed shares placed by Star Master with Ever-Long for the total Financial Assistances was HK\$6,580,000 at 27 January 2005. As at the Latest Practicable Date, the accumulated Financial Assistances to Star Master dropped to HK\$1,559,000 and the collateral market value was HK\$751,000. Demand letter to request the settlement of the outstanding balance was sent to Star Master on 12 October 2005. Further reminder will be sent to or legal action may be taken against Star Master. In view of the net exposure of the Financial Assistances, the Directors do not consider that would have a material effect to the Group. Nevertheless, the Group will from time to time review its recoverability and assess its financial effects on the Group.

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

### REASONS FOR AND BENEFITS OF THE GRANTING OF THE FINANCIAL ASSISTANCES

The Directors are of the view that granting of the Financial Assistances to Star Master will expand the revenue resources of the Group. The Directors believe that the terms of the granting of the Financial Assistances to Star Master are fair and reasonable and the granting of the Financial Assistances to Star Master is in the interests of the Company and the shareholders as a whole and there is no material effect on the earnings, assets and liabilities of the Group, however, the Group will from time to time review its repayment schedule and assess its financial effects on the Group.

### CLIENTS' INFORMATION

Star Master is an investment company. It and its beneficial owners are independent third parties to the Company and not connected persons (as defined in the Listing Rules) of the Company.

### GENERAL

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

The applicable percentage ratios for the granting of accumulated Financial Assistances to Star Master calculated pursuant to 14.07 of the Listing Rules exceeded 5% but were less than 25% and the granting of the accumulated Financial Assistances constituted a discloseable transaction under the Chapter 14.06(2) of the Listing Rules.

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## LETTER FROM THE BOARD

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### 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**  
**Tam Wing Fai Johnny**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing 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. Chan Chi Mei Miranda | –   | 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. Tam Wing Fai Johnny, 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*

| Name                        | Nature of interest | Number of Shares              | Approximate shareholding percentage |
|-----------------------------|--------------------|-------------------------------|-------------------------------------|
| Mr. Cheung                  | <i>Note 1</i>      | 399,995,967                   | 21.38%                              |
| Ms. Yeung                   | <i>Note 2</i>      | 399,995,967                   | 21.38%                              |
| Mr. Lin Wen ("Mr. Lin")     | Personal           | 165,050,000 ( <i>Note 3</i> ) | 8.82%                               |
| Mr. Sun Jin Lin ("Mr. Sun") | 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 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 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 at 30 September 2004. The Company didn't receive valid notification pursuant to SFO from Shalini R Daswani.

*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) who 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 at 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) In December 2004, the Company received a writ of summons 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") 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"). After seeking legal advices, the Company has filed a defence to deny the claim. In view of the foregoing and that the Claimed Amount is relatively small compared to the net assets value of the Company, the Directors do not consider the CAP Case having a material impact on the Company.
- (2) 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 (the "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 Shengda 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 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 Board understands that Shengda Case related to an agreement executed by Sheng Da in 1995. Pursuant to shareholders’ resolutions passed in 2003, 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 of Sheng Da before the Company initially acquired any interests in Sheng Da in 1997, undertook that they would bear any liability and relevant costs arising from the Shengda Case (“Undertaking”). In March 2005, Sheng Da received a letter from the Old Shareholders denying bearing such liability and legal costs. Nevertheless, the Directors consider that:

- (i) the Group is not liable for any debt arising from Shengda Case;
- (ii) the subject of the Shengda Case was to claim for receivable due from Shengda Fangdichan to Hainan Wanzhong and Sheng Da should not be claimed for;
- (iii) the Group will not accept the withdrawal of the Undertaking by the Old Shareholders unilaterally and any future dividend or distribution payable to the Old Shareholders shall still be retained by Sheng Da to set off the Retained Amount. As such, there will be no material financial impact to the Group.

## **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.