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STYLAND HOLDINGS LIMITED

大凌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 211)

UPDATE ON PROLONGED SUSPENSION OF TRADING AND RESUMPTION OF TRADING

This announcement is made by the Company to provide the Shareholders and the public with an update on matters pertaining to the Prolonged Suspension. The announcement will also cover information relating to, among others, new measures to strengthen and maintain the Company's corporate governance, positive financial conditions of the Group and the Scrip Dividend Schemes and Bonus Issue Proposals recommended and completed during the Prolonged Suspension.

Trading in Shares will be resumed on 15 December 2011.

UPDATE ON MATTERS PERTAINING TO THE PROLONGED SUSPENSION

The update should be read in conjunction with the announcement issued by the Stock Exchange on 2 May 2008, which appears in the following address: (<http://www.hkexnews.hk/listedco/listconews/sehk/20080502/LTN20080502356.pdf>).

The update is a summary and for information purposes only and should not be taken as a complete or a full sequence of events:

- In August 2008, the Listing (Review) Committee heard the review of the decision of the Listing Committee in relation to the disciplinary proceedings against the Company and the Former Directors (the “**Disciplinary Proceedings**”). The Listing (Review) Committee upheld the decision of the Listing Committee. Pursuant to Listing Rule 2A.11, the Company and the Former Directors then applied for a further and final review of the decision of the Listing (Review) Committee by the Listing Appeals Committee.

* *For identification purpose only*

- In September 2008, the SFC commenced disqualification proceedings in the High Court against the Former Directors and Mr. Li, alleging breaches of their duties to the Company (the “**SFC Petition**”). The SFC sought, among others, orders that the former Directors including the Former Directors and Mr. Li (i) be disqualified as company directors; and (ii) pay compensation to the Company for losses allegedly caused by their misconduct.

A link to the press release in respect of the SFC Petition issued by the SFC on 9 September 2008 is as follows:

(<http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=08PR136>).

Shareholders may refer to the Appendix to this announcement for or access via the following link to the summary of the SFC Petition:

(http://www.sfc.hk/sfc/doc/EN/general/general/press_release/08/08pr136_summary.pdf).

- On 9 April 2009, the Company issued the Supplemental Circular with a view to reconvening a shareholders’ meeting to consider, if thought fit, to ratify the Transactions which are part of the subjects of the Disciplinary Proceedings and the SFC Petition. The Supplemental Circular, which were advised to be read in conjunction with the 2003 Circular, mainly contained the following information:
 - (i) information on events happened subsequent to the issue of the 2003 Circular insofar as the Transactions were concerned;
 - (ii) the report dated 6 February 2004 of an independent committee comprising a practicing solicitor in Hong Kong and a certified public accountant in respect of the Transactions; and
 - (iii) a summary of the SFC Petition as mentioned above and downloaded from the website of the SFC.
- On 29 April 2009, all the ten ordinary resolutions related to the Transactions were duly passed by the Shareholders by way of poll, with the Former Directors and their associates being abstained from voting at the meeting. The Company was of the view that the Shareholders’ ratification and approval of the Transactions should be able to ease the concerns of the SFC and the Stock Exchange.
- In May 2009, a meeting of the Listing Appeals Committee was convened to hear the review of the decision of the Listing (Review) Committee in relation to the Disciplinary Proceedings. On the application of one of the Former Directors, the Listing Appeals Committee agreed to adjourn the hearing until the conclusion of the SFC Petition. The Disciplinary Proceedings presently remain adjourned.
- On 23 November 2010, the High Court ordered that Mr. Li be disqualified from being a director or being involved in the management of any listed corporation without the leave of the Court for a period of six years. A link to the press release issued by the SFC in respect of the disqualification is as follows:

(<http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=10PR136>).

- On 5 December 2010, Ms. Yeung and Ms. Chan retired as directors of the Company. As from that date, all of the Former Directors ceased to be directors of the Company.
- On 12 January 2011, the High Court started to hear the disqualification proceedings brought by the SFC against the Former Directors. At the conclusion of the hearing, the High Court reserved its decision. Judgment is expected in due course.
- At the request of the Company and to address the concerns of the Stock Exchange, the Former Directors have undertaken not to seek or accept nomination to the Board until after the conclusion of the Disciplinary Proceedings. The Board has likewise undertaken to ensure the Former Directors are not involved in the management of the Group until after the conclusion of the Disciplinary Proceedings.
- The Company and the Former Directors continue to contest the Disciplinary Proceedings before the Stock Exchange. No determinations have been made by the Listing Appeals Committee in respect of the Disciplinary Proceedings. The undertakings given by the Former Directors to refrain from involvement in the management of the Group until after the conclusion of the Disciplinary Proceedings do not amount to any admission of wrongdoing on their part and have been given in order to escalate the progress of the Company's application for resumption of trading of its shares and to promote the interests of the Company and the Shareholders.
- Shareholders and investors should be aware that the allegations in the Disciplinary Proceedings are separate and distinct from the allegations raised in the SFC Petition, and that the Disciplinary Proceedings (to which the Company is a party) will be determined following the outcome of the SFC Petition.

POTENTIAL IMPACT OF THE SFC PETITION

The Former Directors and Mr. Li are no longer directors of the Company. Accordingly, the Company considers that the potential impact upon the Company of any disqualification orders which might be made against the Former Directors and Mr. Li in connection with the SFC Petition is likely to be minimal. Insofar as the proposed compensation orders are concerned, Shareholders and potential investors should be aware that the Company may receive an undetermined sum of money at some point in the future in the event the compensation orders sought by the SFC are granted.

PAST AND CURRENT BOARD OF DIRECTORS

For the Shareholders' information, set out below is a table showing the changes of directorship of the Company since 1997:

Year	Board of Directors	Date of Appointment	Date of Resignation/ Retirement
1997/1998	<i>Executive Directors:</i>		
	Cheung Chi Shing Kenneth (<i>Founder and Chairman</i>)		
	Yeung Han Yi Yvonne (<i>Managing Director</i>)		
	Li Wang Tai Steven	1991	
	Chan Chi Mei Miranda	1993	
	Wang Zhi Ke Kerry	20/11/1995	
	Goh Swee Yan Angelina	20/11/1995	
	Chan Bing Kwong Henry	01/08/1997	
	<i>Independent Non-Executive Directors:</i>		
	Ng Ming Wah Charles	27/10/1994	
	Lai Yiu Keung	27/10/1994	
	Lim Man San David	20/11/1995	
	Lei Meng Kuei John	01/08/1997	
	Lei Jose	01/12/1993	01/08/1997
1998/1999	<i>Executive Directors:</i>		
	Cheung Chi Shing Kenneth (<i>Founder and Chairman</i>)		
	Yeung Han Yi Yvonne (<i>Managing Director</i>)		
	Li Wang Tai Steven		
	Chan Chi Mei Miranda		
	Wang Zhi Ke Kerry		31/12/1998
	Goh Swee Yan Angelina		
	Chan Bing Kwong Henry		
	<i>Independent Non-Executive Directors:</i>		
	Ng Ming Wah Charles		
	Lai Yiu Keung		15/03/1999
Lim Man San David			
Lei Meng Kuei John		20/04/1998	

Year	Board of Directors	Date of Appointment	Date of Resignation/ Retirement		
1999/2000	<i>Executive Directors:</i> Cheung Chi Shing Kenneth (<i>Founder and Chairman</i>) Yeung Han Yi Yvonne (<i>Managing Director</i>) Li Wang Tai Steven Chan Chi Mei Miranda Goh Swee Yan Angelina Chan Bing Kwong Henry		02/10/1999		
	<i>Independent Non-Executive Directors:</i> Ng Ming Wah Charles Lim Man San David Tang Yau Sing Gareth Ho Yiu Ming Billy Yip Wai Leung Jerry		29/09/1999		
		16/04/1999			
		16/04/1999			
		14/07/1999			
	2000/2001	<i>Executive Directors:</i> Cheung Chi Shing Kenneth (<i>Founder and Chairman</i>) Yeung Han Yi Yvonne (<i>Managing Director</i>) Li Wang Tai Steven Chan Chi Mei Miranda Chan Bing Kwong Henry		04/05/2000	
		<i>Independent Non-Executive Directors:</i> Lim Man San David Yip Wai Leung Jerry Tang Yau Sing Gareth Ho Yiu Ming Billy		15/07/2000 02/08/2000	
		2001/2002	<i>Executive Directors:</i> Cheung Chi Shing Kenneth (<i>Founder and Chairman</i>) Yeung Han Yi Yvonne (<i>Managing Director</i>) Li Wang Tai Steven Chan Chi Mei Miranda		
			<i>Independent Non-Executive Directors:</i> Lim Man San David Yip Wai Leung Jerry		

Year	Board of Directors	Date of Appointment	Date of Resignation/ Retirement
2002/2003	<i>Executive Directors:</i>		
	Cheung Chi Shing Kenneth		18/06/2002
	Yeung Han Yi Yvonne (Managing Director)		
	Li Wang Tai Steven (Chairman)		
	Chan Chi Mei Miranda		
	Ching Suet Ming	02/04/2002	
	Cheng Yuk Wo Erik	01/08/2002	
	<i>Independent Non-Executive Directors:</i>		
	Lim Man San David		
	Yip Wai Leung Jerry		31/03/2003
2003/2004	<i>Executive Directors:</i>		
	Tam Wing Fai Johnny (Managing Director)	01/07/2003	
	Yeung Han Yi Yvonne		
	Li Wang Tai Steven		01/07/2003
	Chan Chi Mei Miranda		
	Ching Suet Ming		
	Cheng Yuk Wo Erik		18/06/2003
	<i>Independent Non-Executive Directors:</i>		
	Lim Man San David		
	Yeung Shun Kee	15/04/2003	
2004/2005	<i>Executive Directors:</i>		
	Tam Wing Fai Johnny (Managing Director)		
	Yeung Han Yi Yvonne		
	Chan Chi Mei Miranda		
	Ching Suet Ming		
	<i>Independent Non-Executive Directors:</i>		
	Lim Man San David		
	Yeung Shun Kee		
	Chow Pat Kan	24/09/2004	

Year	Board of Directors	Date of Appointment	Date of Resignation/ Retirement
2005/2006	<p><i>Executive Directors:</i> Tam Wing Fai Johnny <i>(Managing Director)</i> Yeung Han Yi Yvonne Chan Chi Mei Miranda Ching Suet Ming</p> <p><i>Independent Non-Executive Directors:</i> Lim Man San David <i>(Chairman)</i> Yeung Shun Kee Chow Pat Kan</p>		
2006/2007	<p><i>Executive Directors:</i> Tam Wing Fai Johnny <i>(Managing Director)</i> Yeung Han Yi Yvonne Chan Chi Mei Miranda Ching Suet Ming Wu Ho Fai David Zhang Yuyan Cheung Hoo Win</p> <p><i>Independent Non-Executive Directors:</i> Lim Man San David <i>(Chairman)</i> Yeung Shun Kee Chow Pat Kan</p>		<p>01/06/2006</p> <p>01/04/2006</p> <p>13/04/2006</p> <p>13/04/2006</p> <p>01/06/2006</p>
2007/2008	<p><i>Executive Directors:</i> Yeung Han Yi Yvonne Chan Chi Mei Miranda Zhang Yuyan Cheung Hoo Win Wu Ho Fai David</p> <p><i>Independent Non-Executive Directors:</i> Lim Man San David <i>(Chairman)</i> Yeung Shun Kee Chow Pat Kan</p>		02/08/2007

Year	Board of Directors	Date of Appointment	Date of Resignation/ Retirement		
2008/2009	<i>Executive Directors:</i> Cheung Hoo Win (Chief Executive Officer) Yeung Han Yi Yvonne Chan Chi Mei Miranda Zhang Yuyan				
	<i>Independent Non-Executive Directors:</i> Lim Man San David (Chairman) Yeung Shun Kee Chow Pat Kan Li Hancheng	05/12/2008	05/12/2008		
	2009/2010	<i>Executive Directors:</i> Cheung Hoo Win (Chief Executive Officer) Yeung Han Yi Yvonne Chan Chi Mei Miranda Zhang Yuyan Chen Lili	29/10/2009		
		<i>Independent Non-Executive Directors:</i> Lim Man San David Zhao Qingji (Chairman) Yeung Shun Kee Li Hancheng Lo Tsz Fung Philip	06/04/2009	06/04/2009	
		2010/2011	<i>Executive Directors:</i> Cheung Hoo Win (Chief Executive Officer) Zhang Yuyan Chen Lili Yeung Han Yi Yvonne Chan Chi Mei Miranda Ng Yiu Chuen Ho Mei Sheung	05/12/2010 05/12/2010	05/12/2010 05/12/2010
			<i>Independent Non-Executive Directors:</i> Zhao Qingji (Chairman) Yeung Shun Kee Li Hancheng Lo Tsz Fung Philip		

NEW MEASURES TO STRENGTHEN AND MAINTAIN THE COMPANY'S CORPORATE GOVERNANCE

In order to uphold high standards of corporate governance and to ensure the compliance with the Listing Rules when entering into connected and notifiable transactions in the future, the Company has taken the following measures to strengthen its corporate governance:

- (i) The Company holds management meetings from time to time with the presence of the senior management of the Group and a minimum of three executive Directors to discuss any potential transactions, which are out of its ordinary course of business, with a value of HK\$5 million or above in order to identify any notifiable transactions under the Chapter 14 of the Listing Rules;
- (ii) Quarterly Board meetings with the presence of a majority of the independent non-executive Directors are held whereby the Directors will report to the Board all updated information about the operation of the Group and whether there would be any potential transaction(s) to be entered into between the Group and any of its connected persons;
- (iii) If a substantial shareholder/Director (or any of his/her associates) has any real or perceived conflict of interest in a matter, he or she must abstain from voting at the relevant Board meeting and the Shareholders' meeting;
- (iv) Prompt actions would be taken by the Directors to inform or consult with the Stock Exchange regarding the necessary steps to be taken in respect of any potential connected transactions within the definition of the Listing Rules;
- (v) Emphasis is placed on the strict compliance with the Listing Rules and the Company Ordinance. In case of doubt, the Company would consult its financial adviser or seek legal advice from its legal counsels or even a second law firm for a double confirmation; and
- (vi) The Board strictly adheres to its corporate governance procedures contained in its Corporate Governance Handbook, which was submitted to the Listing Division of the Stock Exchange on 6 July 2009. The Listing Division has not expressed any view in relation to the Company's Corporate Governance Handbook, and in particular has not expressed any view as to whether the Listing Division considers the corporate governance procedures of the Company are adequate or appropriate.

POSITIVE FINANCIAL CONDITIONS OF THE GROUP

During the Prolonged Suspension, the Group has survived the impact of the global financial tsunami as it had adopted effective internal controls and limited high-risk investments associated with financial derivatives.

- **Annual Results 2009/2010**

During the year ended 31 March 2010, insofar as its brokerage business was concerned, the Group had managed the fund flows of approximately HK\$13.5 billion involving over 68,000 transactions and had succeeded in maintaining the record of zero complaints from clients about such transactions. The Group registered approximately HK\$65.7 million in net profit for the financial year and paid a final cash dividend of HK0.12 cent per share with a scrip alternative to offer the right to Shareholders to elect to receive such final dividend wholly or partly by allotment and issue of scrip shares credited as fully paid in lieu of cash dividend. Together with the payment the final dividend, the Company also completed a bonus issue proposal for the financial year, pursuant to which Bonus Shares were issued to the Shareholders on the basis of 1 Bonus Share for every 10 Shares held by the Shareholders.

- **Annual Results 2010/2011**

For the year ended 31 March 2011, the Group reported a net profit of approximately HK\$64.5 million and recorded a net assets value of approximately HK\$270.4 million and a cash and bank balance of approximately HK\$100.0 million. In light of such positive results, the Company paid an interim cash dividend of HK0.05 cent per Share with a scrip alternative to offer the right to Shareholders to elect to receive such interim dividend wholly or partly by allotment and issue of scrip shares credited as fully paid in lieu of cash dividend. In addition, the Company also completed a bonus issue proposal for the financial year, pursuant to which Bonus Shares were issued to Shareholders on the basis of 1 Bonus Share for every 20 Shares held by the Shareholders.

- **Interim Results 2011/2012**

The Group incurred a loss of approximately HK\$9.9 million for the six months ended 30 September 2011, and had a net assets value of approximately HK\$262.7 million and a cash and bank balance of approximately HK\$64.1 million at the period end. Though the economies of the United States and Europe will continue to affect the world economies, the Group believes that, by leveraging on the Group's sound operational structure and healthy financial position, it can endure these and other unforeseen market conditions and become a stronger entity.

LISTING APPROVALS TO THE ALLOTMENT AND ISSUE OF SCRIP SHARES, BONUS SHARES, OPTION SHARES, CONVERSION SHARES, NEW SHARES AND GRATUITY SHARES

During the Prolonged Suspension, the Company had completed various Scrip Dividend Schemes and Bonus Issues Proposals including the above-mentioned scrip dividend schemes and bonus issue proposals for the years ended 31 March 2010 and 2011. In addition, the Company undertook three fund raising activities by entering into the Option Agreement, CB Subscription Agreements and New Shares Subscription Agreement in 2007. Other than the dividend and bonus issue proposals and the fund raising activities, the Company granted to each of Ms. Yeung and Ms. Chan of the Gratuity. According to the Offer Letters, Ms. Yeung and Ms. Chan were entitled to receive the Gratuity wholly or partly (i) in cash; or (ii) by way of issue of Gratuity Shares in lieu of cash. The Offer Letters were approved by Shareholders on 25 August 2011.

On 9 September 2011, the Stock Exchange granted the listing approval for the listing of, and permission to deal in, the Scrip Shares, Bonus Shares, Option Shares, Conversion Shares, New Shares and Gratuity Shares.

- Set out below are (A) details relating to (i) Scrip Dividend Schemes and Bonus Issue Proposals; (ii) agreements for the three fund raising activities, namely the Option Agreement, CB Subscription Agreements and New Shares Subscription Agreement; and (iii) Offer Letters; and (B) the shareholding structure of Company after the issue of (i) Scrip Shares, Bonus Shares, Conversion Shares and Gratuity Shares; and (ii) Option Shares and New Shares.

(A)(i) Details relating to Scrip Dividend Schemes and Bonus Issue Proposals

Period/Year	Dividend/Bonus Issue	Calculation Basis	Number of Shares Issued
For the six months ended 30 September 2008	An interim scrip dividend of HK0.18 cent per Share without offering any right to Shareholders to elect to receive such interim dividend in cash in lieu of allotment of Scrip Shares	(HK\$0.0018/HK\$0.018) x number of Shares held on 23 January 2009	187,118,867
For the six months ended 30 September 2009	An interim cash dividend of HK0.16 cent per Share with a scrip alternative to offer the right to Shareholders to elect to receive such interim dividend wholly or partly by allotment and issue of Scrip Shares in lieu of cash dividend	(HK\$0.0016/HK\$0.016) x number of Shares held on 31 December 2009	106,222,573 (note 1)

Period/Year	Dividend/Bonus Issue	Calculation Basis	Number of Shares Issued
	Bonus issue on the basis of 1 Bonus Share for every 10 Shares held by the Shareholders	Number of Shares held on 31 December 2009/10	187,118,867
For the year ended 31 March 2010	A final cash dividend of HK0.12 cent per Share with a scrip alternative to offer the right to the Shareholders to elect to receive such final dividend wholly or partly by allotment and issue of Scrip Shares in lieu of cash dividend	(HK\$0.0012/HK\$0.013) x number of Shares held on 22 September 2010	106,593,197 <i>(note 1)</i>
	Bonus issue on the basis of 1 Bonus Share for every 10 Shares held by the Shareholders	Number of Shares held on 22 September 2010/10	187,118,867
For the six months ended 30 September 2010	An interim cash dividend of HK0.05 cent per Share with a scrip alternative to offer the right to Shareholders to elect to receive such interim dividend wholly or partly by allotment and issue of Scrip Shares in lieu of cash dividend	(HK\$0.0005/HK\$0.011) x number of Shares held on 31 December 2010	55,467,991 <i>(note 1)</i>
	Bonus issue on the basis of 1 Bonus Share for every 20 Shares held by the Shareholders	Number of Shares held on 31 December 2010/20	93,559,433
		Total:	923,199,795 <i>(note 2)</i>

Notes:

1. It represents the number of Shares entitled by the qualified Shareholders who elected to receive the Scrip Shares in lieu of cash under the relevant Scrip Dividend Scheme
2. As at the Latest Practicable Date, the 923,199,795 Shares had been allotted and issued to the qualified Shareholders.

(A)(ii) **Details relating to agreements for the three fund raising activities, namely the Option Agreement, CB Subscription Agreements and New Shares Subscription Agreement**

Date	Fund Raising Activities	Number of Shares issued/ to be issued
7 June 2007	The Company entered into the Option Agreement to issue 370,000,000 Options. The exercise price for the Options is HK\$0.024 per Share. The exercisable period is 18 months commencing from the date of fulfillment of conditions precedent set out in the Option Agreement. The subscription value for the Options is HK\$8,880,000. The Options have been granted but the Company has not yet received any notice for the exercise of such Options up to the Latest Practicable Date.	370,000,000 (to be issued)
9 July 2007	The Company entered into eight CB Subscription Agreements in respect of the issue of Convertible Bonds in the aggregate principal amount of HK\$9,880,000. The Convertible Bonds did not bear any interests. Each of the subscribers had the right to convert the Convertible Bonds into Shares at the price of HK\$0.026 per Share. As at the Latest Practicable Date, the Convertible Bonds had been issued and had been fully converted into Conversion Shares.	380,000,000 (issued)
15 November 2007	The Company entered into eight subscription agreements to issue 600,000,000 Shares at the price of HK\$0.08 per Share which involved the total subscription price of HK\$48,000,000. Subsequently, seven of the subscribers mutually agreed with the Company to release each other from the respective subscription agreements to subscribe for an aggregate of 550,000,000 Shares. The long stop date for the fulfillment of conditions precedent for the completion of the remaining 50,000,000 New Shares under the New Shares Subscription Agreement has been extended to 31 January 2012.	50,000,000 (to be issued)
Total:		800,000,000

(A)(iii) Details relating to the Offer Letters

Date	Granting of Gratuity	Number of Shares issued
31 January 2011	The Company and each of Ms. Yeung and Ms. Chan confirmed and signed the Offer Letters pursuant to which the Company granted to each of Ms. Yeung and Ms. Chan the Gratuity. Ms. Yeung and Ms. Chan were entitled to receive the Gratuity wholly or partly (i) in cash; or (ii) by way of issue 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. As at the Latest Practicable Date, the Gratuity Shares had been allotted and issued to Ms. Yeung and Ms. Chan upon their requests.	115,384,614
		Total: <u>115,384,614</u>

(B) The shareholding structure of Company after the issue of (i) Scrip Shares, Bonus Shares, Conversion Shares and Gratuity Shares; and (ii) Option Shares and New Shares

Name of Shareholders	Before the Prolonged Suspension		As at the Latest Practical Date (after the allotment and issue of the Scrip Shares, Bonus Shares, Conversion Shares and Gratuity Shares)		After the allotment and issue of Scrip Shares, Bonus Shares, Conversion Shares and Gratuity Shares and upon full exercise of the Options and completion of the New Shares Subscription Agreement (note 3)	
	No. of Shares	Approximate % of	No. of Shares	Approximate % of	No. of Shares	Approximate % of
		issued Shares		issued Shares		issued Shares
Mr. Cheung (note 1)	369,995,967	19.77	587,465,605	17.86	587,465,605	15.84
Ms. Yeung (note 2)	30,000,000	1.61	105,325,167	3.20	105,325,167	2.84
Ms. Chan	39,288	0.00	57,745,343	1.76	57,745,343	1.56
Option holder	—	—	—	—	370,000,000	9.97
Holders of the Conversion Shares	—	—	380,000,000	11.55	380,000,000	10.24
Subscriber for New Shares	—	—	—	—	50,000,000	1.35
Holders of Scrip Shares (excluding Mr. Cheung, Ms. Yeung and Ms. Chan) under Scrip Dividend Schemes	—	—	320,295,183	9.74	320,295,183	8.63
Holders of Bonus Shares (excluding Mr. Cheung, Ms. Yeung and Ms. Chan) under Bonus Issue Proposals	—	—	367,788,366	11.18	367,788,366	9.91
Existing public Shareholders	<u>1,471,153,424</u>	<u>78.62</u>	<u>1,471,153,424</u>	<u>44.71</u>	<u>1,471,153,424</u>	<u>39.66</u>
Total	<u>1,871,188,679</u>	<u>100.00</u>	<u>3,289,773,088</u>	<u>100.00</u>	<u>3,709,773,088</u>	<u>100.00</u>

Notes:

1. At the Latest Practicable Date, Mr. Cheung personally held 476,322,263 Shares. As Mr. Cheung is the sole shareholder of K.Y. Limited, he was deemed to have interests in 95,265,727 Shares held by K.Y. Limited and Mr. Cheung was further deemed to be interested in 15,877,615 Shares held by K.C. (Investment) Limited, a wholly owned subsidiary of K.Y. Limited. Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 105,325,167 Shares that Ms. Yeung is beneficially interested.
2. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 587,465,605 Shares of the Company that Mr. Cheung is beneficial interested.
3. It is expected that the New Shares Subscription Agreement will be completed around the date of resumption of trading in the Shares.

SHARE CONSOLIDATION

As a result of a number of dividend payments and bonus issue proposals during the Prolonged Suspension, the share price of the Company has been diluted to HK\$0.01 per Share. The Company is of the view that the quoted price does not reflect the real market share price of the Company. To meet the requirement of the Listing Rule 13.64, the Company has undertaken that it will carry out a share consolidation within six months after the resumption date if the share price has during the majority of trading days over the period, closed at HK\$0.10 or below.

EXPECTED TIMETABLE

The expected timetable for the resumption of trading in the Shares is set out below:

2011

Obtain the listing approval from the Stock Exchange relating to the listing of, and permission to deal in, the Scrip Shares, Bonus Shares, Option Shares, Conversion Shares, New Shares and Gratuity Shares.	9 September
The date of this announcement	7 December
Despatch of share certificates in respect of Bonus Shares and Scrip Shares or, if the Option Agreement and New Shares Subscription Agreement are completed, the Option Shares or New Shares on or before	13 December
Resumption of trading in the Shares	15 December

APPRECIATION

The Board would like to thank for the support of the staff and business partners of the Group during the adverse period of time. The Board will give its best effort in the future to work for the Shareholders' interests.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on Wednesday 21 April 2004. The closing price per Share on 20 April 2004 was HK\$0.025. The diluted price per Share currently is HK\$0.01. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 15 December 2011.

Terms or expressions used in this announcement shall have the meanings ascribed to them below:

“Board”	the board of Directors
“Bonus Issue Proposals”	the Company’s completed bonus share proposals were as follows: <ul style="list-style-type: none">(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, details of which are set out in the circular of the Company dated 28 March 2011
“Bonus Share(s)”	the new Share(s) allotted and issued under the Bonus Issue Proposals
“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 Convertible Bonds, details of which are set out in the circular of the Company dated 4 October 2007
“Company”	Styland Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, whose Shares are listed on the Stock Exchange (stock code: 211)
“Conversion Share(s)”	the new Share(s) allotted and issued upon the conversion of the Convertible Bonds issued under the CB Subscription Agreements
“Convertible Bond(s)”	the zero coupon convertible bonds in aggregate principal amount of HK\$9,880,000 issued by the Company to the subscribers pursuant to the CB Subscription Agreements
“Director(s)”	the director(s) of the Company

“Former Director(s)”	Mr. Cheung, Ms. Yeung and Ms. Chan
“Gratuity”	the gratuity paid to each of Ms. Yeung and Ms. Chan in the amount of HK\$3,000,000 pursuant to the terms of the Offer Letters
“Gratuity Share(s)”	the new Share(s) allotted and issued to Ms. Yeung and Ms. Chan upon their requests to receive the Gratuity by way of Shares in lieu of cash
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	6 December 2011, being the latest practicable date prior to the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheung”	Mr. Cheung Chi Shing Kenneth, one of the Former Directors
“Mr. Li”	Mr. Li Wang Tai Steven, one of former Directors of the Company
“Ms. Chan”	Ms. Chan Chi Mei Miranda, one of the Former Directors
“Ms. Yeung”	Ms. Yeung Han Yi Yvonne, one of the Former Directors
“New Share(s)”	new Share(s) to be issued upon the completion of the New Shares Subscription Agreement
“New Shares Subscription Agreement”	the subscription agreement dated 15 November 2007 made by the Company with the subscriber 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, 2 January 2009, 28 September 2011 and 1 November 2011
“Offer Letter(s)”	the offer letter(s) dated 31 January 2011 confirmed and signed by the Company and each of Ms. Yeung and Ms. Chan embodying the terms of the granting of the Gratuity, details of which are set out in the circular of the Company dated 10 August 2011
“Option(s)”	370,000,000 options granted by the Company to the option subscriber 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 option subscriber in relation to the grant of the Options by the Company to the option subscriber

“Option Share(s)”	the new Share(s) to be issued upon the exercise of the Options granted under the Option Agreement
“Prolonged Suspension”	Suspension of trading in the Shares during the period from 21 April 2004 to 14 December 2011
“Scrip Dividend Schemes”	the Company’s completed scrip dividend schemes were as follows: <ul style="list-style-type: none"> (a) interim scrip dividend of HK0.18 cent per Share without a scrip alternative for the six months ended 30 September 2008; (b) interim cash dividend of HK0.16 cent per Share with a scrip alternative for the six months ended 30 September 2009; (c) final cash dividend of HK0.12 cent per Share with a scrip alternative for the year ended 31 March 2010; and (d) interim cash dividend of HK0.05 cent per Share with a scrip alternative for the six months ended 30 September 2010
“Scrip Share(s)”	the new Share(s) allotted and issued under the Scrip Dividend Schemes
“SFC”	the Securities and Futures Commission
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Circular”	the supplemental circular of the Company dated 9 April 2009
“Transactions”	the transactions defined in the 2003 Circular
“2003 Circular”	the circular of the Company dated 11 September 2003

By order of the Board
Styland Holdings Limited
Zhao Qingji
Chairman

Hong Kong, 7 December 2011

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

APPENDIX — THE SFC PETITION

SFC'S ALLEGATIONS AGAINST RESPONDENTS (SUMMARY OF THE EXTRACT FROM THE SFC'S PETITION FILED WITH THE COURT)

Transactions entered into by the Company and/or its subsidiaries during the period from 1999 to 2001 (the "Relevant Period")

4. During the Relevant Period, save for Angelina Swee Yan Goh and Henry Bing Kwong Chan who resigned on 2 October 1999 and 4 May 2000 respectively, Cheung Chi Shing Kenneth, Yeung Han Yi Yvonne, Li Wang Tai Steven and Chan Chi Mei Miranda (the Directors) were the only executive directors and thus in control of the Company. Some of them were at the same time directors and also in control of those subsidiaries of the Company involved in the transactions described below.
5. During the Relevant Period, the Directors have caused the Company and/or its subsidiaries to enter into a number of transactions with the following parties:
 - 5.1. Inworld Holdings Limited ("Inworld Holdings") and Kevin Ngai Kwok Kin ("Kevin Ngai") (Section D).
 - 5.2. Cyber World Technology Limited ("Cyber World") (Section E).
 - 5.3. Kippton Limited ("Kippton") and Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da") (Section F).
 - 5.4. Gold Cloud Agents Limited ("Gold Cloud") (Section G).
 - 5.5. West Marton Group Limited ("West Marton") (Section H).
 - 5.6. Well Pacific Investments Limited ("Well Pacific") (Section I).

D. Inworld Holdings and Kevin Ngai

D(1). Subscription for 36 newly issued shares in Inworld Holdings on 5 July 1999

6. By an agreement dated 5 July 1999 (the "Subscription Agreement"), Iwana Company Limited ("Iwana"), an indirect wholly owned subsidiary of the Company, subscribed for 36 newly issued shares in Inworld Holdings (known as Eastern United Services Limited prior to 7 October 1999) at a consideration of \$20,000,000 or \$555,555.56 per share. Under the Subscription Agreement, the purchase price would become payable only upon completion which was scheduled to take place on or before 15 May 2000.
7. Notwithstanding such contractual stipulation and prior to the allotment of the subscription shares, \$15,495,500 (approximately 80% of the consideration) was paid to Inworld Holdings by Styland (Hong Kong) Limited ("Styland HK") and Styland Finance Company Limited ("Styland Finance"), both of which were wholly owned subsidiaries of the Company, on behalf of Iwana

before the completion on 15 May 2000. At all material times, Yvonne Yeung, Steven Li and Miranda Chan were directors of Styland Finance whereas all the Directors were directors of both Iwana and Styland HK.

8. Inworld Holdings was incorporated in the British Virgin Islands (“BVI”) on 11 July 1997. As at the date of the Subscription Agreement, Kevin Ngai and Joyview International Limited (“Joyview”, a company owned by Alan Chan Wai Lun (“Alan Chan”)) were the shareholders of Inworld Holdings and its directors were Kevin Ngai and Yick Chong San (“Yick”). When the Subscription Agreement was entered into, however, Inworld Holdings had no major assets and liabilities and had in fact not commenced business.
9. Kevin Ngai is the nephew of Yvonne Yeung. On or about 18 August 2000, he was appointed as a director of Oriental Max Investment Limited (renamed Styland Datareach Computer Technology Limited (“Styland Datareach”) on 15 September 2000), a subsidiary of the Company. Kevin Ngai was thus at all material times a connected person of the Company under Rule 14.03(2)(a)(ii) of the Rules Governing the Listing of Securities on the Stock Exchange applicable at the time (“Listing Rules”), and additionally according to the definition of “connected person” in Chapter One of the Listing Rules after 18 August 2000. Yvonne Yeung, Steven Li and Miranda Chan were directors of Styland Datareach who resolved in favour of appointing Kevin Ngai as an additional director.
10. In approving the Subscription Agreement, the Directors relied solely on a business plan and discounted cash flow projections provided by Kevin Ngai and Alan Chan both of which were completely speculative on the profitability of Inworld Holdings. Moreover, no due diligence exercise has ever been carried out by the Directors, whether by engaging independent professionals or otherwise, to assess the value of Inworld Holdings’ shares or the viability of its profit forecasts.
11. On or about 30 June 1999, just 5 days before the date of the Subscription Agreement, Inworld Holdings granted Kevin Ngai and Joyview options to subscribe for 51 and 23 shares at par value, i.e. US\$1.00 each. The grant of such options was expressly stated in the Subscription Agreement and thus brought to the attention of the Directors, but none of them had objected thereto or questioned why those options were granted at par value only. Not only did the Directors fail to take any step to ensure that the terms of the Subscription Agreement would prevent any unfair dilution of the interest of Iwana in Inworld Holdings, they acquiesced in if not actively facilitated such dilution.
12. In or about June 2000, Kevin Ngai and Joyview exercised their share options and were allotted 50 and 14 shares respectively. As a result, the shareholding of Iwana in Inworld Holdings was reduced from 26% to 15.9%.
13. The subscription by Iwana for the shares in Inworld Holdings was a connected transaction under the Listing Rules. In failing to obtain the prior approval of its shareholders and make proper notification and disclosure after the terms of the subscription were agreed, the Company had acted in breach of Rules

14.26(2), 14.29(1) and 14.29(2) of the Listing Rules. It was not until almost 4 years later, on 3 June 2003, and upon request by the Stock Exchange, that the subscription was disclosed.

D(2). Loan facility of \$105,000,000 granted by Iwana to Kevin Ngai on 3 May 2000

14. On 3 May 2000, which was less than two weeks before the completion under the Subscription Agreement, Iwana granted to Kevin Ngai a loan facility of up to \$105,000,000. The entire sum was then drawn down in three tranches on 9 May 2000 (\$30,000,000), 25 May 2000 (\$20,000,000) and 29 June 2000 (\$55,000,000).
15. Iwana accepted Kevin Ngai's 101 shares (including those shares which he would be allotted upon exercise of the share options granted on 30 June 1999 referred to above) in Inworld Holdings as collateral for the loan facility. In addition, Kevin Ngai gave the contractual warranty that the value of Inworld Holdings was not less than \$600,000,000 at the material time and that he would obtain an independent valuation to that effect within 3 months of executing the loan facility agreement.
16. On or about 13 July 2000, subsequent to both the execution of and drawdown under the loan facility agreement, Kevin Ngai obtained and produced to the Directors a report prepared by Chesterton Petty, in which it was concluded that the value of Inworld.com was between \$635,000,000 and \$741,000,000. In arriving at this conclusion, Chesterton Petty had applied a discounted cash flow method of valuation on the basis of financial information and forecasts furnished by Inworld Holdings. Moreover, Chesterton Petty did not express any opinion in the report on the viability of the business of Inworld Holdings or the reasonableness or attainability of the assumptions underlying the financial forecasts.
17. The loan facility was a connected transaction under the Listing Rules. In failing to obtain the prior approval of its shareholders and make proper notification and disclosure after the terms of the loan facility were agreed, the Company had acted in breach of Rules 14.26(6)(a), 14.29(1) and 14.29(2) of the Listing Rules. It was not until more than 3 years later, on 3 June 2003, and upon request by the Stock Exchange, that the loan facility was disclosed.
18. In approving the grant of loan facility to Kevin Ngai, the Directors have clearly failed to exercise the degree of skill, care, diligence and competence as is reasonably expected of persons of their knowledge and experience and holding their offices and functions with the Company:
 - 18.1. Pursuant to the loan facility agreement, Kevin Ngai was only required to produce an independent valuation report of Inworld Holdings within three months after the transaction. In fact, the entire loan had been drawn down well before the report was actually produced.

- 18.2. When the loan facility was approved and granted, the Directors had failed to assess whether Kevin Ngai's 101 shares in Inworld Holdings constituted adequate security. While accepting such collateral implied that each share in Inworld Holdings was worth about \$1,039,604 at the material time, this was almost double the price paid by Iwana when it subscribed for 36 shares in Inworld Holdings just ten months earlier.
 - 18.3. Such difference was not justified by the Directors and could not be justified by the business performance of Inworld Holdings because the latter had incurred a net loss of approximately \$4,216,000 for the period from 30 August 1999 to 30 June 2000 alone.
19. As regards this loan facility of \$105,000,000, the Petitioner has conducted a fund tracing exercise which reveals the following.
 - 19.1. On 9 May 2000:
 - 19.1.1. upon request by Kevin Ngai, the Company on behalf of Iwana transferred the first tranche of \$30,000,000 of the loan to the bank account of Inworld Holdings;
 - 19.1.2. Inworld Holdings paid \$28,000,000 by cheque to Extra Yield Resources Limited, of which Yick was at that time the sole director and authorised bank signatory; and
 - 19.1.3. Extra Yield Resources Limited paid \$25,000,000 by cheque (signed by Yick and Kevin Ngai) to KC (Investment) Limited, whose directors were at all material times Kenneth Cheung and Yvonne Yeung and whose shares were owned as to 1% by Yvonne Yeung and as to 99% by K.Y. Limited, whose sole shareholder was at all material times Kenneth Cheung.
 - 19.2. On 29 June 2000, Styland HK and Crosby Design (Far East) Company Limited ("Crosby") jointly on behalf of Iwana transferred the third tranche of \$55,000,000 of the loan facility to the bank account of Inworld Holdings. Styland HK and Crosby were both subsidiaries of the Company, and Yvonne Yeung, Steven Li and Miranda Chan were at all material times directors of Crosby. Later, on 7 July 2000:
 - 19.2.1. Inworld Holdings paid \$9,000,000 by cheque to Ebbing Hill Services Limited ("Ebbing Hill") whose director and authorised bank signatory was Li Sui Hang, an employee who worked for Kevin Ngai at Inworld (Hong Kong) Limited, which was at all material times a subsidiary of Inworld Holdings;
 - 19.2.2. Ebbing Hill paid a total sum of \$8,950,000 by cheques to Colindale Enterprises Limited ("Colindale") whose director and authorised bank signatory at the material time was Szeto Suet Kwan, an employee in the accounts department of Inworld (Hong Kong) Limited from 1999 to 2000; and

19.2.3. Colindale paid \$2,000,000 by cheque to Kenneth Cheung; and \$6,950,000 by cheque to UBS AG, which then credited the same to the personal bank account of Yvonne Yeung.

19.3. Further, out of the third tranche of \$55,000,000:

19.3.1. on 30 June 2000, Inworld Holdings paid \$25,200,000 by cheque to Carmona International Limited (“Carmona”) whose director and authorised bank signatory was then Ting Wai Man, a subordinate of Yick who joined Riverhill in 2000;

19.3.2. Carmona immediately paid \$25,000,000 by cashier order dated 30 June 2000 to Styland Finance; and

19.3.3. out of the \$25,000,000 paid to Styland Finance:

(a) \$4,000,000 was paid on 5 July 2000 by cheque to Mona Leung Yuk Kit (“Mona Leung”), who had been an employee of the Company until July 1999; and

(b) \$21,250,000 was transferred on 12 July 2000 to Styland HK, the reason for which is unknown to the Petitioner as at the date of this Petition.

D(3). Sale of 10 Inworld Holdings shares back to Kevin Ngai and Alan Chan on 15 May 2000

20. On 15 May 2000, viz. the completion date under the Subscription Agreement, Iwana sold one share and nine shares in Inworld Holdings back to Kevin Ngai and Joyview respectively at the original price of \$555,555 per share under the Subscription Agreement. As the purchase price would be paid two years after completion, each of Kevin Ngai and Joyview then executed a share charge over the sale shares in favour of Iwana.

21. This transaction could not be justified commercially and did not appear to be in the best interests of the Company and/or Iwana. As pleaded above, on 3 May 2000, the Directors accepted Kevin Ngai’s 101 shares in Inworld Holdings as collateral for the loan facility of \$105,000,000 granted by Iwana, thereby implying a valuation on their part of \$1,039,604 for each share in Inworld Holdings. However, less than two weeks later, Iwana sold 10 Inworld Holdings shares back to Kevin Ngai and Joyview at the much lower price of \$555,555 per share.

22. This sale to Kevin Ngai was a connected transaction under the Listing Rules. In failing to obtain the prior approval of its shareholders and make proper notification and disclosure after the terms of the sale were agreed, the Company had acted in breach of Rules 14.26(2), 14.29(1) and 14.29(2) of the Listing Rules. It was again not until more than 3 years later, on 3 June 2003, and upon request by the Stock Exchange, that the sale was disclosed.

D(4). Further acquisition of 45 Inworld Holdings shares by Iwana from Kevin Ngai on 31 August 2000

23. By an agreement dated 31 August 2000, Iwana purchased 45 ordinary shares in Inworld Holdings from Kevin Ngai at a consideration to be satisfied by setting off against the sum of \$107,781,438.36 which was then owed by Kevin Ngai to Iwana under the loan facility which the latter had granted on 3 May 2000.
24. This transaction again could not be justified commercially and did not appear to be in the best interests of the Company and/or Iwana. In agreeing to the purchase price, this acquisition gave an implied valuation of about \$2,400,000 per share in Inworld Holdings, which was a significant increase from either the subscription price that Iwana agreed to pay on 5 July 1999, or the purchase price it received on 15 May 2000. There was no justification for such increase. Subsequently, the Company wrote off \$93,882,949 as an impairment loss in its accounts for the year ended 31 March 2002.
25. Such further acquisition was a connected transaction under the Listing Rules. In failing to obtain the prior approval of its shareholders and make notification and disclosure after the terms of the acquisition were agreed, the Company had again acted in breach of Rules 14.26(2), 14.29(1) and 14.29(2) of the Listing Rules. Again, it was not until 3 June 2003 and upon request by the Stock Exchange that the purchase was disclosed.
26. The net result of this series of transactions referred to in paragraphs 6 to 25 above was that Iwana had paid approximately \$120,000,000 to acquire 71 shares in Inworld Holdings, the book value of which fell to just \$16,120,345 in about 30 months as at 31 March 2002. In the meantime, Kenneth Cheung and Yvonne Yeung had either personally or through their companies received a total sum of \$33,950,000.

D(5). Shareholder's loans from Iwana to Inworld Holdings

27. The Company expressly acknowledged in its audited accounts for the year ended 31 March 2001 the "prevailing unfavourable economic environment in the high technology sector". Nevertheless, Iwana, with funding from Styland HK, had advanced a total of \$13,558,847 to Inworld Holdings in the period from 13 November 2000 to 10 September 2001. It is notable that in extending these shareholder's loans, Iwana had neither entered into any written loan agreement with nor requested the provision of any guarantee or security from Inworld Holdings.
28. In seeking to justify such injection of capital despite the adverse circumstances, the public and the shareholders of the Company were informed that the above advances had been made as a result of an agreement amongst the shareholders of Inworld Holdings to inject working capital into the latter proportionate to their respective shareholding. However, as at the date of this Petition, the Petitioner has failed to obtain, nor are the Directors able to

adduce, any evidence that any of the other shareholders of Inworld Holdings had injected any capital to it, whether in accordance with their shareholding or otherwise.

29. Iwana eventually wrote off approximately \$5,280,000 of its shareholder's loans to Inworld Holdings as a result of the reorganisation of the Inworld Group:
 - 29.1. On 20 September 2001, Inworld Holdings, Iwana and other shareholders of Inworld Holdings entered into a Swap and Merge Deed for the purpose of corporate reorganisation of the Inworld Group. As stated in the Swap and Merge Deed, Inworld Holdings at that time owed Iwana a sum of \$14,001,847 representing all outstanding advances previously made by Iwana with interest.
 - 29.2. As part of the reorganisation mechanism, Iwana agreed to release and discharge Inworld Holdings from \$12,195,029 of the said debt, and the other parties to the Swap and Merge Deed, namely Kevin Ngai, Joyview and Jet Concord Inc., agreed to pay Iwana a total sum of \$6,915,801.
 - 29.3. On 29 November 2001, Iwana assigned the remaining \$1,806,819 of the debt owed by Inworld Holdings to Globemax Pacific Limited at a consideration of the exact amount of such debt.
30. The grant of such shareholder's loans to Inworld Holdings was a connected transaction under the Listing Rules. In failing to obtain the prior approval of its shareholders and make notification and disclosure after Iwana agreed to grant the shareholder's loans to Inworld Holdings, the Company had acted in breach of Rules 14.26(6)(a), 14.29(1) and 14.29(2) of the Listing Rules. It was again not until 3 June 2003 and upon request by the Stock Exchange that such loans to Inworld Holdings were disclosed.

E. Cyber World

31. By an agreement dated 13 January 2000, Global Eagle Investments Limited ("Global Eagle"), an indirect wholly owned subsidiary of the Company, acquired 40 shares (40% of the issued share capital) in Cyber World from Zelma's Company Limited ("Zelma") at a consideration of \$148,000,000. At that time, Kevin Ngai was a director of Cyber World whereas Yick was both a director and shareholder of Zelma.
32. The investment in Cyber World turned out to be a serious failure, with the Company eventually writing off \$91,762,611 as an impairment loss in its accounts for the year ended 31 March 2002. Furthermore, in 2001, pursuant to certain restructuring arrangements undertaken by Cyber World for the purpose of its listing on the Growth Enterprise Market of the Stock Exchange, the Styland Group had agreed to and did exchange its interest in Cyber World for an interest in the latter's holding company Riverhill, of which Yick was an executive director and shareholder. Upon the listing of Riverhill on 1 June 2001, Global Eagle's interest therein was diluted to 28%.

33. As regards this acquisition of Cyber World, the Petitioner has also conducted a fund tracing exercise which reveals the following.
- 33.1. On 21 March 2000, the Company on behalf of Global Eagle remitted \$39,000,000 as part of the purchase price to Zelma and on 22 March 2000:
- 33.1.1. Zelma paid \$39,000,000 by cheque to Kenneth Cheung; and
- 33.1.2. Yvonne Yeung issued five cheques all dated 22 March 2000 drawn on the personal bank account of Kenneth Cheung in the total sum of \$35,345,694.94 in favour of the Company to pay for his subscription in a rights issue.
- 33.2. On 30 March 2000, the Company on behalf of Global Eagle remitted another \$49,300,000 as part of the purchase price to Zelma and on or about 31 March 2000:
- 33.2.1. Zelma paid \$1,612,624 by cheques to each of Li Sui Hang and Chu Ching Kei (staff of Inworld (Hong Kong) Limited) who then, on 31 March 2000 and at the direction of Kevin Ngai, paid the same amount by cheques to Styland Finance for no discernable reason;
- 33.2.2. Zelma paid \$16,284,042 by cheque to Kingsway Investments Group Limited which then on 1 April 2000 paid \$5,863,874 by two cheques to Styland Finance for no discernable reason; and
- 33.2.3. Zelma paid \$29,790,710 to Extra Yield Resources Limited (of which Yick was then the sole director and authorised bank signatory) which then on 1 April 2000 paid \$4,238,859 by two cheques to Styland Finance again for no discernable reason.

F. Kippton and Sheng Da

34. The Company through a wholly owned subsidiary Wealth Fine Limited (whose name was changed to Styland Infrastructure Limited (“Styland Infrastructure”) in 1998/1999) acquired 4,000 shares (40% of the issued share capital) in Kippton back in November 1997 and increased its shareholding therein to 49% some time in 1998. Kippton was a 51% beneficial owner of Sheng Da, which cooperated with a sino-foreign joint venture in the development and operation of a toll expressway in the People’s Republic of China.
35. By an agreement dated 31 August 2000 and a supplemental deed dated 25 September 2000, Styland Infrastructure acquired 3,100 shares (31% of the issued share capital) in Kippton at an aggregate consideration of \$46,581,430.60. At the same time, by an assignment agreement dated 31 August 2000, Simplex Inc. (another wholly owned subsidiary of the Company) purchased the debt of \$15,835,008.40 owed by Kippton to one of its shareholders.

36. By another agreement dated 28 September 2000, Styland Infrastructure acquired 9,551 shares (4.68% of the issued share capital) in Sheng Da at an aggregate consideration of \$18,608,092.
37. Such acquisitions by Styland Infrastructure of Kippton and Sheng Da in 2000 were discloseable transactions under the Listing Rules. In failing to make any or any proper disclosure of them, the Company had acted in breach of Rules 14.13(1) and 14.13(2) of the Listing Rules. It was not until almost 3 years later on 3 June 2003, and upon request by the Stock Exchange, that the acquisitions were disclosed.
38. As regards the above acquisitions of Kippton and Sheng Da, the Petitioner has again conducted a fund tracing exercise which reveals the following.
 - 38.1. On 6 September 2000, Styland HK on behalf of Styland Infrastructure paid \$54,416,439 by cheque to Elephant Tusk Holdings Limited (“Elephant Tusk”), the nominated payee for the purpose of the acquisition of Kippton whose director and authorised bank signatory was again Li Sui Hang, after which:
 - 38.1.1. Elephant Tusk issued a cash cheque of \$19,526,339 which was paid into the bank account of West Marton on 7 September 2000. On 8 September 2000, West Marton paid \$10,000,000 to Zelma and \$9,526,339 to Cyber Cycle Consultants Limited (whose director and authorised bank signatory was Kevin Ngai) which then paid \$9,526,000 to Zelma on the same day; and
 - 38.1.2. on 7 September 2000, Elephant Tusk issued another cash cheque of \$19,969,045 which was paid into the bank account of Balaton Development Limited (whose authorised bank signatory was Alan Chan) and the latter paid \$19,000,000 to Zelma on 7 September 2000 and 8 September 2000.
 - 38.2. Earlier on 31 August 2000, Zelma paid \$43,800,000 by cheque to Styland Finance, which cashed in the cheque on 14 September 2000 and remitted \$43,750,000 to Styland HK on 18 September 2000 for no discernable reason.
 - 38.3. On 28 September 2000, Styland HK on behalf of Styland Infrastructure paid \$16,108,092 by cheque to Elephant Tusk (the nominated payee again for the purpose of the acquisition of Sheng Da), after which:
 - 38.3.1. on 30 September 2000, Elephant Tusk paid \$15,980,000 by cashier order to Key Success Enterprises Limited (“Key Success”) whose director and sole authorised bank signatory was Kevin Ngai; and
 - 38.3.2. on 3 October 2000, Key Success issued a cash cheque of \$10,000,000 which was paid into the bank account of KC (Investment) Limited.

G. Gold Cloud

39. By an agreement dated 30 October 2000, Iwana sold 15 shares in Gold Cloud to Companion Marble (BVI) Limited (“Companion Marble”) at a consideration of \$38,000,000 in cash.
40. Companion Marble was a connected person of the Company, and thus the sale was a connected transaction, under Rule 14.26 of the Listing Rules. In failing to obtain the prior approval of its shareholders and make proper notification and disclosure after the terms of the sale were agreed, the Company had acted in breach of Rules 14.26(2), 14.29(1) and 14.29(2) of the Listing Rules. It was not until 3 June 2003, and upon request by the Stock Exchange, that the sale was disclosed.
41. Furthermore, on or about 22 August 2002, Iwana paid \$3,000,000 to Kenneth Cheung allegedly as commission for his introduction of Companion Marble as the purchaser in the above sale and his assistance in the negotiation of the deal. There was no written agreement relating to this belated payment.
42. Such payment of commission to Kenneth Cheung was again a connected transaction under the Listing Rules. In failing to disclose it until one year later on 20 August 2003, the Company had acted in breach of Rule 14.25(1) of the Listing Rules.

H. West Marton

H(1). Acquisition of a 90% interest in West Marton on 10 October 2000

43. By a letter of intent dated 5 August 2000, Data Store Investments Limited (“Data Store”), an indirect wholly owned subsidiary of the Company, agreed to acquire 54 shares (90% of the issued share capital) in West Marton from Fu Tsin Man (“Raymond Fu”) at a consideration of \$120,000,000 or \$2,222,222 per share. Raymond Fu was a high school classmate of Kevin Ngai and Alan Chan and once an employee of Inworld Holdings.
44. On 10 October 2000, Raymond Fu and Data Store entered into a formal sale and purchase agreement in respect of the West Marton shares.
45. At the time of the acquisition, West Marton had three wholly owned subsidiaries: New Great China Technology Holdings Limited (“New Great China”), Stylish Vogue Incorporated (“Stylish Vogue”) and e-Union Information Science & Technology (Shenzhen) Co Limited.
46. According to Raymond Fu, the estimated net worth of New Great China was \$323,748,562. However, at the time of the acquisition, West Marton had no meaningful commercial activity except the provision of internet portal services through a worldwide website (known as “chineseyes.com” and held by New Great China) and the design of various websites. In fact, West Marton had been trading at a loss at the time when the decision to acquire it was made: at

31 July 2000, the unaudited net liabilities of West Marton were approximately \$500,000 and for the period from 1 April 2000 to 31 July 2000, West Marton reported an unaudited net loss of approximately \$200,000.

47. In approving the acquisition, the Directors have failed to carry out adequate due diligence of West Marton and obtain independent professional advice regarding its value. As admitted by the Directors, their decision to pay \$120,000,000 in the acquisition was made not only by reference to a self-serving business plan with profit forecasts prepared and provided by Raymond Fu in which he gave an estimated net worth of \$323,748,562 for New Great China alone, but also the price which Iwana had paid in the acquisition of Inworld which was clearly an unrelated and irrelevant transaction.

H(2). Sale of 30% interest in West Marton to Joyview and Kevin Ngai on 10 August 2001

48. The Company then disposed of 30% of its interest in West Marton within just ten months after its acquisition to connected persons at a much lower price.
49. By two separate agreements dated 10 August 2001, Data Store sold:
 - 49.1. 6 shares (10% of the issued share capital) in West Marton to Kevin Ngai at a consideration of \$7,000,000; and
 - 49.2. 12 shares (20% of the issued share capital) in West Marton to Joyview at a consideration of \$14,000,000.
50. While it was later alleged that one reason for the disposals was to replenish the general working capital of the Company in the light of losses which it had suffered, the aggregate consideration obtained in these transactions with Kevin Ngai and Joyview suggested a valuation of approximately \$1,166,667 per share of West Marton, which was a drastic but unexplained reduction from that of \$2,222,222 which the Company, through Data Store, paid Raymond Fu just 10 months earlier.
51. In its belated Announcement on 8 August 2002, the Directors explained that the consideration for the disposals to Kevin Ngai and Joyview were negotiated and determined with reference to the net value of West Marton at the material time of approximately \$70,000,000 arrived at by a discounted cash flow approach based on a five-year profit forecast of the West Marton Group from 1 July 2001 to 30 June 2006. This was considerably less than the estimate of \$323,748,562 suggested by Raymond Fu and accepted by the Directors only 10 months earlier, and showed that the investment in West Marton was clearly a serious failure.

52. The Company incurred significant losses in the West Marton investment:
- 52.1. By August 2001, only 10 months after the Company had acquired a 90% interest in West Marton for \$120,000,000, it wrote down the carrying value of its investment in West Marton to only \$24,000,000.
 - 52.2. As at 31 March 2002, the carrying value of the Company's remaining 60% interest in West Marton had been written down to \$8,000,000, with the Company booking \$72,000,000 as provision for impairment loss.
 - 52.3. The West Marton Group had incurred unaudited consolidated net losses of about \$886,000 and \$2,079,000 for the two years ended 31 March 2001 and 31 March 2002; and had unaudited consolidated net liabilities of about \$1,169,000 and \$3,247,000 as at 31 March 2001 and 31 March 2002 respectively.
53. The disposals to Kevin Ngai and Joyview were connected transactions under the Listing Rules. In failing to obtain the prior approval of its shareholders and make proper notification and disclosure after the terms were agreed, the Company had again acted in breach of Rules 14.26(2), 14.29(1) and 14.29(2) of the Listing Rules. It was not until 8 August 2002 that the Company disclosed the transactions.

I. Well Pacific

54. By an agreement dated 29 August 2001, Yick purchased 17,500 shares (35% of the issued share capital) in Well Pacific at a consideration of \$40,000,000. He paid a deposit of \$500,000.
55. By a deed of novation dated 7 September 2001, Yick assigned to Ever-Long Investments Holdings Limited ("Ever-Long") and Iwana, both of which were wholly owned subsidiaries of the Company, all his rights and benefits under the above agreement dated 29 August 2001. The aggregate consideration under the deed of novation was \$22,000,000. As a result, Ever-Long and Iwana held respectively 8,850 and 8,650 shares in Well Pacific.
56. In other words, the Company had acquired via its subsidiaries 17,500 shares in Well Pacific at an aggregate consideration of \$61,500,000, which was settled in September 2001.
57. In approving the acquisition, the Directors have failed to carry out adequate due diligence of Well Pacific and obtain independent professional advice regarding its value. In particular, it was unexplained and in any event hardly justified for the Company to pay an acquisition price of \$61,500,000, when Yick was only asked to pay \$40,000,000 a week before. While the Directors later publicly asserted that the consideration had been determined on an arm's length basis with reference to a limited review report drafted by an independent accounting firm, the said report (prepared by Grant Thornton) was undated and again self-serving as it was prepared and furnished to the Company by the vendors. Furthermore, the accountants had never expressed any view on the value of Well Pacific.

58. The acquisition of Well Pacific turned out to be another investment disaster. In just seven months after the acquisition, as at 31 March 2002, the Company booked \$21,500,000 as provision for impairment loss in Well Pacific. For the next financial year ended 31 March 2003, the Company booked \$14,400,000 as provision for impairment loss in the same investment.
59. As regards the acquisition of Well Pacific, the Petitioner has also conducted a fund tracing exercise which reveals the following.
 - 59.1. On or about 14 September 2001, Ever-Long paid \$19,975,714 as part of the acquisition price of Well Pacific to Mona Leung, who then:
 - 59.1.1. on divers dates from 14 September 2001 to 18 September 2001 paid a total sum of \$10,900,000 by cheques to Detailed Decision Corporation, whose director and authorised bank signatory was a Jerry Wai Leung Yip (“Jerry Yip”), a nonexecutive director of the Company in the period from 14 July 1999 to 31 March 2003; and
 - 59.1.2. on 14 September 2001 paid \$9,000,000 by cheque to Profits Return Limited of which Jerry Yip was also the authorised bank signatory.
 - 59.2. On 17 September 2001, Detailed Decision Corporation paid \$1,000,000 by cheque to Profits Return Limited.
 - 59.3. On divers dates from 18 September 2001 to 20 September 2001, Detailed Decision Corporation and Profits Return Limited paid Styland Finance \$9,886,658.45 and \$10,000,000 respectively for no discernable reason.

J. Breach of fiduciary duties by Kenneth Cheung and Yvonne Yeung

60. Kenneth Cheung, whether himself or through his companies, has received sums totaling \$79,000,000, all of which were funds of the Company and/or its subsidiaries:
 - 60.1. \$39,000,000 in March 2000 out of the purchase price paid to Zelma by the Company in the acquisition of Cyber World (Section E);
 - 60.2. \$27,000,000 in May 2000 out of the loans advanced to Kevin Ngai by Iwana (Section D(2));
 - 60.3. \$10,000,000 in September 2000 out of the purchase price paid by Styland HK to Elephant Tusk in the acquisition of Kipton and Sheng Da (Section F); and
 - 60.4. \$3,000,000 in August 2002 in the form of commission paid by Iwana in the sale of its 15 shares in Gold Cloud (Section G).
61. Yvonne Yeung personally received \$6,950,000 in May 2000 out of the loans advanced to Kevin Ngai by Iwana (Section D(2)).

62. In receiving such sums without disclosing the same to and/or obtaining the approval of the shareholders of the Company, Kenneth Cheung and Yvonne Yeung have acted in breach of:
 - 62.1. their fiduciary duties owed to the Company; and
 - 62.2. Rules 3.08(a), (d) and (e) of the Listing Rules.
63. Further or alternatively, in causing or permitting the Company to enter into the transactions in relation to Inworld Holdings and Kevin Ngai pleaded in Section D above, whereby Kevin Ngai (a nephew of Yvonne Yeung) has obtained personal benefits directly or indirectly at the expense of the Company, Kenneth Cheung and Yvonne Yeung have acted in breach of their fiduciary duties owed to the Company.
64. In the premises, Kenneth Cheung and Yvonne Yeung have conducted the business or affairs of the Company in a manner:
 - 64.1. oppressive to its members or part of its members other than themselves;
 - 64.2. involving defalcation, misfeasance or misconduct towards the Company, its members or part of its members other than themselves;
 - 64.3. resulting in its members or part of its members (other than themselves) not having been given all the information with respect to its business or affairs that they might reasonably expect; and
 - 64.4. unfairly prejudicial to its members or part of its members other than themselves.

K. Serious mismanagement of the Company

65. In failing to carry out any or any adequate due diligence and/or obtain independent professional valuation advice in causing or permitting the Company and/or its subsidiaries to enter into the following transactions, which resulted in substantial and unjustified losses, the Directors have failed to exercise the degree of skill, care, diligence and competence as is reasonably expected of persons of their knowledge and experience and holding their offices and functions with the Company and acted in breach of Rules 3.08(f) and 3.09 of the Listing Rules:
 - 65.1. the transactions relating to Inworld Holdings (Section D);
 - 65.2. the acquisition of Cyber World (Section E);
 - 65.3. the transactions relating to West Marton (Section H); and
 - 65.4. the acquisition of Well Pacific (Section I).

66. In the premises, the Directors have conducted the business or affairs of the Company in a manner:
- 66.1. involving defalcation, misfeasance or misconduct towards the Company, its members or part of its members other than themselves; and
 - 66.2. unfairly prejudicial to its members or part of its members other than themselves.

L. Recurrent breaches of the Listing Rules

67. During the Relevant Period, when the Directors were at all material times in office and thus control of the Company, they have caused the Company to act repeatedly in breach of the Listing Rules as regards the following transactions:
- 67.1. Iwana's subscription for 36 newly issued shares in Inworld Holdings on 5 July 1999 (Section D(1));
 - 67.2. Iwana's grant of \$105,000,000 loan facility to Kevin Ngai on 3 May 2000 (Section D(2));
 - 67.3. Iwana's sale of 1 share in Inworld Holdings back to Kevin Ngai on 15 May 2000 (Section D(3));
 - 67.4. Iwana's further acquisition of 45 shares in Inworld Holdings from Kevin Ngai on 31 August 2000 (Section D(4));
 - 67.5. Iwana's advance of shareholder's loans to Inworld Holdings in the period from 13 November 2000 to 10 September 2001 (Section D(5));
 - 67.6. Styland Infrastructure's acquisition of 3,100 shares in Kippton and 9,551 shares in Sheng Da on 31 August 2000 (Section F);
 - 67.7. Iwana's sale of 15 shares in Gold Cloud to Companion Marble on 30 October 2000 (Section G);
 - 67.8. Iwana's payment of \$3,000,000 commission to Kenneth Cheung for his assistance in its sale of 15 shares in Gold Cloud to Companion Marble (Section G); and
 - 67.9. Data Store's sale of 6 shares and 10 shares in West Marton to Kevin Ngai and Joyview respectively on 10 August 2001 (Section H(2)).
68. By virtue of the Declaration and Undertaking given and signed by the Directors under the Listing Rules, they have undertaken to comply to the best of their ability with the Listing Rules from time to time in force.
69. Further, given that the Directors are obliged by Rule 3.12 of the Listing Rules to accept and have at all material times accepted full responsibility, collectively and individually, for the Company's compliance with the Listing Rules, they are responsible for the repeated noncompliance set out in paragraph 67 above.

70. On 23 December 2004, the Listing Division of the Stock Exchange commenced disciplinary proceedings against the Company and the Directors. On 8 April 2008, the Listing Committee of the Stock Exchange concluded that there had been breaches of the Listing Rules by the Company and each of the Directors and decided to impose a range of sanctions against the same. The Company and three of the Directors applied for a review of the said decision of the Listing Committee and the review hearing took place on 18 August 2008. The outcome of the review is not known as at the date of this Petition.

71. In the premises, by causing or failing to prevent, negligently or deliberately, the Company from committing the above breaches of the Listing Rules, the Directors have been grossly incompetent and/or negligent and have conducted the business or affairs of the Company in a manner:
 - 71.1. involving defalcation, misfeasance or misconduct towards the Company, its members or part of its members other than themselves; and
 - 71.2. resulting in its members or part of its members (other than themselves) not having been given all the information with respect to its business or affairs that they might reasonably expect.