



# STYLAND HOLDINGS LIMITED

## 大凌集團有限公司\*

(incorporated in Bermuda with limited liability)

### PROPOSED CAPITAL REDUCTION, SHARE CONSOLIDATION, AND PROPOSED RIGHTS ISSUE WITH BONUS ISSUE OF WARRANTS AND LONG TERM BONUS SHARES

Financial Advisers

KA WAH CAPITAL LIMITED



A subsidiary of  
CITIC Ka Wah Bank



EMPEROR CAPITAL LIMITED

Lead Manager

LUEN FAT SECURITIES LIMITED

Arrangers

EVER-LONG SECURITIES COMPANY LIMITED

Co-Managers

GET NICE INVESTMENT LIMITED

KINGSTON SECURITIES LIMITED

Underwriters

GREAT CHINA BROKERAGE LIMITED

SHENYIN WANGUO CAPITAL (HK) LIMITED

TIMES SECURITIES COMPANY LIMITED

KOFFMAN SECURITIES LIMITED

TAIWAN CONCORD CAPITAL SECURITIES (HK) LIMITED

LUEN FAT SECURITIES COMPANY LIMITED

COIN FALL LIMITED

CHRISTFUND SECURITIES LIMITED

EVER-LONG SECURITIES COMPANY LIMITED

The Directors announce that the Company proposes to effect the Capital Reorganisation and the Rights Issue.

#### THE CAPITAL REORGANISATION

The Company proposes to effect the Capital Reduction under which the paid up capital of the issued Shares will be reduced from HK\$0.01 to HK\$0.0025 each by the cancellation of HK\$0.0075 paid up on each issued Share. As a result of the Capital Reduction and based upon the present number of issued Shares, a credit amount of approximately HK\$11,222,989 shall arise which will be credited to the contributed surplus account of the Company where it may be applied in accordance with the Bye-Laws and Bermuda laws. Upon the Capital Reduction becoming effective, the Directors propose to effect the Consolidation to consolidate every 4 issued shares of the Company of HK\$0.0025 each into one New Share.

Based on the present number of 1,496,398,618 Shares in issue and upon the Capital Reorganisation becoming effective, the issued share capital of the Company will comprise 374,099,654 issued New Shares.

#### THE RIGHTS ISSUE

The Company proposes to raise approximately HK\$109.99 million, before expenses, by issuing 1,122,298,962 Rights Shares at a price of HK\$0.098 per Rights Share.

The Company will provisionally allot 1,122,298,962 Rights Shares in nil-paid form in the proportion of three Rights Shares for every one New Share held by Qualifying Shareholders on the Record Date with Bonus Warrants in the proportion of one Bonus Warrant for every five Rights Shares taken up and Long Term Bonus Shares in the proportion of four Long Term Bonus Shares for every five Rights Shares taken up. The Rights Issue is not available to Overseas Shareholders. The Rights Issue is subject to the conditions set out below under the section headed "Conditions of the Rights Issue". In particular, the Rights Issue is conditional, among other things, approval by the Independent Shareholders of the Rights Issue at the SGM and approval of the Shareholders of the Capital Reorganisation. The Rights Issue is fully underwritten by the Underwriters.

The estimated net proceeds of the Rights Issue is approximately HK\$103 million which will be used as the future investment and general working capital of the Group. The Directors believe that the Rights Issue will allow all Shareholders (excluding Overseas Shareholders) the opportunity to participate in the future growth of the Group. As stated in below under the section "Reasons of the Rights Issue", the Directors consider that the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

In accordance with the Listing Rules, the Principal Shareholders, the only substantial shareholders of the Company, and their associates (as defined in the Listing Rules) will abstain from voting on the resolution to approve the Rights Issue and the Bonus Warrants, the amendment to the Bye-Laws of the Company; the Long Term Bonus Shares, and the General Mandates at the SGM. An independent board committee comprising the independent non-executive Directors will be appointed to advise the Independent Shareholders on the terms of the Rights Issue. An independent financial adviser will be appointed to advise the independent board committee on the terms of the Rights Issue.

#### WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Existing Shares will be dealt with on an ex-rights basis from 17th July, 2002. Rights Shares will be dealt with in their nil-paid form from 30th July, 2002 to 8th August, 2002 (both dates inclusive). If Ever-Long, on behalf of the Underwriters, terminates the Underwriting Agreement (see the section headed "Termination of the Underwriting Agreement" below) or the conditions of the Rights Issue (see the section headed "Conditions of the Rights Issue" below) are not fulfilled, the Rights Issue will not proceed.

Any dealings in Shares or Rights Shares in their nil-paid form between 30th July, 2002 to 8th August, 2002 is accordingly at the investors' own risk.

If in any doubt, investors should consider obtaining professional advice on this.

To qualify for the Rights Issue, any transfer of Shares must be lodged for registration with the Company's branch share registrars in Hong Kong, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, by 4:00 p.m. on 18th July, 2002.

A circular containing, inter alia, further information in respect of the Capital Reorganisation, the Rights Issue, the Bonus Warrants, the change of the Bye-laws of the Company, the Long Term Bonus Shares and the General Mandates and the letter of advice from the independent financial adviser, the recommendation of the independent board committee on the Rights Issue together with a notice of the SGM to approve the Rights Issue and Capital Reorganisation, the Bonus Warrants, the Long Term Bonus Shares and the general mandates to repurchase securities and to issue further securities will be despatched to the Shareholders as soon as practicable and subject to the Capital Reorganisation and Rights Issue being approved at the SGM to send the prospectus, provisional allotment letter and form of application for excess Rights Shares to all Qualifying Shareholders on or about 26th July, 2002.

#### LONG TERM BONUS SHARES

Long Term Bonus Shares will be allotted and issued to Long Term Eligible Shareholders satisfying the conditions below on the basis of four Long Term Bonus Shares for every five Rights Shares taken up under the Rights Issue. Any such Long Term Bonus Shares will be allotted and issued to such Long Term Eligible Shareholders as soon as practicable after the Long Term Bonus Date.

#### AMENDMENT OF BYE LAWS

The existing Bye Laws provides that the capitalisation of the Company's reserve by distribution of bonus shares should be in the same proportion. The Directors propose to change the bye law 140 of the Bye Laws in order to facilitate the issue of the Long Term Bonus Shares. The issue of the Long Term Bonus Share is subject to the Rights Issue to become unconditional, the change of the Bye Laws and approval by the Independent Shareholders in the EGM.

Trading in the Shares on the Stock Exchange was suspended at the request of the Directors with effect from 9:30 a.m. 13th June, 2002 pending release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. 18th June, 2002

#### CAPITAL REORGANISATION

##### Capital Reduction

The Company proposes to effect the Capital Reduction under which the paid up capital of the issued Shares will be reduced from HK\$0.01 to HK\$0.0025 each by the cancellation of HK\$0.0075 paid up on each issued Share. As a result of the Capital Reduction and based upon the present number of 1,496,398,618 issued Shares, an amount of approximately HK\$11,222,989 shall arise from the Capital Reduction which will be credited to the contributed surplus account of the Company.

At present, the authorised share capital of the Company is HK\$2,000,000,000 divided into 200,000,000,000 Shares, of which, as at the date of this announcement, 1,496,398,618 Shares have been issued and are fully paid or credited as fully paid. Subject to the conditions set out below, the Capital Reduction will be implemented by cancelling of HK\$0.0075 of the paid up capital on each issued Share. The credit arising from the Capital Reduction will be transferred to the contributed surplus account of the Company.

##### Consolidation

Immediately after the Capital Reduction, the Company would then effect the Consolidation whereby every four issued shares of HK\$0.0025 each would be consolidated into one New Share. Following the Capital Reduction and the Consolidation becoming, the issued share capital of the Company will be 374,099,654 New Shares.

Any fractional entitlement to the New Shares will be aggregated, sold and retained for the benefit of the Company. In order to alleviate the difficulties arising from the existence of odd lots of New Shares as a result of the Capital Reorganisation, the Company has agreed to procure Ever-Long to stand in the market to provide matching services for the odd lots of New Shares on best effort basis during the period from 29th July, 2002 to 2nd September, 2002 (both dates inclusive). Shareholders who wish to take advantage of this matching facility either to dispose of their odd lots of New Shares or to top up to board lots of 10,000 New Shares, may contact Mr. Ng Shun Fu, of Ever-Long at 18th Floor, Dah Sing Life Building, 99-105 Des Voeux Road, Central, Hong Kong, and at telephone number (852) 2815 3522.

##### Reasons

For the period from January, 2002 to the date of this announcement, the Shares have been traded on the Stock Exchange in the price range of HK\$0.045 to HK\$0.078. The closing price of the Shares as at 12th June, 2002 being the last trading date immediate preceding this announcement, was HK\$0.061 per Share. The Capital Reorganisation will facilitate the Rights Issue and future capital raising or asset acquisition for the consideration of which will be satisfied by the allotment and issue of Shares.

##### Effect of the Capital Reorganisation

The Capital Reorganisation will have no effect on the consolidated net assets of the Group. Other than the expenses to be incurred by the Company in relation to the Capital Reorganisation, the proposal will not, of itself, alter the underlying assets, business operations, management or financial position of the Group or the interest of the Shareholders. The authorised share capital of the Company will remain unchanged at HK\$2,000,000,000 following the Capital Reorganisation.

##### Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon, amongst other things, on:

- the passing by the Shareholders of the necessary special and ordinary resolution(s) at the SGM approving the Capital Reorganisation;
- publication of a notice in relation to the Capital Reorganisation in Bermuda in accordance with the Companies Act;

- the execution by any one Director of a certificate of solvency on the date as from which the Capital Reduction is to take effect in accordance with the requirements of the Companies Act; and

- the Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Shares resulting from the Capital Reorganisation.

##### Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the New Shares.

##### Free exchange of new share certificates and parallel trading arrangements

Subject to the Capital Reorganisation becoming effective which is expected to be on or around 29th July, 2002, Shareholders may on or after 29th July, 2002 until 5th September, 2002 submit certificates for the existing Shares to the Company's branch share registrars in Hong Kong, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, for exchange, at the expense of the Company, for certificates for the New Shares in issue. Thereafter, certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for the New Shares. Nevertheless, certificates for the existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for the New Shares at any time.

Further details in relation to the parallel trading arrangements for the existing Shares and the New Shares are set out in the timetable below.

##### PROPOSED RIGHTS ISSUE

###### Issue Statistics

|   |  |
|---|--|
| Basis of the Rights Issue:  | three Rights Shares for every New Share held on the Record Date with Bonus Warrants in the proportion of one Bonus Warrant for every five Rights Shares taken up and Long Term Bonus Shares in the proportion of four Long Term Bonus Shares for every five Rights Shares taken up   |
| Number of existing Shares in issue:   | 1,496,398,618 Shares (as at the date of this announcement)   |
| Number of New Shares immediately following the Capital Reorganisation becoming effective: | 374,099,654 New Shares   |
| Number of Rights Shares:  | 1,122, 298,962 Rights Shares   |
| Underwriters:   | Kingston Securities Limited, Taiwan Concord Capital Securities (HK) Limited, Luen Fat Securities Company Limited, Peace Town Securities Limited, Times Securities Company Limited, Koffman Securities Limited, Upbest Securities Company Limited, Great China Brokerage Limited, Shenyin Wanguo Capital (HK) Limited, Coin Fall Limited, Ever-Long Securities Company Limited, Christfund Securities Limited, First Securities (HK) Limited, Get Nice Investment Limited |

Ever-Long is a wholly owned subsidiary of the Company. Other than Ever-Long, the Underwriters are independent of, not connected with the directors, chief executive and substantial shareholders of the Company, and any of their subsidiaries or any of their respective associates (as defined in the Listing Rules). Ever-Long has undertaken to the Stock Exchange and the Directors will procure Ever-Long to sub-underwrite all its underwriting obligation under the Underwriting Agreement to independent sub-underwriters who are independent of, not connected with the directors, chief executive and substantial shareholders of the Company, and any of their subsidiaries or any of their respective associates (as defined in the Listing Rules).

There is no outstanding warrant or share options of the Company as at the date of this announcement. The Rights Issue is subject to the Independent Shareholders' approval at the SGM and the conditions stated below under the section headed "Conditions of the Rights Issue".

##### Qualifying Shareholders

The Company will send provisional allotment letters and forms of application for excess Rights Shares to Qualifying Shareholders only.

A Qualifying Shareholder must:

- be registered as a member of the Company on the Record Date; and
  - have an address in Hong Kong which appears on the register of members of the Company on the Record Date.
- Order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong by 4:00 p.m. on 18th July, 2002.

The branch share registrars of the Company in Hong Kong is:

**Tengis Limited**  
4th Floor, Hutchison House,  
10 Harcourt Road,  
Central, Hong Kong

The register of members of the Company will be closed from 19th July, 2002 to 26th July, 2002, both dates inclusive. No transfers of Shares will be registered during this period.

##### Basis of the Rights Issue

The Company will provisionally allot three Rights Shares, in nil-paid form, for every New Share held by Qualifying Shareholders on Record Date payable in full on acceptance. Based on the 1,496,398,618 Shares in issue as at the date hereof and 374, 099,654 New Shares in issue immediately after the Capital Reorganisation becoming effective, 1,122,298,962 Rights Shares will be issued under the Rights Issue.

##### Subscription Price

HK\$0.098 per Rights Share, payable in full upon acceptance.

|  | Before the<br>Capital Reorganisation | After Capital<br>Reorganisation |
|--|--------------------------------------|---------------------------------|
| Subscription Prices  | \$0.0243                             | \$0.098                         |
| (A) The closing price of the Shares as at the last trading day prior to the suspension trading of the Shares on 13th June, 2002 (Discount) to (A)                              | \$0.061<br>(60.16%)                  | \$0.244<br>(59.84%)             |
| (B) The average closing price of the Shares for 10 trading days before the last trading day prior to the suspension trading of the Shares on 13th June, 2002 (Discount) to (B) | \$0.0634<br>(61.68%)                 | \$0.254<br>(61.42%)             |
| (C) Net tangible assets value per Share (Discount) to (C)  | \$0.475<br>(94.88%)                  | \$1.900<br>(94.84%)             |
| (D) Theoretical ex-rights price (Note) (Discount) to (D)   | \$0.034<br>(28.53%)                  | \$0.135<br>(27.41%)             |

Note: The subscription price of the Rights Issue is HK\$0.098 and thus the theoretical subscription price of the Rights Issue before the Capital Reorganization HK\$0.0245 (i.e. HK\$0.098/4) and theoretical ex-rights price is HK\$0.034 (i.e. HK\$0.061 + HK\$0.098/4 x 3/4)

The Subscription Price was agreed after arm's length negotiation with reference to current market condition among the Company, the Principal Shareholders and the Underwriters.

##### Bonus Warrants

Subject to the satisfaction of the conditions of the Rights Issue, Bonus Warrants will be issued to the first registered holders of the Rights Shares on the basis of one Bonus Warrant for every five Rights Shares taken up under the Rights Issue. The issue of Bonus Warrants will be subject to the approval of the Independent Shareholders at the SGM and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Warrants and the issue of Shares pursuant to the exercise of the subscription rights attaching to the Bonus Warrants.

##### Subscription Price of Bonus Warrants

HK\$0.08 for one New Share (subject to adjustment). The initial subscription price of HK\$0.08 per New Share represents (i) a discount of approximately 67.2% to the closing price of HK\$0.244 per New Share (on a pro forma basis and assuming the Capital Reorganisation has become effective) as quoted on the Stock Exchange on 12th June, 2002, (ii) a discount of approximately 68.5% to the average closing price per New Share (on a pro forma basis and assuming the Capital Reorganisation has become effective) of approximately HK\$0.254 for the ten trading days ended on 12th June, 2002, being the last trading day pending the release of this announcement and (iii) a discount of about 40.75% to the theoretical ex-rights price of approximately HK\$0.135 per New Share (assuming the Capital Reorganisation has become effective). The discount of the subscription price of the Bonus Warrants to the closing price of the New Shares aligns with the discounts of the Subscription Price to the closing price of the New Shares. The Directors consider that the subscription price of the Bonus Warrants offers an attractive opportunity to the Qualifying Shareholders who take up the Rights Shares to participate in the future growth of the Group along with its future enhance investment portfolio and business expansion of the Company and its subsidiaries.

##### Subscription Period

The subscription period of the Bonus Shares is expected to be from 21st August, 2002 to 21st August, 2003 (both dates inclusive).

## Board Lot

The board lot for trading in the Bonus Warrants is proposed to be 30,000 units. However, depending on the entitlement to and acceptance of Rights Shares by those entitled, odd lots of Bonus Warrants may be issued. There is no arrangement for the trading of odd lots of the Bonus Warrants.

## Number of Bonus Warrants

On the basis of 1,122,298,962 Rights Shares to be issued under the Rights Issue, 224,459,792 Bonus Warrants will be issued. The exercise in full of the subscription rights attaching to the Bonus Warrants will result in the issue of 224,459,792 New Shares and, represents approximately 15% of the issued share capital of the Company as enlarged by the Rights Issue and represents approximately 13% of the issued share capital of the Company as enlarged by the Rights Issue and New Shares to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants. The Bonus Warrants will be issued in registered form and will be traded on the Stock Exchange in board lots of 30,000 units of subscription rights of HK\$2,400.

Entitlements to the Bonus Warrants will be calculated on the basis of integral multiples of five Rights Shares taken up and fractional entitlements to Bonus Warrants will not be issued but will be aggregated and sold for the benefit of the Company. No Bonus Warrants will be issued to Overseas Shareholders.

The certificates for the fully-paid Rights Shares and Bonus Warrants are expected to be despatch on or around 19th August, 2002. As at the date of this announcement, there is no outstanding warrant or option of the Company.

## Expected timetable

|  | 2002                    |
|--|-------------------------|
| Despatch of circular with notice of the SGM  | 2nd July                |
| Last day of dealings in Shares on a cum-rights basis   | 16th July               |
| Commencement of dealings in Shares on an ex-rights basis   | 17th July               |
| Latest time for lodging transfer of Shares   | 4:00 p.m. 18th July     |
| Register of members closes to determine the eligibility of the Rights Issue  | 19th July               |
| Register of members closes between   | 19th July to 26th July  |
| Latest time for lodging proxy forms for the SGM  | 9:30 a.m. 24th July     |
| The Record Date  | 26th July               |
| Expected date of the SGM   | 26th July               |
| Despatch of Rights Issue prospectus, provisional allotment letters and forms for application of excess Rights Shares             | 9:30 a.m. 26th July     |
| Effective Date of the Capital Reorganisation   | 26th July               |
| Register of members re-opens   | 29th July               |
| Free exchange of existing share certificates for new share certificates commences  | 9:30 a.m. 29th July     |
| Temporary counter for trading in New Shares in board lots of 2,500 New Shares (in the form of existing share certificate) opens  | 9:30 a.m. 29th July     |
| Designated broker start to stand in the market to provide matching service   | 29th July               |
| Existing counter for trading in Shares in board lots of 10,000 closes  | 9:30 a.m. 29th July     |
| First day of dealings in nil-paid Rights Shares  | 30th July               |
| Latest time for splitting nil-paid Rights Shares   | 4:00 p.m. 30th July     |
| Last day of dealings in nil-paid Rights Shares   | 8th August              |
| Existing counter for trading in New Shares in board lots of 10,000 New Shares (in the form of new share certificate) reopens     | 9:30 a.m. 12th August   |
| Parallel trading in New Shares (in the form of new and existing share certificates) begins                                       | 9:30 a.m. 12th August   |
| Latest time for payment and acceptance of Rights Shares  | 4:00 p.m. 13th August   |
| Latest time for the Rights Issue to become unconditional   | 4:00 p.m. 15th August   |
| Announcement of results of the Rights Issue  | 16th August             |
| Despatch of refund cheques in respect of unsuccessful or partially unsuccessful applications for excess Rights Shares            | 19th August             |
| Despatch of certificates for Rights Shares and Bonus Warrants  | 19th August             |
| Dealing of fully paid Rights Shares and Bonus Warrants commence  | 21st August             |
| Temporary counter for trading in New Shares in board lots of 2,500 New Shares (in the form of existing share certificate) closes | 4:00 p.m. 2nd September |
| Designated broker ceases to stand in the market to provide matching service  | 2nd September           |
| Parallel trading in New Shares (in the form of new and existing share certificates) ends   | 4:00 p.m. 2nd September |
| Free exchange of existing share certificates for new share certificates ends   | 5th September           |

## Warning of the risks in trading of Shares

Existing Shares will be dealt with on an ex-rights basis from 17th July, 2002. Rights Shares will be dealt with in their nil-paid form from 30th July, 2002 to 8th August, 2002 (both dates inclusive). If Ever-Long, on behalf of the Underwriters, terminates the Underwriting Agreement (see section headed "Termination of the Underwriting Agreement" below) or the conditions of the Rights Issue (see section headed "Conditions of the Rights Issue" below) are not fulfilled, the Rights Issue will not proceed.

Any dealings in Shares or Rights Shares in their nil-paid form between 30th July, 2002 to 8th August, 2002 is accordingly at the investors' own risk.

If in any doubt, investors should consider obtaining professional advice on this.

## Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu in all respects with the New Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares (when allotted, issued and fully paid) will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Rights Shares. Dealings in the nil-paid and fully-paid Rights Shares and the Bonus Warrants will be subject to payment of stamp duty in Hong Kong.

## Certificates of the Rights Shares and Bonus Warrants

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares and Bonus Warrants are expected to be posted by 19th August, 2002 to those Shareholders who accepted the provisional allotment of the Rights Shares or applied for the excess Rights Shares and paid for the Rights Shares. The dealings in the fully-paid Rights Shares and Bonus Warrants are expected to be commenced on or about 21st August, 2002.

## Rights of Overseas Shareholders

The Prospectus, the provisional allotment letters and forms for application of excess Rights Shares will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The Directors have exercised the discretion given to them under the Bye-Laws, among other things, not to issue such Rights Shares as in their opinion, the issue would or might in the absence of compliance with registration or other special formalities in other territories, be unlawful or impracticable. Accordingly, no provisional allotment of Rights Shares will be made to Overseas Shareholders. The Company will send a Rights Issue prospectus to Overseas Shareholders for their information only. The Company will not send provisional allotment letters or forms of application for excess Rights Shares to Overseas Shareholders.

If a premium (net of expenses) can be obtained, the Company will sell the Rights Shares which would otherwise have been provisionally allotted to the Overseas Shareholder once dealings in the nil-paid Rights Shares start. The proceeds of each sale, less expenses, which amount to HK\$100 or more will be paid by cheque to the relevant Overseas Shareholder in Hong Kong dollars as soon as practicable. The Company will retain individual amount of less than HK\$100 for its own benefit.

## Fractional Entitlements

Any fractional entitlements to the nil paid and fully paid Rights Shares will not be allotted and issued to the Shareholders but will be aggregated and sold and retained for the benefit of the Company. There is no arrangement for the trading of the odd lots of the Rights Shares.

## Application for excess Rights Shares

Qualifying Shareholders may apply (using forms for application of excess Rights Shares) for any unsold entitlement for the Overseas Shareholders and any Rights Shares provisionally allotted but not accepted.

The Company will allocate excess Rights Shares at their sole discretion, on a fair and equitable basis.

## Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms, the Bonus Warrants and the Shares to be issued pursuant to the exercise of the subscription rights attaching to the Bonus Warrants.

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty in Hong Kong.

## UNDERWRITING AGREEMENT DATED 13TH JUNE, 2002

Underwriters: Kingston Securities Limited, Taiwan Concord Capital Securities (HK) Limited, Luen Fat Securities Company Limited, Peace Town Securities Limited, Times Securities Company Limited, Koffman Securities Limited, Upbest Securities Company Limited, Great China Brokerage Limited, Shenyin Wanguo Capital (HK) Limited, Coin Fall Limited, Ever-Long Securities Company Limited, Christfund Securities Limited, First Securities (HK) Limited, Get Nice Investment Limited

Number of Shares underwritten: 910,971,339 Rights Shares (Note)

Commission: 2.5% of the total Subscription Prices of the Rights Shares underwritten by the Underwriters.

Note: Excluding the 211,327,623 Rights Shares provisionally allotted to the Principal Shareholders.

Ever-Long is a wholly owned subsidiary of the Company. Other than Ever-Long, the Underwriters are independent of, not connected with the directors, chief executive and substantial shareholders of the Company, and any of their subsidiaries or any of their respective associates (as defined in the Listing Rules).

There is no outstanding warrant or share options of the Company as at the date of this announcement.

## Undertaking from the Principal Shareholders

As at the date hereof, the Principal Shareholders are beneficially interested in 282,170,167 shares, representing approximately 18.86% of the existing issued share capital of the Company. Included in these 282,170,167 Shares, 400,000 Shares ("Charged Shares") are pledged to C.A. Pacific Finance Limited which is in liquidation. The Principal Shareholders cannot ascertain whether the Charged Shares are still registered in their name and subject to their right of redemption. The Principal Shareholders have given an irrevocable undertaking in favour of the Company of the underwriters to accept and subscribe in full their entitlement to 211,327,623 Rights Shares (excluding the Charged Shares' entitlement to the Rights Issue).

## Termination of the Underwriting Agreement

It should be noted that the Underwriting Agreement contains provisions granting the Underwriters the right, which may be exercised at any time prior to 4:00 p.m. on the second business day immediately after the last day for acceptance of the Rights Issue, in the reasonable opinion of Ever-Long on behalf of the Underwriters:

(a) the success of the Rights Issue would be affected by:

(i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the opinion of Ever-Long materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the opinion of Ever-Long materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

(b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the reasonable opinion of Ever-Long makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(c) the circular or the prospectus of the Rights Issue when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the opinion of Ever-Long is material to the Group as a whole and is likely to affect the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it;

Ever-Long, on behalf of the Underwriters, shall terminate the Underwriting Agreement and the Rights Issue will not proceed.

## Conditions of the Rights Issue

The Rights Issue is conditional upon, amongst other things, the following conditions being fulfilled on or before the last day for acceptance of the Rights Issue:

- the approval of the Rights Issue, the creation and issue of the Bonus Warrants and the issue of Shares pursuant to the exercise of the subscription rights attaching to the Bonus Warrants, the Rights Shares in nil-paid and fully paid forms and the Long Term Bonus Shares by the Independent Shareholders at the SGM;
- the approval of the Capital Reorganisation, by the Shareholders at the SGM;
- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares, Rights Shares in nil-paid and fully paid forms, the Long Term Bonus Shares, the Bonus Warrants and the issue of Shares pursuant to the exercise of the subscription rights attaching to the Bonus Warrants;
- the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong one copy of the prospectus, the provisional allotment letter and form of application for excess Rights Shares in compliance with the Listing Rules and Hong Kong Companies Ordinance;

5. the filing of the prospectus, the provisional allotment letter and form of application for excess Rights Shares with the Registrar of Companies in Bermuda in accordance with the Companies Act; and

6. the publication of a notice in relation to the Capital Reorganisation in Bermuda in accordance with the Companies Act and the making by any one Director a certificate of solvency on the date as from which the Capital Reduction is to take effect in accordance with the requirements of the Companies Act.

## Use of Proceeds

The estimated net proceeds of the Rights Issue is approximately HK\$103 million of which approximately of HK\$63 million will be used to finance the Group's future investments in Hong Kong and the PRC and the remaining HK\$40 million will be retained as general working capital of the Group.

The Directors believe that it is in the best interests of the Company and the Shareholders to enlarge the capital base of the Company through the Rights Issue, as the enlarged capital base will support the continuing development of the Group's existing business activities. The principal activities of the Company's subsidiaries consist of investment holding, securities dealings and broking, financing business, general import and export and trading and property development and investment. The Rights Issue will allow all Shareholders (other than the Overseas Shareholders) to participate in the growth of the Group along with its future enhance investment portfolio and business expansion of the Company and its subsidiaries. In November 2001, a rights issue was carried out by the Company. The net proceeds received from such rights issue was about HK\$27 million, of which approximately HK\$10 million was applied to reduce bank and other borrowings and the remaining approximately HK\$17 million was applied as general working capital of the Group. In 2000, a rights issue was also carried out by the Company. The net proceeds from the rights issue was about HK\$693 million of which approximately HK\$108 million for the acquisition of a 40% interest in Cyber World Technology Limited, approximately HK\$100 million for reduction of bank and other borrowings of the Group, approximately HK\$380 million for the acquisition of various business including Internet related business and approximately HK\$105 million for the general working capital of the Group.

The Directors are constantly looking for investment opportunities to enhance the investment portfolio of the Group in technology, property and financial investments. In view of the gradual recovery of the world economy and the economic policies of Hong Kong Government to stimulate the local economy, the Directors consider that it is the right time for the Company to raise funds to facilitate the Group's future investment should there arise any good investment opportunity. The Company has no specific investment plan as at the date hereof.

## AMENDMENT OF BYE LAWS

The existing Bye Laws provide that the capitalisation of the Company's reserve by distribution of bonus shares should be in the same proportion. The Directors propose to change the bye law 140 of the Bye Laws in order to facilitate the issue of the Long Term Bonus Shares. The issue of the Long Term Bonus Share is subject to the Rights Issue to become unconditional and approval by the Shareholders in the EGM.

The legal advisers to the Company in relation to the Rights Issue have confirmed that the proposed amendment to the Bye-Laws does not dispense with the requirements, in the context of allotment and issue of shares by way of a bonus issue, to obtain the consent of Shareholders in general meeting under paragraphs 19(1)(a) and (b) of the Listing Agreement.

The amendment of the Bye Laws is subject to the approval of the Shareholders by a special resolution at the SGM.

## LONG TERM BONUS SHARES

Long Term Bonus Shares will be allotted and issued to Long Term Eligible Shareholders satisfying the conditions below on the basis of four Long Term Bonus Share for every five Rights Shares taken up under the Rights Issue. Any such Long Term Bonus Shares will be allotted and issued to such Long Term Eligible Shareholders as soon as practicable after the Long Term Bonus Date together with all rights attaching to those New Shares at such date. Fractions of Long Term Bonus Shares will be rounded down to the nearest whole New Shares.

The Long Term Bonus Shares are available to Shareholders who satisfy the conditions set out below:

- the Shareholder must be registered as a member of the Company on the Record Date and take up the Rights Shares under the Rights Issue;
- the Shareholder must be an individual investor;
- have an address in Hong Kong which appears on the register of members of the Company on the Record Date and throughout the period until the start of business on the Long Term Bonus Date; and
- all Rights Shares must have been registered in the name of the same Shareholder (and if joint shareholders, in first of their names) continuously until the start of business on the Long Term Bonus Date.

Long Term Eligible Shareholders shall lose their entitlement to the Long Term Bonus Shares if any Rights Share is disposed on or before the Long Term Bonus Date. All cost incurred in verifying the eligibility to such entitlement will be borne by the Company. In any case of doubt as to whether a Shareholder satisfies such conditions for the Long Term Bonus Shares, the Directors' decision shall be final and binding.

Based on 1,122,298,962 Rights Shares to be issued under the Rights Issue and assuming all the Shareholders have fully accepted and paid for the Rights Shares and have fulfilled the conditions of entitlement for the Long Term Bonus Shares, the maximum of Bonus Shares to be issued will be 897,839,168 New Shares representing approximately 240% of the existing issued shares capital of the Company (assuming the Capital Reorganisation has taken effect) and approximately 34.29% of the enlarged issued share of the Company after completion the Rights Issue and the issue of Long Term Bonus Shares and the New Shares to be issued pursuant to the exercise of the subscription rights attaching to the Bonus Warrants.

## Conditions of the Long Term Bonus Shares

The issue of the Long Term Bonus Shares is subject to the followings conditions:

- the approval of the change of bye-law 140 of the Bye-Laws by the Shareholders at the SGM;
- the approval of the issue of the Long Term Bonus Share by the Independent Shareholders at the SGM; and
- the Rights Issue becoming unconditional

## SHAREHOLDING OF THE COMPANY

| Shareholding           | Existing                  | Immediately after the Capital Reorganisation | Immediately after Rights Issue (without full conversion of the Bonus Warrants) | Immediately after Rights Issue (with full conversion of the Bonus Warrants) | Immediately after Rights Issue and the issue of the Long Term Bonus Shares (with full conversion of the Bonus Warrants) |
|------------------------|---------------------------|--|--|---|---|
| Principal Shareholders | 282,170,167<br>(18.86%)   | 70,542,541<br>(18.86%)                       | 281,870,164<br>(18.84%)<br><i>(Note)</i>                                       | 324,135,688<br>(18.84%)   | 493,197,784<br>(18.84%)   |
| Public                 | 1,214,228,451<br>(81.14%) | 303,557,113<br>(81.14%)                      | 1,214,528,452<br>(81.16%)  | 1,396,722,720<br>(81.16%)   | 2,125,499,788<br>(81.16%)   |
|                        | <u>1,496,398,618</u>      | <u>374,099,654</u>                           | <u>1,496,398,616</u>   | <u>1,720,858,408</u>  | <u>2,618,697,572</u>  |

Note: Excluded 300,000 Right Shares provisionally allotted under the Charged Shares but cannot be taken up by the Principal Shareholders.

## GENERAL MANDATES

In connection with the enlarged share capital as a result of the Rights Issue, the Directors will also seek the approval of Shareholders at the SGM for the grant of general mandates to repurchase securities and to issue further securities not exceeding 10% and 20% respectively of the issued share capital of the Company as enlarged by the Rights Issue at the SGM.

## APPOINTMENT AND RESIGNATION

The Directors are pleased to announce the appointment of Mr. Steven Li Wang Tai as the chairman of the Company with effect from 18th June, 2002. The Directors also announce that Mr. Cheung has resigned as the chairman of the Company and Director with effect from 18th June, 2002.

## GENERAL

An independent board committee will be formed to advise the Independent Shareholders in relation to the Rights Issue and the transactions completed thereunder. An independent financial adviser will be appointed to advise the independent board committee as to whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned.

A circular containing, among other things, further details of the Capital Reorganisation and the Rights Issue, the notice of the SGM, the recommendation of the independent financial adviser and the letter of the independent board committee will be despatched to Shareholders as soon as practicable.

## SUSPENSION OF TRADING IN SHARES

Trading in the Shares on the Stock Exchange was suspended at the request of the Directors with effect from 9:30 a.m. 13th June, 2002 pending release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. 18th June, 2002.

## TERMS USED IN THIS ANNOUNCEMENT

|                                   |  |
|-----------------------------------|--|
| "Bonus Warrants"                  | 224,459,792 bonus warrants to be issued to the first registered holders of the Rights Shares on the basis of one Bonus Warrant for every five Rights Shares taken up under the Rights Issue at an initial subscription price of HK\$0.08 per New Share, subject to adjustment, will be exercisable between 21st August, 2002 (being the first day of dealing in the Bonus Warrants on the Stock Exchange) to 21st August, 2003 (both dates inclusive)                    |
| "Bye-Laws"                        | Bye-laws of the Company  |
| "Capital Reduction"               | the proposed reduction of paid up capital of the issued Shares from HK\$0.01 to HK\$0.0025 each by the cancellation of HK\$0.0075 paid up on each issued Share   |
| "Capital Reorganisation"          | the Capital Reduction and Consolidation  |
| "Company"                         | Styland Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange  |
| "Companies Act"                   | Companies Act 1981 of Bermuda as amended   |
| "Consolidation"                   | the consolidation of the Shares in the capital of the Company after the Capital Reduction on the basis of four issued Shares of HK\$0.0025 each into one New Share of HK\$0.01   |
| "Directors"                       | directors of the Company   |
| "Ever-Long"                       | Ever-Long Securities Company Limited, being one of the Underwriters of the Rights Issue  |
| "Group"                           | the Company and its subsidiaries   |
| "Hong Kong"                       | the Hong Kong Special Administrative Region of the PRC   |
| "Independent Shareholders"        | Shareholders other than the Principal shareholders and their associates (as defined in the Listing Rules)  |
| "Listing Rules"                   | the Rules Governing the Listing of Securities on the Stock Exchange  |
| "Long Term Bonus Date"            | the date falling on 6 months after the Record Date which will be on or around 26th July, 2002  |
| "Long Term Bonus Shares"          | bonus new Shares to be issued to the Long Term Eligible Shareholders subject to the terms set out in this announcement   |
| "Long Term Eligible Shareholders" | Shareholders eligible to the Long Term Bonus Shares as detailed in the paragraph headed Long Term Bonus Shares   |
| "Mr. Cheung"                      | Mr. Kenneth Cheung Chi-Shing, chairman and substantial shareholder to the Company  |
| "New Share(s)"                    | the new share(s) of HK\$0.01 each of the Company immediately after completion of the Capital Reorganisation  |
| "Overseas Shareholders"           | Shareholders whose names appear on the register of members of the Company as at the close of the business on the Record Date and whose addresses as shown on such register are outside Hong Kong   |
| "PRC"                             | the People's Republic of China which for the purpose of this announcement, excludes Hong Kong  |
| "Principal Shareholders"          | Mr. Cheung and his associates, K.Y. Limited, K.C. (Investment) Limited and Ms. Yvonne Yeung Han-Yi who together beneficially own 282,170,167 Shares, representing approximately 18.86% of the existing issued share capital of the Company. The Principal Shareholders are the only substantial shareholders of the Company  |
| "Qualifying Shareholders"         | Shareholders other than the Overseas Shareholders  |
| "Record Date"                     | 26th July, 2002, the record date by reference to which entitlements to the Rights Issue will be determined   |
| "Rights Issue"                    | the proposed issue by way of rights of Rights Shares at a price of HK\$0.098 per Rights Share on the basis of three Rights Shares for every one New Share then held on the Record Date   |
| "Rights Shares"                   | 1,122,298,962 Rights Shares to be issued in respect of the Rights Issue  |
| "SGM"                             | the special general meeting of the Company to be held on or about 26th July, 2002 to approve, among other matters, the Rights Issue of the Capital Reorganisation  |
| "Share(s)"                        | ordinary share(s) of HK\$0.01 each in the share capital of the Company   |
| "Shareholder(s)"                  | holder(s) of the Shares  |
| "Stock Exchange"                  | The Stock Exchange of Hong Kong Limited  |
| "Subscription Price"              | subscription price of HK\$0.098 per Rights Share   |
| "Underwriters"                    | Kingston Securities Limited, Taiwan Concord Capital Securities (HK) Limited, Luen Fat Securities Company Limited, Peace Town Securities Limited, Times Securities Company Limited, Koffman Securities Limited, Upbest Securities Company Limited, Great China Brokerage Limited, Shenyin Wanguo Capital (HK) Limited, Coin Fall Limited, Ever-Long Securities Company Limited, Christfund Securities Limited, First Securities (HK) Limited, Get Nice Investment Limited |
| "Underwriting Agreement"          | the underwriting agreement dated 13th June, 2002 in relation to the Rights Issue entered between the Company, The Principal Shareholders and the Underwriters  |
| "HK\$" / "\$"                     | Hong Kong dollars / per cent.  |

Hong Kong, 17th June, 2002

\* For identification purposes only

By Order of the Board  
**Styland Holdings Limited**  
**Steven Li Wang Tai**  
Director