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## **STYLAND HOLDINGS LIMITED**

**大凌集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 211)**

**(Warrant Code: 1595)**

### **DISCLOSEABLE TRANSACTION: ENTERING INTO OF AGREEMENT IN RELATION TO GRANT OF OPTION TO DISPOSE OF A NON-WHOLLY OWNED SUBSIDIARY**

The Board announces that on 20 February 2019, the Grantor, a wholly owned subsidiary of the Company, entered into the Agreement with the Grantee, Brighten, Brighten Management and the Minority Shareholders pursuant to which (i) the Grantor shall acquire and Brighten Management shall dispose of the Promissory Notes in the principal amount of HK\$20,000,000 at the consideration of HK\$39,000,000 settled by the Grantor by assigning and transferring the Debt of HK\$39,000,000 to Brighten; and (ii) the Grantor shall grant the Call Option to the Grantee pursuant to which the Grantee shall be entitled to purchase all the Option Shares, representing 55% of the issued shares of Brighten held by the Grantor, from the Grantor at the cash consideration of HK\$550,000 during the Call Option Exercise Period.

Since the exercise of the Call Option is not at the discretion of the Group, pursuant to Rule 14.74 of the Listing Rules, on the grant of the Call Option, the transaction will be classified as the Call Option had been exercised. Upon exercise of the Call Option, the Group will cease to hold any shareholdings in Brighten.

Given the relevant percentage ratios in respect of the Agreement are more than 5% but all less than 25%, the Agreement and the transactions contemplated thereunder constitute discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

\* *For identification purposes only*

## **The Agreement**

### **Date:**

20 February 2019

### **Parties:**

- (1) The Grantor
- (2) The Grantee
- (3) Brighten
- (4) Brighten Management
- (5) The Minority Shareholders

The Grantor is a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

Brighten is a company incorporated in Hong Kong with limited liability and a 55% non-wholly owned subsidiary of the Grantor. As at the date of the Agreement, the Grantor is the legal and beneficial owner of 550,000 shares (the “**Option Shares**”) in the issued share capital of Brighten. Brighten Group is principally engaged in strategic investments and financing services.

The Minority Shareholders are two individuals and the legal and beneficial owners of an aggregate 450,000 shares in the issued share capital of Brighten, representing 45% of the issued share capital of Brighten. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, save and except for their interests in Brighten, the Minority Shareholders are Independent Third Parties.

Brighten Management is a wholly owned subsidiary of Brighten. As at the date of the Agreement, Brighten Management owes the Grantor a total debt in the principal amount of approximately HK\$39,000,000 as set out in the consolidated financial statements of Brighten.

The Grantee is a company incorporated in Hong Kong and is principally engaged in investment holdings and trading. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Grantee and its ultimate beneficial owner(s) are Independent Third Parties.

As at the date of the Agreement, Brighten Management is the legal and beneficial owner of certain promissory notes issued by Brighten Finance Limited (the “**PN Issuer**”). The PN Issuer is principally engaged in finance business. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the PN Issuer and its ultimate beneficial owner(s) are Independent Third Parties.

## **Principal Terms of the Agreement**

### **(1) Sale and Purchase of Promissory Notes**

Pursuant to the Agreement, the Grantor shall acquire and Brighten Management shall sell the Promissory Notes to be issued by the PN Issuer in the principal amount of HK\$20,000,000 at the consideration of HK\$39,000,000, which shall be settled by the Grantor by assigning and transferring a debt of HK\$39,000,000 (the “**Debt**”) to Brighten.

The Promissory Notes to be acquired by the Grantor shall be free of encumbrances and are freely transferrable and assignable by the holder(s) thereof. The Promissory Notes bear interest at 8% per annum and shall be repayable by the PN Issuer on any Interest Payment Date (as defined below) upon receiving not less than 3 business days’ prior written notice from the holder thereof. For the purpose of the Promissory Notes, the “Interest Payment Date” shall be 1st of every month.

The repayment of the Promissory Notes and the accrued interest thereof shall be secured by the balance of mortgage loan portfolio of the PN Issuer from time to time. Any proceeds received by the PN Issuer from the settlement of the mortgage loan portfolio shall be first repaid to the holder of the Promissory Notes.

PN Completion has taken place on the date of the Agreement in accordance with the terms thereof.

### **(2) Grant of the Call Option**

Pursuant to the Agreement, the Grantor shall grant the Call Option to the Grantee, pursuant to which the Grantee shall be entitled to purchase at any time all (but not part of) the Option Shares from the Grantor in accordance with the terms thereof during the call option exercise period from the date of the Agreement up to 31 July 2019 (the “**Call Option Exercise Period**”) by giving written option exercise notice to the Grantor.

The Option Shares represent 55% of the issued share capital of Brighten.

The consideration of HK\$550,000 (the “**Call Option Price**”) payable by the Grantee to the Grantor upon the exercise of the Call Option shall be settled by the Grantee to the Grantor in cash.

Upon completion of the exercise of the Call Option, the Group will cease to hold any interests in Brighten Group.

In the event that the Call Option is not exercised by the Grantee upon the expiration of the Call Option Exercise Period, the Minority Shareholders consent that the Grantor shall be entitled to sell the Option Shares to third parties at a price which may be up to 20% more or 20% less than the Call Option Price at the discretion of the Grantor, provided that the Grantor shall use best endeavours to procure such third party purchaser to offer a similar 6 month call option to the Grantee at the substantially similar terms to the Call Option.

The Grantor and Brighten agreed to arrange transferring certain Group employees to Brighten Group and Brighten Group agreed to take up such employees with effect from 1 February 2019. For the avoidance of doubt, all transfer costs and expenses shall be borne by Brighten Group. Notwithstanding this, as long as the Grantor remains as a shareholder of Brighten, the Grantor will continue to provide full support in its capacity as a shareholder of Brighten to Brighten Group but subject to the compliance of legal and regulation, internal control, risk assessment and supervision of the Grantor.

### **Consideration**

The consideration payable by the Grantor to Brighten for the acquisition of the Promissory Notes is HK\$39,000,000, which is determined with reference to the debt amount as at the date of the Agreement.

The consideration receivable by the Grantor upon exercise of the Call Option is HK\$550,000, which is equivalent to the par value of the Option Shares.

The Directors (including the independent non-executive Directors) consider that the consideration for the sale and purchase of the Promissory Notes and the consideration receivable upon exercise of the Call Option are fair and reasonable and are on normal commercial terms.

### **INFORMATION OF THE BRIGHTEN GROUP**

Brighten is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holdings. The Brighten Group is principally engaged in strategic investments and financing services.

Based on the unaudited consolidated management accounts of the Brighten Group currently available to the Group, it is estimated that upon PN Completion and the Call Option Completion, the Group will record a loss of approximately HK\$3million, which is based on the book value of the Debt, the principal amount of the Promissory Notes and the financial position of Brighten Group. The actual gain or loss from the transactions contemplated under the Agreement shall be subject to review of the auditors.

Set out below is the audited consolidated financial information of the Brighten Group for the years ended 31 March 2017 and 31 March 2018 and the unaudited consolidated financial information of the Brighten Group for the six months ended 30 September 2018 which were prepared in accordance with generally accepted accounting principles in Hong Kong:

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2018</b>	<b>For the six months ended 30 September 2018</b>
	<i>(in HK\$)</i>	<i>(in HK\$)</i>	<i>(in HK\$)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Revenue	12,875,000	19,995,000	9,134,000
(Loss)/Profit before tax	(10,252,000)	18,229,000	(15,117,000)
Net liabilities	24,831,000	3,133,000	18,250,000

## **REASONS FOR THE TRANSACTION**

The Company is an investment holding company. The principal activities of the Group consist of investment holdings, financial services, mortgage financing, property development and investment and securities trading.

The Brighten Group has recorded losses for years and is in a net liabilities position. The transactions contemplated under the Agreement represent an opportunity for the Group to realize its investments in the Brighten Group. The Board considers that the Group can focus its resources and management efforts on capturing business opportunities. Upon Call Option Completion, Brighten will cease to be a subsidiary of the Company and the financial results of Brighten Group will no longer be consolidated into the Group's financial statements. The Group intends to hold the Promissory Notes as interest-bearing receivables. Having considered the mortgage loan portfolio of the PN Issuer and the net liability position of Brighten Group, the Group considers that it is in the benefits of the Company to hold the Promissory Notes instead of the Debt.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The proceeds to be received by the Group upon the exercise of the Call Option will be utilized to the general working capital of the Group.

## **Listing Rules Implication**

Since the exercise of the Call Option is not at the discretion of the Group, pursuant to Rule 14.74 of the Listing Rules, on the grant of the Call Option, the transaction will be classified as the Call Option had been exercised. Upon exercise of the Call Option, the Group will cease to hold any shareholdings in Brighten.

Given the relevant percentage ratios in respect of the Agreement are more than 5% but all less than 25%, the Agreement and the transactions contemplated thereunder constitute discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

## **Definitions**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement”	the agreement dated 20 February 2019 and entered into among the Grantor, the Grantee, Brighten, Brighten Management and the Minority Shareholders in relation to grant of option to dispose of a non-wholly owned subsidiary
“associates”	has the meaning ascribed to this term under the Listing Rules
“Brighten”	Brighten Int’l Holdings Limited, an indirect non-wholly owned subsidiary of the Company
“Brighten Group”	Brighten and its subsidiaries
“Brighten Management”	Brighten Management Limited
“Board”	the board of directors of the Company
“Call Option”	the call option granted by the Grantor to the Grantee under the Agreement in respect of the Option Shares
“Call Option Completion”	completion of the sale and purchase of the Option Shares upon exercise of the Call Option in accordance with the terms and conditions of the Agreement
“Company”	Styland Holdings Limited
“Director(s)”	director(s) of the Company
“Grantor” or “Ever-Long”	Ever-Long Holdings Limited, a wholly owned subsidiary of the Company
“Grantee”	FUJIYAMA Beauty Limited, an Independent Third Party

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and who together with its ultimate beneficial owner(s) are independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minority Shareholders”	the two individuals holding 45% shareholdings in Brighten
“percentage ratios”	has the meaning ascribed thereto under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Promissory Notes”	the 8% promissory notes in the principal amount of HK\$20,000,000 to be acquired by the Grantor under the Agreement
“PN Completion”	completion of transfer of the Promissory Notes in accordance with the terms and conditions of the Agreement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 20 February 2019

*As at the date of this announcement, the executive Directors 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 are Mr. Zhao Qingji, Mr. Yeung Shun Kee, Mr. Li Hancheng, Mr. Lo Tsz Fung Philip and Mr. Lee Kwok Yin Denthur.*