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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**

**Providing Financial Assurances to Margin Clients**

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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 brokering and money lending businesses   |
| “Group”                   | the Company and its subsidiaries   |
| “Latest Practicable Date” | 28 October 2004, 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 the Company based on closing prices of 5 consecutive trading days before the date to grant the relevant Financial Assistance(s) as quoted on the Stock Exchange, which were at the range from HK\$46,780,00 to HK\$50,148,000 |
| “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   |
| “Report Day”              | 31 March 2004, being the date the Group would fall to disclose the Financial Assurances  |
| “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)*

*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

1 November 2004

*To the shareholders*

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTIONS

### Providing Financial Assurances to Margin Clients

#### INTRODUCTION

The Company, through Ever-Long, engages in securities dealings and brokering and money lending businesses. Up to 5 October 2004, Ever-Long have granted Finance Assurances to seven clients, which individually exceeds 5% but less than 25% of the Market Capitalization and constitutes a discloseable transaction under the Chapter 14.06(2) of the Rules.

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## LETTER FROM THE BOARD

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### FINANCIAL ASSISTANCES

Details of the Financial Assistances are set out below:

| Name of client                                   | Transaction date  | Nature      | HKD                          | Interest rate                            | Security      | Market value of security at transaction date<br>HKD |
|--|-------------------|-------------|------------------------------|--|---------------|---|
| Topform (Asia) Limited                           | 8 April 2004      | Margin loan | 3,448,000                    | 3% over<br>Prime Rate<br><i>(Note 1)</i> | Listed shares | 10,366,000  |
| Right Choice Securities Limited ("Right Choice") | 29 April 2004     | Margin loan | 2,505,000                    | 3% over<br>Prime Rate<br><i>(Note 1)</i> | Listed shares | <i>Note 2</i>                                       |
| Right Choice                                     | 6 May 2004        | Margin loan | 2,452,000<br><i>(Note 2)</i> | 3% over<br>Prime Rate<br><i>(Note 1)</i> | Listed shares | <i>Note 2</i>                                       |
| Rosewood Assets Limited ("Rosewood")             | 1 June 2004       | Margin loan | 5,229,000<br><i>(Note 3)</i> | 4% over<br>Prime Rate                    | Listed shares | <i>Note 3</i>                                       |
| Fanway Investment Group Ltd.                     | 10 June 2004      | Margin loan | 2,501,000                    | 8% over<br>Prime Rate                    | Listed shares | 5,218,000   |
| Mr. Chan   | 23 June 2004      | Margin loan | 2,926,000<br><i>(Note 4)</i> | 3% over<br>Prime Rate<br><i>(Note 1)</i> | Listed shares | <i>Note 4</i>                                       |
| Ms. Chan   | 21 July 2004      | Margin loan | 2,839,000                    | 3% over<br>Prime Rate<br><i>(Note 1)</i> | Listed shares | 4,788,000   |
| Victorious Ltd.                                  | 24 September 2004 | Margin loan | 2,525,000                    | 3% over<br>Prime Rate<br><i>(Note 1)</i> | Listed shares | 8,340,000   |

*Note:*

- (1) The interest rate will be changed to 6% plus Prime Rate if the client fails to pay any deposits or margins or other sums payable to Ever-Long.
- (2) Right Choice kept to repay the margin loan and its outstanding balance decreased to HK\$826,000 on 4 May 2004. In view of that, Ever-Long granted it additional Financial Assistances of HK\$2,452,000 up to 6 May 2004. Right Choice placed listed shares with a market value of HK\$16,111,000 (as at 6 May 2004) as the security for all its Financial Assistances from Ever-Long.

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## LETTER FROM THE BOARD

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- (3) Rosewood had maintained an outstanding balance of HK\$8,410,000 to Ever-Long since Report Day. Its outstanding balances fluctuated frequently over the period from Report Day to 5 October 2004 and on 1 June 2004, the balance reached its maximum of HK\$13,639,000. The securities in form of listed shares placed by Rosewood was valued at HK\$64,748,000.
- (4) From Report Day to 23 June 2004, Ever-Long granted the sum of HK\$2,926,000 to Mr. Chan, from whom an outstanding balance of HK\$5,931,000 had been due since Report Day. On the transaction day, the market value of the listed shares deposited by Mr. Chan was HK\$28,682,000.

All the Financial Assistances were granted on normal commercial terms and will be repayable on demand once they fail to pay any deposits or margins or other sums payable to Ever-Long.

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

All Financial Assistances were granted based on assessment results of financial statements of, repayment records of and the liquidity of collaterals placed by the clients and the interest rates were also determined thereon. The Directors including the independent non-executive directors are of the view that granting of Financial Assistances 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.

The granting of Financial Assistances will not have any material effects on the earnings and assets and liabilities of the Group.

### CLIENTS' INFORMATION

All the clients (entities) are investment companies and 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 and broking, financing, general import and export trading and property development and investment.

Each of the Finance Assistances exceeds 5% but less than 25% of the Market Capitalization and constitutes a discloseable transaction under the Chapter 14.06(2) of the Rules. The purpose of this circular is to give you details of such Financial Assistances.

### 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 or short positions of each Director, proposed Director, employee of the Group and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV 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 (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                | 370,395,967<br>(Note)                           | 30,000,000            | 400,395,967 | 21.40%                                    |
| Ms. Miranda Chi Mei Chan | –   | 39,288                | 39,288      | 0.00%                                     |

*Note:*

Mr. Cheung is the sole shareholder of K.Y. Limited, which is the beneficial owner of 60,400,000 Shares. In addition, Mr. Cheung is deemed to be interested in another 10,000,000 shares indirectly held by K.Y. Limited through its wholly-owned subsidiary, K.C. (Investment) Limited. 400,000 Shares held by K.Y. Limited have been pledged to C.A. Pacific Finance Limited, which is in liquidation. Mr. Cheung cannot ascertain whether the charged shares are still registered in the name of the pledgee and subject to their right of redemption.

Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 370,395,967 Shares of the Company that Mr. Cheung is beneficially interested.



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

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors, employees of the Group and the chief executive of the Company were interested, or were deemed to be interested in the long and 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.

**(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 parties, 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 the Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% 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:

| <b>Name</b>          | <b>Nature of interest</b> | <b>Number of Shares</b>       | <b>Approximate shareholding percentage</b> |
|----------------------|---------------------------|-------------------------------|--|
| Mr. Cheung           | Note 1                    | 400,395,967                   | 21.40%                                     |
| Ms. Yeung            | Note 2                    | 400,395,967                   | 21.40%                                     |
| 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. Daswani Rajkumar | Personal                  | 112,411,667                   | 6.01%                                      |

*Notes:*

- Please refer to the note under the paragraph 2(i) above for details of the beneficial interests of Mr. Cheung in the Shares of the Company. Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 30,000,000 Shares of the Company beneficially interested by Ms. Yeung.
- Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 370,395,967 Shares beneficially interested by Mr. Cheung.
- Mr. Lin Wen and Mr. Sun Jin Lin notified the Company of the number of Shares they held in the Company on 20 August 2002. As the Company did not receive any update information in respect of their interests in it thereafter, the directors cannot assert the accuracy of their latest shareholdings. The Company has therefore written to Mr. Lin Wen and Mr. Sun Jin Lin to inquire for their actual shareholdings in our Company on 14 June 2004, however we didn't receive any correspondence up to the Latest Practicable Date.

Save as disclosed in this circular, as at the Latest Practicable Date, so far is known to any Director or chief executive of the Company, no other person has 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 5% 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.

### 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 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 its six 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 13th 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 Defendant filed their defence on 22nd December 2003. The Plaintiffs have stayed all their action in relation to the main action since then.

- (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 “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.

We understand that there was no business relations between ShengDa FangDiChan and Sheng Da since 1997, in which year the Company began to have an interest in Sheng Da. The 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 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 Mr. 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.