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## **STYLAND HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 211)

### **MAJOR TRANSACTIONS:**

#### **DISPOSAL OF ENTIRE EQUITY INTERESTS IN THE TARGET AND ACQUISITION OF EQUITY INTERESTS IN LONG SUCCESS UPON CONVERSION OF CONVERTIBLE NOTES**

On 28 March 2008, the Company entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Company will procure to sell and the Purchaser will acquire the Sale Shares and the Sale Debt for a total Consideration of HK\$24,700,000. The Disposal is subject to the satisfaction of the conditions as set out in the paragraph headed "Conditions" below.

Pursuant to the Sale and Purchase Agreement, the Purchaser shall settle part of the Consideration by issue of the Convertible Notes to the Company upon Completion. Upon conversion of the Convertible Notes, the Company will be deemed to acquire equity interests in Long Success.

The Disposal and the Acquisition constitute major transactions on the part of the Company under Rule 14.06 of the Listing Rules.

A circular containing, among other matters, further details of the Disposal, the Acquisition and notice of SGM, will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

## **SALE AND PURCHASE AGREEMENT**

**Date:** 28 March 2008 (as supplemented by the supplemental agreement dated 3 April 2008)

**Parties:** (1) Vendor: The Company  
(2) Purchaser: Long Success International (Holdings) Limited

The Purchaser is a company incorporated in Bermuda and the issued shares of which are listed on GEM. The Purchaser together with its subsidiaries are principally engaged in the sales of customised software and related computer equipment, provision of technical support and maintenance services in the Greater China Region, and related business in the gaming and entertainment business in Macau.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for that the company secretary and qualified accountant of the Purchaser, Mr. Yeung Shun Kee Edward is also an independent non-executive Director of the Company, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

### **Assets to be disposed and acquired**

Pursuant to the Sale and Purchase Agreement, the Company has agreed to dispose and the Purchaser has agreed to acquire the Sale Shares, which represent the entire issued share capital of the Target, and the Sale Debt.

As at the date of the Sale and Purchase Agreement, the Sale Debt amounts to HK\$11,213,604.62. In addition to the Sale Debt, the Company will also be required to pay the redemption amount of approximately HK\$5,112,000 to release the Property under the Mortgage prior to completion of the Sale and Purchase Agreement. Pursuant to the latest audited financial statements of the Target, the Target recorded net liabilities of HK\$58,163 as at 31 March 2007 after taking into account of valuation adjustments on an open market basis at 31 March 2007.

The principal business of the Target is the holding of the Property and two vehicles. The Property is held by the Target primarily for investment purposes. The Property was vacant during the two financial years ended 31 March 2006 and 2007 respectively and has been pledged to bank under the Mortgage to secure bank facilities granted to the Target. The two vehicles are private cars, namely a Jaguar S-Type and a Mercedes Benz S55, for private usage and are free from encumbrances. The two vehicles are currently used by the Directors. The Target is the registered owner of the two vehicles.

Pursuant to the Sale and Purchase Agreement, the Purchaser shall settle part of the Consideration by issue of the Convertible Notes to the Company upon Completion. Upon conversion of the Convertible Notes, the Company will be deemed to acquire equity interests in Long Success. Please refer to the section headed “Convertible Notes” below for further details of the Convertible Notes.

### **Consideration**

The aggregate Consideration for the Disposal is HK\$24,700,000, which shall be satisfied as follows:

- (a) HK\$2,470,000 (the “**Deposit**”) shall be paid by the Purchaser to the Company in cash upon fulfilment of both conditions (2) and (3) as deposit and part payment of the Consideration;
- (b) HK\$10,700,000 shall be paid by the Purchaser to the Vendor by the issue of the Convertible Notes on Completion; and
- (c) HK\$11,530,000, being the remaining balance of the Consideration shall be paid by the Purchaser to the Vendor in cash within seven Business Days after the Completion Date.

As the Deposit will only be paid by the Purchaser to the Company upon fulfilment of both conditions (2) and (3), the Company has not received the Deposit as at the date of this announcement.

The consideration for the Disposal was arrived at after arm’s length negotiations between the parties to the Sale and Purchase Agreement after taking into consideration of various factors, in particular, the current financial situation of the Target. According to the latest balance sheet of the Target as at 28 March 2008, the total assets of the Target amounted to approximately HK\$15,948,000. According to the latest audited financial statements of the Target as at 31 March 2007, the value of the Property (after fair value adjustment) as at 31 March 2007 amounted to HK\$15,000,000. The total Consideration payable by the Purchaser represents (i) a premium of more than 50% over the total assets of the Target, including the value of the Property and the value of the two vehicles, (ii) a premium of more than 50% over the aggregate sum of the amount of the Sale Debt as at the date of Sale and Purchase Agreement, the redemption amount under the Mortgage and the net liabilities of the Target.

The Conversion Price was arrived at after arm’s length negotiations and will be determined with reference to the average of closing prices for the 14 days ended on the date of Completion subject to a minimum initial Conversion Price of HK\$0.055 per Conversion Shares.

The Directors consider the terms and conditions of the Disposal to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **Conditions**

The Disposal is conditional upon the satisfaction of the following:

- (1) the Purchaser being reasonably satisfied that the Company has a good and marketable title to the Property;
- (2) the passing by the Shareholders at the SGM to be held and convened of the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (3) the passing by the shareholders of the Purchaser at a special general meeting of the Purchaser to be convened and held of the necessary resolutions to approve the issue of the Convertible Notes and the allotment and issue of the conversion shares in accordance with the GEM Listing Rules;
- (4) the Purchaser being reasonably satisfied with the legal and financial due diligence on the Target;
- (5) the discharge or release of the Mortgage;
- (6) the Stock Exchange granting the listing of and permission to deal in the conversion shares to be issued upon conversion of the Convertible Notes; and
- (7) if required, the Bermuda Monetary Authority granting its consent to the issue of the Conversion Shares.

Completion shall be conditional upon the conditions being satisfied on or before 30 June 2008 (or such later date as the parties therein may agree). In the event that the conditions not being fulfilled on or before 30 June 2008 (or such other date as the parties therein may agree), the Sale and Purchase Agreement shall become null and void and none of the parties thereto shall have any claims against any other of them save for antecedent breach and the Vendor shall return the Deposit without interest to the Purchaser forthwith.

## **Completion**

Completion is expected to take place on a date falling within seven Business days after the date on which the conditions are fulfilled (or such later date as the parties may agree).

Upon Completion, the Target will cease to be an indirect wholly owned subsidiary of the Company.

As at the date of this announcement, the Group holds approximately 9,893,448 Long Success Shares, representing approximately 0.36% of the existing issued share capital of Long Success, with an additional 1,305,600 Long Success Shares to be issued to the Group upon the exercise of the subscription rights under the bonus warrants issued by the Purchaser to the Group as announced in the announcement of the Purchaser dated 29 January 2008. The Group has exercised the subscription rights under the bonus warrants and will hold an aggregate of 11,199,048 Long Success Shares, representing approximately 0.41% of the issued share capital of Long Success.

Based on the minimum initial Conversion Price of HK\$0.055 per Conversion Share, an aggregate of 194,545,454 Long Success Shares will be allotted and issued by the Purchaser to the Company upon conversion of the Convertible Notes and the Group will hold an aggregate of 205,744,502 Long Success Shares, representing approximately 7.04% of the enlarged issued share capital of the Purchaser, assuming full conversion of the Convertible Notes.

## **CONVERTIBLE NOTES**

The principal terms of the Convertible Notes are as follows:

Principal Amount:	HK\$10,700,000
Interest Rate:	Hong Kong Dollar Prime Rate as quoted by The Hongkong and Shanghai Banking Corporation Limited minus 3% per annum
Maturity Date:	1 year from the date of issue
Conversion Period:	the outstanding principal amount of Convertible Note is convertible in part or in whole into new Long Success Shares at any time during the period commencing from the date of issue up to but excluding the maturity date
Conversion Price:	the initial Conversion Price will be the average closing price per Long Success Share as quoted on the Stock Exchange for 14 days ended on the date of Completion subject to a minimum initial Conversion Price of HK\$0.055 per Conversion Shares

The Conversion Price is subject to anti-dilution adjustments for, among others, (i) consolidation or subdivision of Long Success Shares; (ii) capitalisation of profits or reserves of Long Success; (iii) distributions made by Long Success; (iv) rights issues of Long Success Shares or grant of warrants or options over Long Success Shares at less than the then market price; (v) issues of securities convertible into, exchangeable for, or carry rights of subscription for Long Success Shares at less than market price; (vi) issue of Long Success Shares at less than the market price; and (vii) issue of Long Success Shares as consideration for acquisition of assets at less than the market price

The adjustments will be certified by the auditors of Long Success

Transferability: The Convertible Notes is transferable only if the following conditions are satisfied:

- (a) the holder of Convertible Notes (i) gives written notification to the Company 14 days before the proposed transfer; and (ii) undertakes to give a written notification to Long Success informing whether the proposed transferee is a connected person (as defined under the GEM Listing Rules) to Long Success;
- (b) if applicable, the proposed transferee has given Long Success a written confirmation that it is not a connected person (as defined under the GEM Listing Rules) to Long Success; and
- (c) the principal amount to be transferred must be at least HK\$500,000 of integral multiples thereof.

Repayment: Long Success shall repay all the then outstanding principal amount of the Convertible Notes together with all interest accrued thereon to the Company

The minimum Conversion Price of HK\$0.055 per Conversion Shares represents:

- (a) a discount of approximately 11.29% to the closing price of HK\$0.062 per Long Success Share as quoted on the Stock Exchange on 28 March 2008, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement;

- (b) a discount of approximately 11.58% to the average of the closing prices of HK\$0.0622 per Long Success Share for the last five consecutive trading days up to and including 28 March 2008; and
- (c) a discount of approximately 20.29% to the consolidated net asset value per Long Success Share of HK\$0.069 as at 30 September 2007 based on the unaudited consolidated financial statements of Long Success for the six months ended 30 September 2007.

As the Convertible Notes has not been issued and the actual Conversion Price has not determined, the Company currently has no intention regarding conversion of the Convertible Notes.

### **INFORMATION ON TARGET**

The Target is a company incorporated in Hong Kong with limited liabilities and whose principal business is the holding of the Property and two vehicles.

Immediately prior to the entering into of the Sale and Purchase Agreement, the Target is an indirect wholly owned subsidiary of the Company.

According to the audited financial statements of the Target, the Target does not record any turnover for both the financial years ended 31 March 2006 and 31 March 2007 respectively. The net profit before taxation and after taxation for the financial year ended 31 March 2006 were approximately HK\$565,417 and HK\$565,417 respectively. The net loss before taxation and after taxation for the financial year ended 31 March 2007 were approximately HK\$79,342 and HK\$79,342 respectively. The audited total assets of the Target as at 31 March 2007 were approximately HK\$15,009,841 and the audited net liabilities of the Target were approximately HK\$58,163.

Based on the management account of the Target for the period from 1 April 2007 to 28 March 2008, it is estimated that upon Completion, the Group will record a gain on the Disposal or an increase in the net assets of approximately HK\$8,700,000, which is based on the aggregate Consideration of HK\$24,700,000 payable by the Purchaser and the aggregate sum of the Sale Debt, the redemption amount under the Mortgage and the net liabilities of the Target of approximately HK\$15,948,000.

### **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated in Bermuda and the issued shares of which are listed on GEM. The Purchaser together with its subsidiaries are principally engaged in the sales of customised software and related computer equipment, provision of technical support and maintenance services in the Greater China Region, and related business in the gaming and entertainment business in Macau.



According to the audited financial statements of the Purchaser, the turnover, net loss before taxation and net profit after taxation for the year ended 31 March 2006 were approximately HK\$24,720,000, HK\$3,259,000 and HK\$2,849,000 respectively. The turnover, net profit before taxation and net loss after taxation for the year ended 31 March 2007 were approximately HK\$23,735,000, HK\$1,259,000 and HK\$4,262,000 respectively. The total assets of the Purchaser as at 31 March 2007 were HK\$74,312,000 and the audited net assets of the Purchaser as at 31 March 2007 were HK\$29,659,000.

As at the date of this announcement, the Company does not have any representative or nominee in the board of directors in Long Success.

### **REASONS FOR THE DISPOSAL AND THE ACQUISITION**

The Company is an investment holding company. The principal activities of the Group consists of investment holdings, securities dealing and broking, financing, trading of securities, general import and export trading and property redevelopment and investment.

The Directors consider that the Disposal represents a good opportunity for realization of its investment in both the Target and the Property. Given that the Consideration payable by the Purchaser represents a premium of more than 50% over the total assets of the Target, the Directors consider that the Disposal is an effective and efficient method to realise its investment.

The Directors consider that the Acquisition will allow the Company to have an opportunity to hold securities issued by the Purchaser, a company listed in Hong Kong and the Convertible Notes will allow the Company to get benefits in the event of a thrust of share price of the Purchaser.

Taking into consideration of the aforesaid, the Directors, including the independent non-executive Directors, consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

After deducting expenses relating to the Disposal (including the redemption amount of approximately HK\$5 million payable by the Company to the bank to discharge or release the Property under the Mortgage), the net proceeds of approximately HK\$8,500,000 will be applied towards the general working capital of the Group.



## **LISTING RULES IMPLICATION**

The Disposal and the Acquisition constitute major transactions on the part of the Company under Rule 14.06 of the Listing Rules.

A circular containing, among other matters, further details of the Disposal, the Acquisition and notice of SGM, will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

To the best of the Directors' knowledge, information and belief, no Shareholders have a material interest in the Disposal and the Acquisition and accordingly require to be abstained from voting at the SGM.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of equity interest in Long Success upon conversion of the Convertible Notes by the Company pursuant to the terms of the Sale and Purchase Agreement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which banks in Hong Kong are generally open for business
“Company”	Styland Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Debt pursuant to the Sale and Purchase Agreement
“Completion Date”	date of Completion
“Consideration”	the aggregate consideration of HK\$24,700,000 payable by the Purchaser pursuant to the Sale and Purchase Agreement

“Conversion Price”	the conversion price per Conversion Share, which shall be the average closing price per Share as quoted on the Stock Exchange for the 14 days ended on the date of Completion provided that the initial conversion price shall not be less than HK\$0.055 per Conversion Share
“Conversion Shares”	those Long Success Shares to be issued by the Purchaser to the Vendor upon the conversion of the Convertible Notes
“Convertible Notes”	the convertible notes bearing an interest rate equivalent to Hong Kong Dollar Prime Rate as quoted by the Hongkong and Shanghai Banking Corporation Limited minus 3% per annum to be created and issued by the Purchaser to the Company or its nominee in an aggregate principal amount of HK\$10,700,000 due on the first anniversary of the date of issue of the convertible notes
“Directors”	directors of the Company
“Disposal”	the disposal of the entire issued share capital and the Sale Debt of the Target by the Group pursuant to the Sale and Purchase Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Success Shares”	ordinary shares of HK\$0.01 each in the share capital of the Purchaser

“Mortgage”	the mortgage of the Property between the Target and Bank of China (Hong Kong) Limited to secure a facility to the Target in the sum of up to HK\$7,200,000;
“PRC”	the People’s Republic of China
“Property”	the property located at Flat A on the 3rd Floor and the Roof A and Car Parking Space Nos. 6, 7 and 8 of Daisyfield, No. 4153 Tai Po Road, Tai Po, New Territories and is owned by the Target
“Purchaser” or “Long Success”	Long Success International (Holdings) Limited, a company incorporated in Bermuda with limited liabilities and the issued shares of which are listed on GEM
“Sale and Purchase Agreement”	the sale and purchase agreement dated 28 March 2008 (as supplemented by the supplemental agreement dated 3 April 2008) and made between the Purchaser and the Company in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Sale Debt”	the shareholder’s loans advanced by the Company to the Target and remaining outstanding from the Target to the Company as at the date of Completion
“Sale Shares”	2 shares of HK\$1.00 each in the share capital of the Target, representing the entire issued share capital of the Target
“SGM”	the special general meeting of the Company to be held and convened to approve the Disposal and the Acquisition and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target”	City Faith Investments Limited, an indirect wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By order of the Board  
**Styland Holdings Limited**  
**Chan Chi Mei Miranda**  
*Director*

Hong Kong, 10 April 2008

*As at the date of this announcement, the Board comprises four executive Directors, Ms Yeung Han Yi Yvonne, Ms Chan Chi Mei Miranda, Mr Cheung Hoo Win, Ms Zhang Yuyan and three independent non-executive Directors, Mr Lim Man San David, Mr Yeung Shun Kee Edward and Mr Chow Pat Kan.*