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## **STYLAND HOLDINGS LIMITED**

**大凌集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 211)**

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS RELATING TO GRANTING OF GRATUITY TO FORMER DIRECTORS**

On 31 January 2011, the Company and each of the Former Directors confirmed and signed the Offer Letters pursuant to which the Company granted to each of the Former Directors the Gratuity to be paid wholly or partly in cash; or, at the option of the Former Directors, by way of new Shares to be issued and allotted by the Company at the subscription price of HK\$0.052 per Gratuity Share.

By virtue of being former Directors whose retirement took effect on 5 December 2010, both of the Former Directors are connected persons of the Company. The granting of the Gratuity to each Former Director constitutes discloseable and connected transactions for the Company under the Listing Rules.

As the applicable Percentage Ratios in respect of the granting of the Gratuity to each Former Director is less than 25% and the amount of Gratuity granted to each of the Former Directors is less than HK\$10,000,000, the granting of the Gratuity to each Former Director is only subject to the reporting and announcement requirements as set out in the Listing Rules and is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **INTRODUCTION**

Reference is made to the Announcement, Ms. Yeung and Ms. Chan voluntarily retired as executive Directors and all their other positions in the Group with effect from 5 December 2010. Ms. Yeung and Ms. Chan believe that their retirement will assist to minimize the difference in viewpoints between the Company and the Stock Exchange.

\* For identification purposes only

## GRANT OF GRATUITY

In view of the Former Directors' valuable contribution to the Group during their tenure of service, the Board had proposed to grant to each of the Former Directors the Gratuity and the Board issued the Offer Letters to the Former Directors, offering to each of the Former Directors the Gratuity of HK\$3,000,000. On 31 January 2011, the Company and each of the Former Directors confirmed and signed the Offer Letters pursuant to which the Company granted to each of the Former Directors the Gratuity. The Gratuity for each of the Former Directors was determined with reference to her remuneration immediately before her retirement and her years of service with the Group.

Details of the Offer Letters are as follows:

- Parties : (1) the Company  
(2) Ms. Yeung/Ms. Chan
- Gratuity : HK\$3,000,000
- Manner of payment : Gratuity to be paid wholly or partly (i) in cash; or, at the option of the Former Directors, (ii) by way of new Shares to be issued and allotted by the Company at the subscription price of HK\$0.052 per Gratuity Share in lieu of cash, subject to compliance with the Listing Rules, if applicable.
- Notice for payment : each Former Director shall be entitled to the Gratuity in cash or by way of the Gratuity Shares during the Term by giving not less than 10 Business Days' prior written notice to the Company.
- Term : the period commencing on the date of the Offer Letters and ending on the 5th anniversary of such date, both dates inclusive.

The subscription price of HK\$0.052 per Gratuity Share was determined by the Board with reference to the closing price of HK\$0.011 per Share as quoted on the Stock Exchange on the date before the publication of the Announcement, the prevailing market conditions and the range of HK\$0.024 to HK\$0.08 per Share as voluntarily suggested by the Former Directors after taking into account of the exercise price/conversion price/subscription price for the proposed issue of Options/Convertible Bonds/new Shares under the Option Agreement, the CB Subscription Agreements and the New Shares Subscription Agreements respectively (for details please refer to the announcements of the Company dated 21 June 2007, 16 August 2007 and 19 November 2007).

The subscription price was initially proposed as HK\$0.011 per Gratuity Share, being the closing price per Share as quoted on the Stock Exchange on the date before the publication of the Announcement. Subsequent to the proposed offer of the Gratuity to the Former Directors, the Former Directors, having taken into account of the exercise price/conversion price/subscription price for the earlier proposed issue of the Options/Convertible Bonds/new Shares, voluntarily suggested and proposed that the subscription price per Gratuity Share could be adjusted and set within the range of HK\$0.024 to HK\$0.08 per Share at the Board's final determination.

The aforesaid voluntary request for the adjustment of subscription price by the Former Directors were highly appreciated by the Board and the subscription price for the Gratuity Shares has therefore been adjusted and fixed at HK\$0.052 per Gratuity Share by the Board, being the average of the lowest and highest of the exercise price/conversion price/subscription price for the abovementioned proposed issue of Options, Convertible Bonds and new Shares under the Option Agreement, the CB Subscription Agreements and the New Shares Subscription Agreements respectively. The Board further resolved that once the share price of the Company is equal to or higher than HK\$0.057 per Share (equivalent to approximately 10% increase comparing to the Subscription Price), the Former Directors' right to receive the Gratuity in cash will be forfeited and the Former Directors will only be allowed to receive the Gratuity wholly by way of new Shares in lieu of cash.

The Subscription Price is subject to adjustment(s) pursuant to the terms of the Offer Letters upon the occurrence of certain events including, among others, share consolidation and share subdivision of the Shares.

Based on the Subscription Price, the maximum number of Gratuity Shares which may be subscribed by each Former Director upon exercise of her Subscription Right is thus 57,692,307 Shares, which represents approximately 3.08% of the existing issued share capital of the Company as at the date of this announcement and approximately 1.51% of the entire issued share capital of the Company as enlarged by the issue of the Gratuity Shares and the Shares to be issued under the Option Agreement, the CB Subscription Agreements, the New Shares Subscription Agreements, Scrip Dividend Schemes and Bonus Issue Proposals as stated in the announcements of the Company dated 21 June 2007, 16 August 2007 and 19 November 2007 and circulars of the Company dated 22 July 2009, 15 March 2010 and 30 August 2010.

The issue and allotment of the Gratuity Shares will be made under the General Mandate.

### **Conditions precedents**

The granting of the Gratuity to each Former Director by way of issuing the Gratuity Shares in lieu of cash is conditional upon the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the Gratuity Shares to be issued if the relevant Former Director elects to receive the Gratuity Shares in lieu of cash.

### **Restrictions on subscription for Gratuity Shares**

Notwithstanding the aforesaid, the Former Directors shall not have the right to subscribe for the Gratuity Shares in lieu of cash to the extent that immediately after such subscription, the Former Director concerned together with parties acting in concert with her taken together will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company (or in such percentage as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer) or otherwise:

- (i) a general offer shall be given; or
- (ii) a waiver should be obtained in accordance with the requirement of the Takeovers Code.

The Former Directors shall not have the right to subscribe for the Gratuity Shares in lieu of cash to the extent that immediately after such subscription, there will not be sufficient public float of the Shares as required under the Listing Rules.

## **INFORMATION ABOUT THE FORMER DIRECTORS**

Ms. Yeung, aged 54, had served the Group for more than 30 years. She has extensive experience in business management. Ms. Yeung, before her retirement, was responsible for the Group's administration, personnel and general management. Ms. Yeung has completed the Course on Corporate Governance jointly organised by the School of Continuing and Professional Education of City University of Hong Kong and ET Business College of Hong Kong Economic Times. Ms. Yeung is the mother of Mr. Cheung Hoo Win, the Company's Chief Executive Officer and an executive Director.

Ms. Chan, aged 50, joined the Group in 1979 and was appointed as an executive Director in 1993. Ms. Chan has over 20 years of experience in the trading business and over 12 years' expertise in the securities business. Before her retirement, Ms. Chan was responsible for the securities brokerage and financing businesses of the Group. Ms. Chan has completed the New Leadership Advance Course organised by Tsing Hua University.

Ms. Yeung and Ms. Chan are two of the founders of the Group. They had served and made enormous contribution to the Group's growth for more than 30 years. Notwithstanding that trading in the Shares has been suspended since 2004, under the management and supervision of, inter alia, Ms. Yeung and Ms. Chan, the Group recorded substantial profits of approximately HK\$66 million for the year ended 31 March 2010 and approximately HK\$17 million for the six months ended 30 September 2010, which was approximately HK\$83 million in total. During the aforesaid periods, the Group had managed a total fund flow of approximately HK\$18.5 billion under its brokerage and financial business without any customer complaint.

Under the leadership of the Former Directors, the Group has overcome various challenges, including the financial turmoil in 1997, the burst of information and technology bubbles in 2000, the outbreak of the severe acute respiratory syndromes in 2003 and the financial tsunami in 2008. In recent years, benefiting from their prudent investment strategy, the Group did not involve in Lehman bonds or any accumulator products, thus it can preserve its strength for the market recovery. For more details relating to improvements in the Group's operating results, please refer to the annual report of the Company for the year ended 31 March 2010 and the interim report of the Company for the six months ended 30 September 2010.

## REASONS FOR GRANT OF GRATUITY

The Group is principally engaged in investment holding, property development and investment, general import and export trading, financing business and securities dealing. The Company is grateful to Ms. Yeung and Ms. Chan for their valuable contribution to the Group during their tenure of service. As such, the Board proposed to grant to each of them a gratuity of HK\$3,000,000 (in cash or in Gratuity Shares in lieu of cash) respectively for their contribution over the past 30 years, which are determined with reference to their remuneration immediately before their retirement and the years of their service with the Group.

The Directors (including independent non-executive Directors) are of the opinion that the terms of the granting of the Gratuity are on normal commercial terms, fair and reasonable and that the granting of the Gratuity is in the interests of the Company and all Shareholders as a whole.

## EFFECTS ON SHAREHOLDING

The effects of the payment of the Gratuity on the shareholding structure of the Company (assuming that the Former Directors exercise their right to elect to subscribe for the Gratuity Shares in lieu of cash in full) is illustrated in the following table:

- (i) The effect of the allotment and issue of the Gratuity Shares on the shareholding structure assuming that there is no further allotment and issue of Shares since the date of this announcement

Name of Shareholder	As at the date of this announcement		Upon Ms. Yeung and Ms. Chan electing to receive the Gratuity wholly by way of Gratuity Shares in lieu of cash on the basis of HK\$0.052 per Gratuity Share	
	No. of Shares	Approximate % of issued Shares	No. of Shares	Approximate % of issued Shares
Mr. Cheung (Note)	369,995,967	19.77	369,995,967	18.63
Ms. Yeung (Note)	30,000,000	1.61	87,692,307	4.41
Ms. Chan	39,288	0.00	57,731,595	2.91
Public Shareholders	<u>1,471,153,424</u>	<u>78.62</u>	<u>1,471,153,424</u>	<u>74.05</u>
Total	<u><u>1,871,188,679</u></u>	<u><u>100.00</u></u>	<u><u>1,986,573,293</u></u>	<u><u>100.00</u></u>

- (ii) The effect of the allotment and issue of the Gratuity Shares on the shareholding structure assuming that full exercise of the Options to be issued under the Option Agreement, full conversion of the Convertible Bonds to be issued under the CB Subscription Agreements and completion of the New Shares Subscription Agreements, the Scrip Dividend Schemes and the Bonus Issue Proposals:

Name of Shareholder	As at the date of this announcement		Upon full exercise of the Options to be issued under the Option Agreement, full conversion of the Convertible Bonds to be issued under the CB Subscription Agreements and completion of the New Shares Subscription Agreements, the Scrip Dividend Schemes and the Bonus Issue Proposals		After Ms. Yeung and Ms. Chan electing to receive the Gratuity wholly by way of Gratuity Shares in lieu of cash on the basis of HK\$0.052 per Gratuity Share, upon full exercise of the Options to be issued under the Option Agreement, full conversion of the Convertible Bonds and completion of the New Shares Subscription Agreements, the Scrip Dividend Schemes and the Bonus Issue Proposals	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
		of issued Shares		of issued Shares		of issued Shares
Mr. Cheung (Note)	369,995,967	19.77	552,147,824	14.94	552,147,824	14.49
Ms. Yeung (Note)	30,000,000	1.61	44,769,230	1.21	102,461,537	2.69
Ms. Chan	39,288	0.00	51,072	0.00	57,743,379	1.52
Option holder	—	—	370,000,000	10.01	370,000,000	9.71
Holders(s) of Convertible Bonds	—	—	380,000,000	10.28	380,000,000	9.97
Subscriber(s) for new Shares	—	—	300,000,000	8.12	300,000,000	7.87
Holder(s) of Scrip Shares (excluding Mr. Cheung, Ms. Yeung and Ms. Chan) under Scrip Dividend Schemes (excluding the scheme for the six months ended 30 September 2010)	—	—	283,008,814	7.66	283,008,814	7.43
Holder(s) of Bonus Shares (excluding Mr. Cheung, Ms. Yeung and Ms. Chan) under Bonus Issue Proposals (excluding the bonus issues proposed on 22 November 2010)	—	—	294,230,686	7.96	294,230,686	7.72
Existing public Shareholders	<u>1,471,153,424</u>	<u>78.62</u>	<u>1,471,153,424</u>	<u>39.82</u>	<u>1,471,153,424</u>	<u>38.60</u>
Total	<u>1,871,188,679</u>	<u>100.00</u>	<u>3,695,361,050</u>	<u>100.00</u>	<u>3,810,745,664</u>	<u>100.00</u>

*Note:* Ms. Yeung personally holds 30,000,000 Shares. Mr. Cheung personally holds 299,995,967 Shares. As Mr. Cheung is the sole shareholder of K.Y. Limited, he is deemed to have interests in 60,000,000 Shares held by K.Y. Limited and Mr. Cheung is further deemed to be interested in 10,000,000 Shares held by K.C. (Investment) Limited, a wholly owned subsidiary of K.Y. Limited. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 Shares that Mr. Cheung is beneficially interested.

## IMPLICATIONS OF THE LISTING RULES

By virtue of being former Directors whose retirement took effect on 5 December 2010, both of the Former Directors are connected persons of the Company. The granting of the Gratuity to each Former Director constitutes discloseable and connected transactions for the Company under the Listing Rules.

As the applicable Percentage Ratios in respect of the granting of the Gratuity to each Former Director is less than 25% and the amount of Gratuity granted to each of the Former Directors is less than HK\$10,000,000, the granting of the Gratuity to each Former Director is only subject to the reporting and announcement requirements as set out in the Listing Rules and is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Cheung Hoo Win, an executive Director and Chief Executive Officer of the Company, is the son of Ms. Yeung. By way of this relationship, Mr. Cheung Hoo Win is considered to have a material interests in the granting of the Gratuity to Ms. Yeung and Mr. Cheung Hoo Win has abstained from voting in respect of the resolution(s) for approving the grant of the Gratuity to Ms. Yeung in the relevant Board meeting. Save as disclosed above, no Director has any material interest in the granting of the Gratuity.

## DEFINITIONS

“Announcement”	the announcement of the Company dated 29 November 2010
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bonus Issue Proposals”	the Company's proposed issues of bonus shares are as follows:  (a) on the basis of one bonus share for every ten Shares, details of which are set out in the circular of the Company dated 15 March 2010;  (b) on the basis of one bonus share for every ten Shares, details of which are set out in the circular of the Company dated 30 August 2010; and  (c) on the basis of one bonus share for every twenty Shares which was proposed on 22 November 2010 and pending for Shareholders' approval.
“Business Day(s)”	a day (other than a Saturday, Sunday or public holidays) on which banks are open for general banking business in Hong Kong
“Bye-laws”	the bye-laws of the Company

“CB Subscription Agreements”	the eight subscription agreements all dated 9 July 2007 and entered into between the Company and the various subscribers in relation to the subscription of certain convertible bonds to be issued by the Company, details of which are set out in the announcement of the Company dated 16 August 2007
“Company”	Styland Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, whose issued Shares are listed on the Stock Exchange (Stock Code: 211)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Convertible Bond(s)”	the zero coupon convertible bonds in aggregate principal amount of HK\$9,880,000 due 2012 to be issued by the Company to the subscribers pursuant to the CB Subscription Agreements
“Director(s)”	the director(s) of the Company
“Former Director(s)”	Ms. Yeung and Ms. Chan
“General Mandate(s)”	the general mandate(s) granted by the Shareholders at the annual general meeting held on 29 September 2010
“Gratuity”	the gratuity proposed to be paid to the Former Directors in the sum of HK\$3,000,000 for each Former Director pursuant to the terms of the Offer Letters
“Gratuity Share(s)”	the new Share(s) to be issued and allotted (if any) if the Former Directors elect to receive the Gratuity by way of Shares in lieu of cash
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheung”	Mr. Cheung Chi Shing Kenneth
“Ms. Chan”	Ms. Chan Chi Mei Miranda, being one of the Former Directors
“Ms. Yeung”	Ms. Yeung Han Yi Yvonne, being one of the Former Directors



“New Shares Subscription Agreements”	the three subscription agreements all dated 15 November 2007 made by the Company with three subscribers in respect of the subscription of new Shares, details of which are set out in the announcements of the Company dated 19 November 2007, 17 January 2008 and 2 January 2009
“Offer Letter(s)”	the offer letter(s) dated 31 January 2011 confirmed and signed by the Company and the Former Directors embodying the terms of the granting of the Gratuity
“Option(s)”	370,000,000 options granted by the Company to the options subscriber(s) pursuant to the Option Agreement, details of which are set out in the announcement of the Company dated 21 June 2007
“Option Agreement”	the agreement dated 7 June 2007 entered into between the Company and the options subscriber in relation to the grant of the Options by the Company to the options subscriber
“Percentage Ratios”	the “percentage ratios” as defined in Rule 14.04(9) of the Listing Rules
“PRC”	The People’s Republic of China
“Scrip Dividend Schemes”	the Company’s proposed scrip dividend schemes are as follows: <ul style="list-style-type: none"> <li>(a) proposed interim scrip dividend of HK0.18 cent per Share without a scrip alternative for the six months ended 30 September 2008;</li> <li>(b) proposed interim cash dividend of HK0.16 cent per Share with a scrip alternative for the six months ended 30 September 2009;</li> <li>(c) proposed final cash dividend of HK0.12 cent per Share with a scrip alternative for the year ended 31 March 2010; and</li> <li>(d) proposed interim cash dividend of HK0.05 cent per Share with a scrip alternative for the six months ended 30 September 2010.</li> </ul>
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Subscription Price”	the subscription price of HK\$0.052 per Gratuity Share
“Subscription Right”	the right to subscribe for the Gratuity Shares proposed to be granted to the Former Directors
“Takeovers Code”	the Code on Takeovers and Mergers
“Term”	the period commencing on the date of the Offer Letters and ending on the 5th anniversary of such date, both dates inclusive
“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, 1 February 2011

*As at the date of this announcement, the Board consists of five executive Directors, Mr. Cheung Hoo Win, Ms. Zhang Yuyan, Ms. Chen Lili, Mr. Ng Yiu Chuen and Ms. Ho Mei Sheung and four independent non-executive Directors, Mr. Zhao Qingji, Mr. Yeung Shun Kee Edward, Mr. Li Hancheng and Mr. Lo Tsz Fung Philip.*