

# STYLAND HOLDINGS LIMITED

## 大凌集團有限公司\*

(Incorporated in Bermuda with limited liability)

### Connected Transactions

Financial adviser to Styland Holdings Limited

KIM ENG

CAPITAL

Kim Eng Capital (Hong Kong) Limited

The Company entered into the Connected Transactions on 10th August, 2001. The Connected Transactions, in aggregate, fell within Rule 14.26 of the Listing Rules, pursuant to which the Connected Transactions should have been made conditional on approval of the then shareholders of the Company in a general meeting as well as disclosed by way of a press notice and in the Company's annual report. However, due to an inadvertent omission of the Directors, no approval from the then shareholders of the Company in a general meeting was obtained prior to completion of the Connected Transactions and no announcement in respect of the Connected Transactions was published after the date of the Agreements, but brief details of the Connected Transactions have been disclosed in the Company's annual report for the year ended 31st March, 2002, copies of which were despatched to the shareholders of the Company on 30th July, 2002 in accordance with the requirements under the Listing Rules.

In addition, there was an inadvertent omission in relation to particulars of the consideration passing to or from the Group in respect of the material contracts set out under the section headed "Material contracts" in appendix II to the Prospectus as required under the Listing Rules.

In view of the Company's breach of the Listing Rules as mentioned above, the Stock Exchange reserves its right to take appropriate action against the Company and the Directors in respect of the aforesaid breach where appropriate.

A circular containing, among other matters, further details of the Connected Transactions, a letter of advice from an independent financial adviser to independent shareholders of the Company in respect of the Connected Transactions, and particulars of the consideration passing to or from the Group in respect of the material contracts set out under the section headed "Material contracts" in appendix II to the Prospectus will be published for information only and despatched to the shareholders of the Company within 21 days after the date of publication of this announcement.

#### CONNECTED TRANSACTIONS

##### Details of the Connected Transactions

On 10th August, 2001, Data Store entered into the Agreement 1 with Mr. Ngai, pursuant to which Data Store agreed to sell and Mr. Ngai agreed to purchase 10% of the issued share capital of West Marton at a consideration of HK\$7,000,000. The Directors confirmed that the Company received the payment for such consideration in cash in full from Mr. Ngai and this transaction was completed in August, 2001.

On 10th August, 2001, Data Store entered into the Agreement 2 with Joyview, pursuant to which Data Store agreed to sell and Joyview agreed to purchase 20% of the issued share capital of West Marton at a consideration of HK\$14,000,000. The Directors confirmed that the Company received the payment for such consideration in cash in full from Joyview and this transaction was completed in August 2001.

The West Marton Group was acquired by the Company through Data Store in October 2000. The Company held, through Data Store, 90% of the issued share capital of West Marton immediately prior to the date of the Agreements. The remaining 10% of the issued share capital of West Marton was held by an independent third party not connected to Mr. Ngai, Mr. Chan or any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them. The Company currently holds, through Data Store, 60% of the issued share capital of West Marton. Based on the management accounts of the West Marton Group, it recorded unaudited consolidated net losses of approximately HK\$886,000 and approximately HK\$2,079,000 respectively for the two years ended 31st March, 2002 and unaudited consolidated net liabilities of approximately HK\$1,169,000 and approximately HK\$3,247,000 as at 31st March, 2001 and 31st March, 2002 respectively.

As at the date of the Agreement 1, Mr. Ngai was a director of Styland Datareach Computer Technology Limited, which was a subsidiary of the Company incorporated in Hong Kong and is in the process of deregistration from the Register of Companies maintained by the Companies Registry in Hong Kong. The issued share capital of Styland Datareach Computer Technology Limited was owned as to 60% by the Company and the remaining 40% by a wholly owned subsidiary of Inworld. Both Mr. Ngai and Mr. Chan are directors and substantial shareholders of Inworld.

The entire issued share capital of Joyview was beneficially owned by Mr. Chan, who resigned as a director of Stylish Vogue Incorporated and New Great China Technology Holdings Limited, two wholly owned subsidiaries of West Marton incorporated in the British Virgin Islands, on 1st August, 2001, and resigned as a director of 壹網聯資訊科技(深圳)有限公司 (e-Union Information Science & Technology (Shenzhen) Co. Ltd.), a wholly owned subsidiary of West Marton established in the People's Republic of China, on 26th July, 2001.

As at the date of the Agreements, each of Mr. Ngai and Joyview was a connected person of the Company under the Listing Rules. The Directors confirmed that none of Mr. Ngai, Mr. Chan or Joyview directly or indirectly held any equity interest in the Company as at the date of the Agreements. The Directors understand from Mr. Ngai and Mr. Chan that they are independent to each other save that both of them are directors and substantial shareholders of Inworld.

The Directors confirmed that the terms of the Agreements were negotiated on an arm's length basis between the parties to the Agreements and were entered into on normal commercial terms which the Directors considered fair and reasonable so far as the shareholders of the Company are concerned.

The Directors further confirmed that the considerations for the Connected Transactions were negotiated and determined with reference to the net present value of the West Marton Group of approximately HK\$70 million which was arrived at by a discount cash flow approach based on a profit forecast of the West Marton Group then prepared by the Company for the five year period from 1st July, 2001 to 30th June, 2006.

##### Requirements under the Listing Rules

Since each of Mr. Ngai and Joyview was a connected person of the Company, the Connected Transactions constituted connected transactions under Chapter 14 of the Listing Rules.

As disclosed above, the aggregate consideration for the Connected Transactions was higher than the higher of either HK\$10,000,000 or 3 per cent. of the net tangible asset value of the Company as at 31st March, 2001. Accordingly, the Connected Transactions, in aggregate, fell within Rule 14.26 of the Listing Rules, pursuant to which the Connected Transactions should have been made conditional on approval of the then shareholders of the Company in a general meeting as well as disclosed by way of a press notice and in the Company's annual report for the year ended 31st March, 2002. However, due to an inadvertent omission of the Directors, no approval from the then shareholders of the Company in a general meeting was obtained prior to completion of the Connected Transactions and no announcement in respect of the Connected Transactions was published after the signing of the Agreements, but brief details of the Connected Transactions have been disclosed in the Company's annual report for the year ended 31st March, 2002, copies of which were despatched to the Company's shareholders on 30th July, 2002 in accordance with the requirements under the Listing Rules.

##### Reasons for the Connected Transactions

The principal activities of the Group include investment holding, securities dealing and broking, financing, general import and export trading and property development and investment. The West Marton Group has been principally engaged in the provision of portal services through a worldwide website under the name of [www.chineseyes.com](http://www.chineseyes.com) and the design of websites.

The Company disposed of 30% equity interest in the West Marton Group as the Directors considered the considerations for the Connected Transactions were fair and reasonable and the Group would still maintain its control of the West Marton Group after completion of the Connected Transactions. In addition, the Group had been loss making and it intended to raise additional funds to replenish its general working capital. As disclosed in the Company's announcement of results for the six months ended 30th September, 2001, the Company had recorded a gain on disposal of approximately HK\$13 million resulted from the Connected Transactions.

The net proceeds of HK\$21 million in aggregate from the Connected Transactions have been utilized as general working capital of the Group.

##### Steps to be taken to strengthen the Group's internal compliance procedures in the future

The Directors have identified and implemented certain policies to strengthen the Group's internal compliance procedures in the future and details of which are summarised as follows:

— audit committee meetings, with the present of the independent non-executive Directors, will be held every quarter to obtain updated information from the Directors if there is any potential transaction to be entered into between the Group and any of the connected persons of the Group; and

— immediate actions will be taken by the Directors to inform or consult the Stock Exchange for the necessary steps to be taken for any potential connected transactions within the definition of the Listing Rules.

#### MATERIAL CONTRACTS

There was an inadvertent omission under the section headed "Material contracts" in appendix II to the Prospectus. In accordance with the requirements under the Listing Rules, particulars of the consideration passing to or from the Group in respect of the material contracts set out under the section headed "Material contracts" in appendix II to the Prospectus should have been disclosed therein. However, such information was omitted in the Prospectus.

#### GENERAL

A circular containing, among other matters, further details of the Connected Transactions, a letter of advice from an independent financial adviser to independent shareholders of the Company in respect of the Connected Transactions, and particulars of the consideration passing to or from the Group in respect of the material contracts set out under the section headed "Material contracts" in appendix II to the Prospectus will be published for information only and despatched to the shareholders of the Company within 21 days after the date of publication of this announcement.

In view of the Company's breach of the Listing Rules as mentioned above, the Stock Exchange reserves its right to take appropriate action against the Company and the Directors in respect of the aforesaid breach where appropriate.

#### DEFINITIONS

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

"Agreement 1"	the agreement dated 10th August, 2001 entered into between Data Store and Mr. Ngai
"Agreement 2"	the agreement dated 10th August, 2001 entered into between Data Store and Joyview
"Agreements"	Agreement 1 and Agreement 2
"Board"	the board of Directors
"Company"	Styland Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Connected Transactions"	the transactions under the Agreements
"Data Store"	Data Store Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
"Director(s)"	director(s), including independent non-executive director(s), of the Company
"Group"	the Company and its subsidiaries
"Inworld"	Inworld Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"Joyview"	Joyview International Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Chan
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chan"	Mr. Chan Wai Lun, who resigned as a director of Stylish Vogue Incorporated and New Great China Technology Holdings Limited, two wholly owned subsidiaries of West Marton incorporated in the British Virgin Islands, on 1st August, 2001 and resigned as a director of 壹網聯資訊科技(深圳)有限公司 (e-Union Information Science & Technology (Shenzhen) Co. Ltd.), a wholly owned subsidiary of West Marton established in the People's Republic of China, on 26th July, 2001
"Mr. Ngai"	Mr. Ngai Kwok Kin, who was a director of Styland Datareach Computer Technology Limited, which was a subsidiary of the Company incorporated in Hong Kong and is in the process of deregistration from the Register of Companies maintained by the Companies Registry in Hong Kong
"Prospectus"	the prospectus of the Company dated 7th November, 2001 in relation to a rights issue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"West Marton"	West Marton Group Limited, a company incorporated in the British Virgin Islands with limited liability and a subsidiary of Data Store
"West Marton Group"	West Marton and its subsidiaries

By order of the Board  
Styland Holdings Limited  
Suet Ming Ching  
Director

Hong Kong, 8th August, 2002

\* For identification purposes only