STYLAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Announcement

The Stock Exchange sent a letter to the Company on 20th December, 2002 requesting the Company to provide information on certain matters of the Group. The Company would like to set out such information in this announcement for the information of the Shareholders and the general public.

Upon review of its historical transactions, the Company noted that save for the connected transaction disclosed in the Company's announcement dated 8th August, 2002, it overlooked another two connected transactions and a discloseable transaction for the Company which would have been subject to disclosure requirement under the Listing Rules and six connected transactions for the Company which would have been subject to disclosure and shareholders' approval requirements under the Listing Rules, which was, in the Directors' opinion, due to inadvertent omission. Details of such transactions are set out in this announcement. Save as disclosed in the Company's announcement dated 8th August, 2002 and in this announcement, to the best of belief and knowledge of the Board, the Board is not aware of any notifiable transaction that has not been disclosed and/ or approved by the eligible Shareholders as required under the Listing Rules. In view of inadvertent non-disclosure of previous notifiable transactions in accordance with the requirements of the Listing Rules, and in order to strengthen the Group's internal compliance procedure, since October 2002, (i) the Company has been holding management meetings from time to time with the presence of the senior management of the Company and a minimum of three executive Directors to discuss any potential transaction with a value of HK$1 million or above in order to identify any notifiable transactions under Chapter 14 of the Listing Rules, (ii) quarterly committee meetings with the presence of independent non-executive Directors will be held to obtain updated information from the Board and discuss if any transaction of the Group may constitute notifiable transactions for the Company and (iii) the Directors will proactively seek prior consultation from the Stock Exchange for any potential notifiable transactions. Transactions with a value of HK$1 million or above will be subject to approval of the Directors at the management meetings.

The Company admitted its breaches of the Listing Rules. The Stock Exchange has indicated that it would reserve its right to take appropriate action against the Company and the Directors in respect of the aforesaid breaches.

The Company would like to inform the Shareholders and investors that pursuant to a notice dated 20th March, 2003, the SFC is conducting an inquiry into certain matters of the Group under Section 29A of the old Securities and Futures Commission Ordinance. Although some of the management's time would be occupied to address those inquiries, the Directors do not expect that the operation of the Group would be severely affected.

The Board would like to confirm that save as disclosed in this announcement, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement and the Board is not aware of any matter or material information that is discloseable or should be brought to the attention of the Shareholders under the general obligation imposed by paragraph 2 of the Listing Agreement and that the Company has at present no plan to raise funds through the issue of new shares.

Since the issues raised by the Stock Exchange were historical and were not considered by the Directors to be price sensitive, the Company did not believe that a trading suspension was warranted. Even so, at the direction of the SFC, trading in the shares of the Company was suspended with effect from 9:32 a.m. on 23rd December, 2002. An application has been made by the Company to the SFC for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 5th June, 2003.

LETTER FROM THE STOCK EXCHANGE

The following sets out the matters that the Stock Exchange requested the Company to provide information on in its letter dated 20th December, 2002 and subsequent correspondences and the Company's response.

1. **The Stock Exchange requested the Company to provide details of the actual use of proceeds as compared with the disclosed planned use together with rationale for each such decision on use of proceeds for each of the Fund Raising Transactions.**

The Company's responses are set out below:

	Fund Raising Transactions	Date of announcement	Completion date	Net proceeds	Disclosed planned use of proceeds	Actual use of proceeds	Rationale for each decision on use of proceeds
a.	Rights issue of 667,751,292 new shares at HK$0.12 per rights share (on the basis of 3 rights shares for every existing share held)	24th November, 1998	4th February, 1999	HK$76.0 million	(i) HK$30 million applied as part of the consideration for the acquisition of 55 per cent. interest in the share capital of and debts due by Couttias Profits Limited (Please refer to sub-paragraph (2)(a) of this section below for details.)	Please refer to Note iii below.	Please refer to Note iii below.
					(ii) HK$23 million retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*

	Fund Raising Transactions	Date of announcement	Completion date	Net proceeds	Disclosed planned use of proceeds	Actual use of proceeds	Rationale for each decision on use of proceeds
					(iii) HK$23 million used to reduce bank and other borrowings	Same as disclosed planned use of proceeds	To reduce the gearing and interest expenses of the Group.
b.	Placement of 200,000,000 new shares at HK$0.055 each	23rd June, 1999	6th July, 1999	HK$10.5 million	All retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*
c.	Placement of 200,000,000 new shares at HK$0.056 each	6th July, 1999	20th July, 1999	HK$10.7 million	All retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*
d.	Placement of 250,000,000 new shares at HK$0.047 each	3rd September, 1999	17th September, 1999	HK$11.4 million	All retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*
e.	Placement of 262,551,536 new shares at HK$0.051 each	8th September, 1999	22nd September, 1999	HK$12.8 million	All retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*
f.	Issue of 308,000,000 new shares at HK$0.061 each upon exercise of conversion rights under convertible notes	23rd September, 1999	2nd November, 1999	HK$18.2 million	All retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*
g.	Issue of 308,000,000 new shares at HK$0.068 each upon exercise of subscription rights of the options related to the convertible notes referred to in (f) above	23rd September, 1999	18th November, 1999	HK$12.2 million	All retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*
			14th December, 1999	HK$7.0 million	All retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*
			7th January, 2000	HK$1.7 million	All retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*

	Fund Raising Transactions	Date of announcement	Completion date	Net proceeds	Disclosed planned use of proceeds	Actual use of proceeds	Rationale for each decision on use of proceeds
h.	Rights issue of 25,478,787,991 new shares at HK$0.028 per rights share (on the basis of 11 rights shares for every 1.6 existing shares held)	29th January, 2000	3rd April, 2000	HK$693.0 million	(i) HK$108 million applied as part of the consideration for the acquisition of 40 per cent. interest in the share capital of and debts due by Cyber World Technology Limited (Please refer to sub-paragraph (2)(b) of this section below for details.)	Same as disclosed planned use of proceeds	The Company believed that the acquisition represented an opportunity for the Group to diversify its business into high technology industry and to capture the rapid growth of the information technology business.
					(ii) HK$100 million used to reduce bank and other borrowings	Same as disclosed planned use of proceeds	To reduce the gearing and interest expenses of the Group.
					(iii) HK$380 million applied for investment in other projects:	HK$378.3 million was used as disclosed planned use of proceeds and the remaining HK$1.7 million was retained as general working capital	

Fund Raising Transactions	Date of announcement	Completion date	Net proceeds	Disclosed planned use of proceeds	Actual use of proceeds	Rationale for each decision on use of proceeds
					(iiia) HK$107.8 million applied for the acquisition of 27.44 per cent. interest in the share capital of Inworld Holdings (Please refer to sub-paragraph (2)(c) of this section below for details.)	The Company believed that the acquisition was in line with the Company's investment strategy to invest in businesses in the information technology industry. The acquisition would also make the Company the single largest shareholder of Inworld Holdings. In anticipation of the listing of the shares of Inworld Holdings on the Growth Enterprise Market of the Stock Exchange, the Company believed that it was able to capitalize on the potential of Inworld Holdings.
					(iiib) HK$120 million applied for the acquisition of 90 per cent. interest in the share capital of West Marton Group Limited (Please refer to sub-paragraph (2)(d) of this section below for details.)	Following the successful listing of the shares of tom.com Limited in early 2000, the Company was optimistic about the prospect of the information technology industry and believed that the acquisition would increase the value of the shares of the Company.

Fund Raising Transactions	Date of announcement	Completion date	Net proceeds	Disclosed planned use of proceeds	Actual use of proceeds	Rationale for each decision on use of proceeds
					(iiic) HK$81 million applied for the acquisition of further 31 per cent. interest in the share capital of and debts due by Kippton Limited and 4.68 per cent. interest in the share capital of Sheng Da Investment Holding (Hong Kong) Limited (Please refer to sub-paragraph (2)(e) of this section below for details.)	Before the acquisition, the Company held 49 per cent. interest in Kippton Limited Having seen the rapid growth of the traffic flow of the toll expressway and the neighboring economy, the Company believed that it was in the interest of the Company to increase its interest in the toll expressway so as to enjoy a higher recurrent income stream.
					(iiid) HK$8 million applied for the acquisition of 100 per cent. interest in the share capital of E-Teck Business Limited (Please refer to sub-paragraph (2)(f) of this section below for details.)	In anticipation of the listing of the shares of Rainbow, the Company believed that the investment enabled the Company to enjoy the potential upside gain from the conversion of the notes into future listed shares of Rainbow with low downside risk.
					(iiie) HK$61.5 million applied for the acquisition of 35 per cent. interest in the share capital of Well Pacific Investments Ltd. (Please refer to sub-paragraph (2)(g) of this section below for details.)	In view of the prospect of listing of Well Pacific Investments Ltd. on the Growth Enterprise Market of the Stock Exchange at the time of investment (which, however, did not materialize), the Company believed that the investment represented a good opportunity to invest in the PRC and to diversify the businesses of the Group.

	Fund Raising Transactions	Date of announcement	Completion date	Net proceeds	Disclosed planned use of proceeds	Actual use of proceeds	Rationale for each decision on use of proceeds
					(iv) HK$105 million retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*
i.	Rights issue of 997,571,580 new shares at HK$0.03 per rights share (on the basis of 2 rights shares for every existing share held)	5th October, 2001	30th November, 2001	HK$27.0 million	(i) HK$10 million used to reduce bank and other borrowings	Same as disclosed planned use of proceeds	To reduce the gearing and interest expenses of the Group.
					(ii) HK$17 million retained as general working capital	Same as disclosed planned use of proceeds	For daily operation of the Group *(Note ii).*
j.	Placement of 100,000,000 new shares at HK$0.072 each	21st August, 2002	6th September, 2002	HK$6.8 million	All used to reduce bank and other borrowings	Same as disclosed planned use of proceeds	To reduce the gearing and interest expenses of the Group.

Notes:

i. Of the aggregate net proceeds of HK$887.3 million raised from the Fund Raising Transactions, an aggregate amount of approximately HK$486.3 million was used for project investment, an aggregate amount of approximately HK$139.8 million was used to reduce bank and other borrowings and the balance of an aggregate amount of approximately HK$261.2 million was retained as general working capital.

ii. Of the net proceeds in the aggregate amount of approximately HK$261.2 million retained as general working capital of the Group (HK$229.5 million from disclosed planned use of proceeds, HK$30 million from the disposal of 55 per cent. interest in the share capital of and debts due by Couttias Profits Limited referred to in Note (iii) below and the balance of the HK$1.7 million referred to in (h)(iii) of this sub-paragraph above), approximately HK$43.5 million was used to grant loans in the ordinary course of business of the Company, approximately HK$125.8 million was used to invest in marketable securities in the ordinary course of business of the Company, approximately HK$11.1 million was used to reduce bank and other borrowings of the Group and the balance of approximately HK$80.8 million was used to settle the operating expenses of the Group.

iii. As detailed in sub-paragraph (2)(a) headed "Acquisition of 55 per cent. interest in the share capital of Couttias Profits Limited" below, the Company exercised the put option to dispose of the 55 per cent. interest in the share capital of Couttias Profits Limited and the debts due by Couttias Profits Limited at the acquisition consideration. The proceeds were retained as general working capital to settle operating expenses of the Group.

2. **At the request of the Stock Exchange, the details of the acquisitions that were financed by proceeds raised from the Fund Raising Transactions are set out below.**

a. **Acquisition of 55 per cent. interest in the share capital of Couttias Profits Limited**

The principal asset of Couttias Profits Limited was the Site. Pursuant to a sale and purchase agreement dated 24th November, 1998 (as amended by two supplemental agreements both dated 30th June, 1999) entered into between Gloria Development Limited (a company beneficially wholly-owned by Mr. Cheung), Mr. Cheung and Thunderbolt Property Corp. (a wholly-owned subsidiary of the Company), Thunderbolt Property Corp. shall acquire 55 per cent. interest in the share capital of Couttias Profits Limited and debts due by Couttias Profits Limited (with a face value of approximately HK$70 million as at 31st October, 1998) from Gloria Development Limited for an aggregate consideration of HK$110 million which shall be satisfied by HK$40 million cash and promissory notes with an aggregate principal amount of HK$70 million. The consideration was determined after arm's length negotiation between the parties with reference to a valuation prepared by LCH (Asia-Pacific) Surveyors Ltd., an independent property consultant, on the Site at HK$220 million as at 31st October, 1998. As at the date of the agreements, Mr. Cheung was a substantial shareholder and the then chairman of the Company. The acquisition constituted a major and connected transaction for the Company, subject to approval by the then independent shareholders of the Company. Details of the acquisition were disclosed in the Company's announcement dated 24th November, 1998.

As stated in the Company's announcement dated 26th January, 2000, the acquisition was completed on 20th August, 1999 notwithstanding the fact that certain approvals from the competent PRC government authorities in relation to the development of the Site had not been obtained yet. Up to the date of the announcement, the Group had paid HK$40 million cash (HK$30 million from Fund Raising Transactions and HK$10 million from internal resources) and issued the First Promissory Note to Gloria Development Limited. The Group had not issued the Second Promissory Note which shall only be issued within five business days of approval for the development of the Site pursuant to the terms of the agreements.

As a result of a revised town planning policy, the development of the Site would not be approved without substantially reducing the planned gross floor area. Having taken this into account, the Company exercised a put option on 26th January, 2000 to dispose of the 55 per cent. interest in the share capital of Couttias Profits Limited and the debts due by Couttias Profits Limited to Gloria Development Limited at the acquisition consideration. The consideration was satisfied by way of a deed of set-off and release of the First Promissory Note that had been issued and a cash payment by Gloria Development Limited to the Company in the aggregate amount of HK$40 million together with interest accrued thereon from the date of payment by the Group at the time of acquisition to the date of payment by Gloria Development Limited. With the completion of the disposal on 29th February, 2000, the Company shall not be required to issue the Second Promissory Note. The Company has retained the cash proceeds from the disposal as general working capital to settle operating expenses of the Group.

b. **Acquisition of 40 per cent. interest in the share capital of Cyber World Technology Limited**

Cyber World Technology Limited was engaged in the field of geographic information system, global positioning system, remote sensing and internet related services. Pursuant to an agreement dated 13th January, 2000 entered into between Cyber Town Company Limited (a company formerly known as Zelma's Company Limited and beneficially wholly-owned by Mr. Liu Wei, Mr. He Xiao Feng and Mr. Yick Chong San), Mr. Liu Wei, Mr. He Xiao Feng and Global Eagle Investments Limited (a wholly-owned subsidiary of the Company), Global Eagle Investments Limited shall acquire 40 per cent. interest in the share capital of Cyber World Technology Limited and debts due by Cyber World Technology Limited (with a face value of approximately HK$16.4 million as at 30th November, 1999) from Cyber Town Company Limited for an aggregate consideration of HK$148 million, of which HK$24 million shall be settled in cash or by issue of 400,000,000 new shares of the Company at HK$0.06 each and HK$124 million shall be settled by issue of promissory notes with the same face value. The consideration was determined on an arm's length basis with reference to a valuation prepared by LCH (Asia-Pacific) Surveyors Ltd., an independent property consultant, on the principal asset of Cyber World Technology Limited at HK$370 million as at 30th November, 1999. Cyber Town Company Limited and its beneficial owners, Mr. Liu Wei, Mr. He Xiao Feng and Mr. Yick Chong San, were Independent Third Parties. The acquisition constituted a major transaction for the Company, subject to approval by the Shareholders. Details of the acquisition were disclosed in the Company's announcement dated 13th January, 2000. The acquisition was completed in March 2000. After completion of the acquisition, Cyber Town Company Limited's interest in Cyber World Technology Limited decreased from 80 per cent. to 40 per cent. The consideration was settled as to HK$64 million by cash and HK$84 million by way of issue of promissory notes which were repaid in full before maturity in March 2000 to reduce interest expenses (HK$108 million from Fund Raising Transactions and HK$40 million from internal resources to settle the aggregate consideration of HK$148 million).

After completion of the acquisition, the Company's interest in Cyber World Technology Limited was diluted to 39.22 per cent. as a result of issue of new shares by Cyber World Technology Limited. In a corporate restructuring in May 2001, Global Eagle Investments Limited was issued 114,509,804 shares of Riverhill (representing approximately 39.22 per cent. of the then issued share capital of Riverhill) as consideration for the acquisition by Riverhill of Global Eagle Investments Limited's 39.22 per cent. entire equity interest in Cyber World Technology Limited. After the corporate restructuring, Cyber World Technology Limited became a wholly-owned subsidiary of Riverhill. The shares of Riverhill were listed on the Growth Enterprise Market of the Stock Exchange on 1st June, 2001 and Global Eagle Investments Limited's interest in Riverhill was diluted to approximately 27.59 per cent. immediately following the new listing.

The following table sets out the investment cost, number of shares held, cost per share, market value, book value and provision in respect of the Group's investment in Riverhill as at 31st March, 2002:

	Investment cost	Number of shares held	Cost per share	Market value	Book value	Provision
Riverhill	HK$132,986,141 *(Note i)*	114,509,804	HK$1.16	HK$45,803,922	HK$41,223,530 *(Note ii)*	HK$91,762,611 *(Note ii)*

Notes:

i. This represents the sum of the investment cost of HK$131,609,368 for the 40 per cent. equity interest in Cyber World Technology Limited (excluding the investment cost for the debts due by Cyber World Technology Limited) and the capitalized expenses of approximately HK$1.4 million in relation to the acquisition.

ii. According to the accounting policies of the Group, long term non-trading investments in equity securities intended to be held for an identified long term purpose are stated at cost less impairment loss. Impairment loss would be made as at 31st March, 2002 for an amount equal to the shortfall, if any, of the cost to the fair value which is based on the quoted market prices at the balance sheet date on an individual investment basis and then applied a 10 per cent. discount for prudence purpose.

As stated in the Company's announcement dated 13th January, 2000, Cyber World Technology Limited had entered into project agreement of approximately HK$27 million and letters of intent with contract value of approximately HK$218 million. Based on the prospectus of Riverhill dated 18th May, 2001, Riverhill reported turnovers of approximately HK$24 million and HK$2.4 million from the provision of contract services for the period from 12th May, 1999 to 30th June, 2000 and for the six months ended 31st December, 2000 respectively, and as at 11th May, 2001 (being the latest practicable date), Riverhill was engaged in three projects with a total gross contract value of approximately HK$10.1 million not yet recognized in the consolidated turnover before 31st December, 2000. Therefore, Riverhill should have contracts with an aggregate value of no less than HK$36.5 million during the period from 12th May, 1999 to 11th May, 2001. However, the prospectus did not mention any letters of intent. Since the Company was not involved in the listing of the shares of Riverhill, it was not aware of the reason why the letters of intent were not mentioned in the prospectus. No announcement was made by the Company in respect of the discrepancies of disclosure between the Company's announcement dated 13th January, 2000 and the prospectus of Riverhill because the Company believed it was understood that transactions contemplated under letters of intent, by their nature, may or may not materialize, and did not consider the issue material and price sensitive.

c. **Acquisition of 27.44 per cent. interest in the share capital of Inworld Holdings**

Inworld Holdings was a system solutions provider. Details of the acquisition are set out in sub-paragraph (3)(a)(iii) of this section below.

d. **Acquisition of 90 per cent. interest in the share capital of West Marton Group Limited**

West Marton Group Limited was principally engaged in developing and operating a series of electronic commerce portals including "chineseyes.com" and the provision of other information technology and internet related services. Pursuant to a letter of intent dated 5th August, 2000, Data Store Investments Limited (a wholly-owned subsidiary of the Company) agreed to acquire 90 per cent. interest in the share capital of West Marton Group Limited from the Independent Individual A (who held 100 per cent. interest in the share capital of West Marton Group Limited before the transaction) for HK$120 million cash. A deposit of HK$20 million was paid by Data Store Investments Limited on the date of signing of the letter of intent and a further deposit of HK$30 million shall be payable within one month of the date of signing of the letter of intent. The parties signed a sale and purchase agreement on 10th October, 2000 to formalize the terms of the letter of intent, pursuant to which the deposit in the aggregate amount of HK$50 million paid under the letter of intent shall represent part payment of the consideration, HK$30 million shall be payable upon signing of the agreement and the balance of the consideration of HK$40 million shall be payable on or before 30th October, 2000. The consideration was determined on an arm's length basis. The acquisition did not constitute a notifiable transaction for the Company.

As at 31st July, 2000, the unaudited net liabilities of West Marton Group Limited was approximately HK$0.5 million and for the period from 1st April, 2000 to 31st July, 2000, West Marton Group Limited reported an unaudited net loss of approximately HK$0.2 million.

As stated in the Company's announcement dated 8th August, 2002, the Company disposed of 20 per cent. and 10 per cent. interest in the share capital of West Marton Group Limited to Mr. Ngai and Mr. WL Chan respectively. Based on the management accounts of the West Marton Group Limited, West Marton Group Limited reported 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.

Impairment loss and amortization of goodwill in the aggregate amount of approximately HK$94.7 million and HK$10 million respectively have been made in respect of the Group's investment in West Marton Group Limited up to 31st March, 2002. Since West Marton Group Limited was a subsidiary of the Company, its assets and liabilities would be consolidated in the accounts of the Company. As at 31st March, 2002, the net liabilities of West Marton Group Limited attributable to the Group was approximately HK$3.2 million.

e. **Acquisition of further 31 per cent. interest in the share capital of and debts due by Kippton Limited and 4.68 per cent. interest in the share capital of Sheng Da Investment Holding (Hong Kong) Limited**

The principal asset of Kippton Limited was 51 per cent. beneficial shareholding in Sheng Da Investment Holding (Hong Kong) Limited which cooperates with a sino-foreign co-operative joint venture in the development and operation of a section of National Highway 318 as a toll expressway in the PRC. Details of the acquisitions are set out in sub-paragraph (3)(f) of this section below.

f. **Acquisition of 100 per cent. interest in the share capital of E-Teck Business Limited**

The principal asset of E-Teck Business Limited was its holding of seven convertible notes with an aggregate principal amount of HK$3.5 million which was convertible into 17.50 per cent. of Rainbow Cosmetic (BVI) Ltd. Rainbow Cosmetic (BVI) Ltd. was engaged in the retail and wholesale of branded beauty products in Hong Kong. Pursuant to an agreement dated 14th June, 2001, Ever-Long Asset Management Limited (a wholly-owned subsidiary of the Company) agreed to acquire 100 per cent. interest in the share capital of E-Teck Business Limited from an Independent Third Party for HK$8 million in cash which was settled in June 2001. The consideration was determined on an arm's length basis. The acquisition did not constitute a notifiable transaction for the Company.

E-Teck Business Limited exercised its conversion rights to convert the seven convertible notes into approximately 17.50 per cent. of the then issued share capital of Rainbow Cosmetic (BVI) Ltd. on 14th September, 2001. In a corporate restructuring, E-Teck Business Limited was issued 47,828,254 shares of Rainbow as consideration for the acquisition by Rainbow of E-Teck Business Limited's entire interest in Rainbow Cosmetic (BVI) Ltd. After the corporate restructuring, Rainbow Cosmetic (BVI) Ltd. became a wholly-owned subsidiary of Rainbow. The shares of Rainbow were listed on the Growth Enterprise Market of the Stock Exchange on 15th October, 2001. Of the 47,828,254 shares of Rainbow held by E-Teck Business Limited, 5,000,000 shares were sold pursuant to an offer for sale at the initial public offering, reducing E-Teck Business Limited's holding in Rainbow to 42,828,254 shares. E-Teck Business Limited's interest in Rainbow was reduced from approximately 17.50 per cent. to approximately 12.24 per cent. immediately following the new listing.

The following table sets out the investment cost, number of shares held, cost per share, market value, book value and provision in respect of the Group's investment in Rainbow as at 31st March, 2002:

	Investment cost	Number of shares held	Cost per share	Market value	Book value	Provision
Rainbow	HK$7,163,674 *(Note i)*	42,828,254	HK$0.17	HK$34,262,603	HK$7,163,674 *(Note ii)*	HK$0 *(Note ii)*

Notes:

i. Based on the investment cost of HK$8 million for the entire issued share capital of E-Teck Business Limited and 47,828,254 shares of Rainbow (including the 5,000,000 shares disposed of pursuant to an offer for sale), the investment cost per share of Rainbow was approximately HK$0.17. Based on HK$0.17 investment cost per share, the Group's total investment cost for the 42,828,254 shares of Rainbow held as at 31st March, 2002 was approximately HK$7.16 million.

ii. According to the accounting policies of the Group, long term non-trading investments in equity securities intended to be held for an identified long term purpose are stated at cost less impairment loss. Impairment loss would be made as at 31st March, 2002 for an amount equal to the shortfall, if any, of the cost to the fair value which is based on the quoted market prices at the balance sheet date on an individual investment basis and then applied a 10 per cent. discount for prudence purpose.

g. Acquisition of 35 per cent. interest in the share capital of Well Pacific Investments Ltd.

Well Pacific Investments Ltd. was principally engaged in road transportation business in Heilongjiang Province, Jilin Province and Liaoning Province in the PRC and owned a fleet of lorries for transportation of mainly grains and building materials. It has developed an intelligent transportation system employing technology such as geographic information system, global positioning system and internet to efficiently manage its transportation resources in order to maximize the transportation capacity.

A share transfer agreement dated 29th August, 2001 was entered into between, amongst others, the Independent Individual B and two other Independent Third Parties, pursuant to which the Independent Individual B shall agree to purchase and the other two Independent Third Parties shall agree to sell 35 per cent. interest in the share capital of Well Pacific Investments Limited for HK$40 million cash. A deed of novation dated 7th September, 2001 was entered into between, amongst others, the parties to the share transfer agreement dated 29th August, 2001, Ever-Long and Iwana, pursuant to which the Independent Individual B shall assign to Ever-Long and Iwana all of his rights and benefits under the share transfer agreement dated 29th August, 2001. In consideration of the transfer of the right of acquisition and the introduction of the investment opportunity to the Company, Ever-Long and Iwana shall pay to the Independent Individual B an aggregate of HK$22 million upon execution of the deed of novation. Therefore, the Company acquired 35 per cent. interest in the share capital of Well Pacific Investments Ltd. for an aggregate consideration of HK$61.5 million (HK$0.5 million had been paid by the Independent Individual B) cash (all from Fund Raising Transactions) which was settled in September 2001. The consideration was determined on an arm's length basis with reference to a limited review report drafted by an independent accounting firm. The acquisition did not constitute a notifiable transaction for the Company.

After completion of the acquisition, the Company's interest in Well Pacific Investments Ltd. was diluted to 22 per cent. as a result of issue of new shares by Well Pacific Investments Ltd.

The following table sets out the investment cost, book value and provision in respect of the Group's investment in Well Pacific Investments Ltd. as at 31st March, 2002:

	Investment cost	**Book value**	**Provision**
Well Pacific Investments Ltd.	HK$61,562,668	HK$40,062,668 *(Note)*	HK$21,500,000 *(Note)*

Note:

According to the accounting policies of the Group, the carrying amount of individual investments is reviewed as at each balance sheet date in order to assess whether the fair value has declined below the carrying amount. When a decline has occurred, the carrying amount of each individual investment would be reduced to the fair value and provision for impairment would be made for the shortfall unless there is evidence that the decline is temporary. The fair value of Well Pacific Investments Ltd. as at 31st March, 2002 was determined with reference to a discounted cashflow forecast prepared by the Company.

3. **The Stock Exchange requested the Company to confirm whether there is any notifiable transaction for the Company which has not been properly disclosed to the market in accordance with the Listing Rules.**

The Company's response is set out below:

For the purpose of providing information to the Stock Exchange, the Company has reviewed all the material contracts disclosed in the Company's circulars despatched from 1st January, 1999 onwards and all office files for transactions with a value of HK$1 million or above. Save as disclosed in the Company's announcement dated 8th August, 2002 and below, to the best of belief and knowledge of the Board, the Board is not aware of any notifiable transaction that has not been disclosed and/or approved by the eligible Shareholders as required under the Listing Rules.

Upon review of its historical transactions, the Company noted that the following notifiable transactions have not been disclosed and/or approved by shareholders as required under the Listing Rules. Details of such notifiable transactions are set out below.

a. **Connected transactions in relation to the Inworld Group**

i. *Subscription of 36 new shares in Inworld Holdings*

I. Date of agreement

5th July, 1999

II. Parties

Issuer	:	Inworld Holdings (which was known as Eastern United Services Limited on the date of agreement)
Subscriber	:	Iwana, a wholly-owned subsidiary of the Company

III. Transaction

Pursuant to the subscription agreement dated 5th July, 1999, Iwana agreed to subscribe and Inworld Holdings agreed to issue 36 ordinary shares of US$1.00 each, which represented 36 per cent. of the enlarged share capital of Inworld Holdings, for HK$20 million cash or HK$555,555.56 per share. The subscription was completed on 15th May, 2000.

The consideration was determined between the parties on an arm's length basis.

IV. Reasons for the subscription

Before completion of the subscription, Inworld Holdings was beneficially owned as to approximately 78 per cent. by Mr. Ngai and as to approximately 22 per cent. by Mr. WL Chan. Mr. Ngai holds a high diploma in manufacturing engineering from the Hong Kong Polytechnic University and a master's degree in engineering business management from the University of Warwick in the United Kingdom. Prior to joining Inworld Holdings, Mr. WL Chan acted as a consultant to various hardware and software companies in Hong Kong.

With the growing popularity of Internet, the Company was optimistic about the technology industry. The subscription represented the first technology investment by the Group, enabling it to capitalize on the knowledge and experience of Mr. Ngai and Mr. WL Chan.

V. Information on Inworld Holdings

Inworld Holdings had no major assets and liabilities and had not commenced business on the date of the subscription agreement and no meaningful financial figures were available. It was agreed among the parties that Inworld Holdings should be developed into an Internet service provider.

At the request of Mr. Ngai and Mr. WL Chan, Iwana entered into share sale agreements with Mr. Ngai and Joyview respectively on 15th May, 2000 to dispose of 1 share in Inworld Holdings to Mr. Ngai for a consideration of HK$555,555.56 and 9 shares in Inworld Holdings to Joyview for HK$5 million or HK$555,555.56 per share. In view of the good business relationship with Mr. Ngai and Mr. WL Chan, the Directors believed that it would not prejudice the interest of the Company to accommodate their request and to sell back the shares at a price equal to the subscription price for the 36 new shares in Inworld Holdings mentioned above. The Company confirms that the aggregate consideration of approximately HK$5.6 million cash has been received and retained as general working capital of the Group.

VI. Connected transaction

The Directors were of the opinion that Mr. Ngai only became a connected person of the Company when he was appointed as a director of Datareach on 18th August, 2000 under the Listing Rules. As such, neither disclosure was made nor approval of Shareholders was sought in relation to the subscription. However, it is the opinion of the Stock Exchange that Mr. Ngai was deemed to be a connected person pursuant to Rule 14.03(2)(a)(ii) of the Listing Rules. Since Mr. Ngai was a substantial shareholder of Inworld Holdings, the subscription was deemed to be a connected transaction and fell within Rule 14.26(2) of the Listing Rules, subject to disclosure and approval of independent shareholders (Shareholders other than Mr. Ngai and his associates) requirements.

ii. *Grant of the Loan Facility to Mr. Ngai*

I. Date and parties of the agreement

A loan agreement was entered into between Mr. Ngai and Iwana (a wholly-owned subsidiary of the Company) on 3rd May, 2000.

II. Transaction

Pursuant to the loan agreement dated 3rd May, 2000, Iwana granted the Loan Facility to Mr. Ngai. Mr. Ngai drew down the Loan Facility in full by 29th June, 2000. Each drawing made by Mr. Ngai under the Loan Facility shall be repaid to Iwana on or before the last day of a period of 24 months from its drawdown date. The Group financed the Loan Facility by its internal resources.

III. Reasons for the grant

As disclosed in the Company's annual report for the year ended 31st March, 2000, the Group had current assets of approximately HK$1,078.5 million (including cash and cash equivalents of approximately HK$671.6 million) and current liabilities of approximately HK$422.5 million as at 31st March, 2000. The Loan Facility was granted by the Company through Iwana to Mr. Ngai as (1) the Group had abundant cash at that time and financing was always one of the Group's principal activities, and (2) the Loan Facility was extended to Mr. Ngai at an annual rate of 2 per cent. above the prime rate quoted by the Hongkong & Shanghai Banking Corporation Limited from time to time which was in line with the then market rate, and (3) the Loan Facility was secured by 101 ordinary shares of US$1.00 each in Inworld Holdings (representing approximately 61.59 per cent. of the then issued share capital of Inworld Holdings) owned by Mr. Ngai.

In accordance with the loan agreement, Mr. Ngai warranted that a valuation report of Inworld Holdings prepared by an independent valuer would be provided within three months from the date of the loan agreement and in such valuation report the independent valuer shall opine that the fair value of Inworld Holdings would not be less than HK$600 million. Accordingly, an independent valuer was appointed by Inworld Holdings to prepare a valuation report on the then principal business of the Inworld Group. The valuation report was made on 13th July, 2000. However, the independent valuer has refused to give its written consent and therefore the Company cannot disclose the name of the independent valuer and details of the valuation report.

The Loan Facility was granted by the Group through Iwana since Iwana would become a shareholder of Inworld Holdings in anticipation of completion of the subscription of 36 new shares in Inworld Holdings referred to in sub-paragraph (3)(a)(i) above. As financing was always one of the Group's principal activities and Iwana was a member of the Group, the Directors considered that the grant of the Loan Facility was carried out in the ordinary course of business of the Group. The Directors were also of the opinion that (1) the terms of the Loan Facility were negotiated on an arm's length basis between the parties and were similar to the terms of other loans advanced by the Group to Independent Third Parties, (2) the loan agreement was entered into on normal commercial terms which the Directors considered fair and reasonable so far as the Shareholders were concerned, and (3) the grant of the Loan Facility was in the interest of the Company and the Shareholders as a whole.

At the time of grant, it was envisaged that the Company would further invest in Inworld Holdings, pending the abovesaid valuation report. The terms of the Acquisition had already been agreed in principle. The Loan Facility served as a bridging loan which would offset the consideration for the Acquisition referred to in sub-paragraph (3)(a)(iii) below.

IV. Connected transaction

The Directors were of the opinion that Mr. Ngai only became a connected person of the Company when he was appointed as a director of Datareach on 18th August, 2000 under the Listing Rules. As such, neither disclosure was made nor Shareholders' approval was sought in relation to the Loan Facility. However, it is the opinion of the Stock Exchange that Mr. Ngai was deemed to be a connected person pursuant to Rule 14.03(2)(a)(ii) of the Listing Rules and the Loan Facility was therefore deemed to be a connected transaction at the time of grant and fell within Rule 14.26 of the Listing Rules, pursuant to which the grant of the Loan Facility should have been made conditional on approval of the then Shareholders (other than Mr. Ngai and his associates if any of them held any shares in the Company) in a general meeting as well as disclosed by way of a press notice and in the Company's annual report.

iii. *Acquisition of 45 shares (approximately 27.44 per cent. interest) in Inworld Holdings*

I. Date of agreement

31st August, 2000

II. Parties

Vendor	:	Mr. Ngai
Purchaser	:	Iwana, a wholly-owned subsidiary of the Company

III. Transaction

Pursuant to the sale and purchase agreement dated 31st August, 2000, Iwana agreed to purchase and Mr. Ngai agreed to sell 45 ordinary shares of US$1.00 each in Inworld Holdings, which represented approximately 27.44 per cent. of the then issued share capital of Inworld Holdings, at a consideration to be satisfied by setting off against the sum of HK$107,781,438.36 (comprising the principal and interest calculated up to the date of the agreement) owed by Mr. Ngai to Iwana under the Loan Facility. The Acquisition was completed on 31st August, 2000.

The Directors confirmed that the consideration for the Acquisition was negotiated on an arm's length basis between the parties and was determined with reference to the Valuation Report.

Based on the consideration of HK$107,781,438.36 for approximately 27.44 per cent. of the then issued share capital of Inworld Holdings, Inworld Holdings was valued at approximately HK$392.8 million which represented a substantial discount to the valuation of the business of Inworld Holdings (which was no less than HK$600 million warranted by Mr. Ngai under the loan agreement dated 3rd May, 2000) and a premium of approximately 4264 per cent. to the unaudited combined net asset value of the Inworld Group of approximately HK$9.0 million as at 30th June, 2000.

IV. Information on the Inworld Group

As mentioned above, Iwana acquired 36 shares in Inworld Holdings in July 1999 and then disposed of 10 shares in Inworld Holdings in May 2000. Iwana held 26 shares in Inworld Holdings immediately before completion of the Acquisition at a net investment cost of approximately HK$14.4 million. The following table sets out the shareholdings of Inworld Holdings before and after completion of the Acquisition:

	No. of shares immediately prior to completion of the Acquisition	**%**	**No. of shares immediately following completion of the Acquisition**	**%**
Iwana	26	15.85	71	43.29
Mr. Ngai	101	61.59	56	34.15
Joyview	32	19.51	32	19.51
Jet Concord	5	3.05	5	3.05
Total	164	100.00	164	100.00

According to the sale and purchase agreement, the Inworld Group was then principally an internet service provider through its five portal web sites, one in each of Hong Kong, Singapore, the PRC, Macau and Taiwan, and each of such portals incorporated a range of revenues streams including banner advertising, sponsorships, concert promotion, travel and hotel booking and e-commerce.

Based on the combined management accounts of the Inworld Group, it recorded unaudited combined net losses before and after taxation of approximately HK$7.5 million for the period from 30th August, 1999 to 30th June, 2000 and an unaudited combined net asset value of approximately HK$9.0 million as at 30th June, 2000.

As detailed in the prospectus of IGL dated 18th December, 2001, the Inworld Group underwent a corporate reorganisation in August and September 2001 in preparation for the listing of shares of IGL on the Growth Enterprise Market of the Stock Exchange. Pursuant to such reorganisation, the Group exchanged its 43.29 per cent. interest in the Inworld Group for 207,792,000 shares of IGL (which represented approximately 43.29 per cent. of the then issued share capital of IGL) which became the holding company of the Inworld Group and Inworld Holdings ceased to be a member of the Inworld Group. The Group continued to hold 71 ordinary shares of US$1.00 each in Inworld Holdings, which represented approximately 43.29 per cent. of the issued share capital of Inworld Holdings, following the aforesaid corporate reorganisation. The Group subsequently disposed of all of 71 ordinary shares of US$1.00 each in Inworld Holdings to a company beneficially wholly-owned by the Independent Individual A for a consideration of US$71 under a sale and purchase agreement dated 29th November, 2001.

The shares of IGL were listed on the Growth Enterprise Market of the Stock Exchange on 31st December, 2001. Of the 207,792,000 shares of IGL held by the Group, 20,779,200 shares were sold pursuant to an offer for sale at the initial public offering of IGL, reducing the Group's holding in IGL to 187,012,800 shares. As disclosed in the prospectus of IGL, immediately upon its listing, IGL was beneficially owned as to approximately 32.47 per cent. by the Company, approximately 26.07 per cent. by Mr. Ngai, approximately 14.63 per cent. by Joyview, approximately 1.83 per cent. by Jet Concord, and the remaining 25.00 per cent. by public shareholders.

The following table sets out the investment cost, number of shares held, cost per share, market value, book value and provision in respect of the Group's investment in IGL as at 31st March, 2002:

	Investment cost	Number of shares held	Cost per share	Market value	Book value	Provision
IGL	HK$110,003,294 *(Note i)*	187,012,800	HK$0.59	HK$56,103,840	HK$16,120,345 *(Note ii)*	HK$93,882,949 *(Note ii)*

Notes:

i. Based on the net aggregate investment cost for the Group's investment of 71 shares in Inworld Holdings of approximately HK$122.2 million and 207,792,000 shares of IGL (including the 20,779,200 shares disposed of pursuant to an offer for sale), the investment cost per share of IGL was approximately HK$0.59. Based on HK$0.59 investment per share, the Group's total investment cost for the 187,012,800 shares of IGL held as at 31st March, 2002 was approximately HK$110.0 million. Immediately following the corporate reorganization of Inworld Holdings in August and September 2001, the Company recorded a transfer of its interest in Inworld Holdings to an interest in IGL at book value.

ii. According to the accounting policies of the Group, long term non-trading investments in equity securities intended to be held for an identified long term purpose are stated at cost less impairment loss. Impairment loss would be made as at 31st March, 2002 for an amount equal to the shortfall, if any, of the cost to the fair value which is based on the quoted market prices at the balance sheet date on an individual investment basis and then applied a 10 per cent. discount for prudence purpose.

V. Reasons for the Acquisition

It had been part of the Group's investment strategy to invest in businesses in the information technology industry which the Directors believed had significant growth potential. As such, the Group invested in the Inworld Group. The Group entered into the agreement to increase its investment in the Inworld Group in order to become the single largest shareholder of Inworld Holdings and in anticipation of the listing of the Inworld Group on the Growth Enterprise Market of the Stock Exchange to capitalise on the potential of the Inworld Group.

The Directors confirmed that the terms of the sale and purchase agreement were negotiated on an arm's length basis between the parties and the agreement was entered into on normal commercial terms. Taking into account a substantial discount to the valuation of the business of Inworld Holdings (which was no less than HK$600 million warranted by Mr. Ngai under the loan agreement dated 3rd May, 2000) and the belief that the value of an Internet business like Inworld Holdings lay on its potential to generate revenue but not on its assets, the Directors considered the terms of the agreement were fair and reasonable so far as the Shareholders were concerned despite the substantial premium of the consideration to the net asset value of the Inworld Group.

VI. Connected transaction

As at the date of the sale and purchase agreement, Mr. Ngai was a director of Datareach which was a subsidiary of the Company. Accordingly, Mr. Ngai was a connected person of the Company under the Listing Rules as at the date of the sale and purchase agreement, and the Acquisition constituted a connected transaction and fell within Rule 14.26 of the Listing Rules. However, due to an inadvertent omission in the Directors' opinion, no approval from the then Shareholders (other than Mr. Ngai and his associates) in a general meeting was obtained prior to completion of the Acquisition, no announcement in respect of the Acquisition was published after the date of the sale and purchase agreement, and no disclosure in respect of the Acquisition was made in the Company's annual report for the year ended 31st March, 2001 as required under the Listing Rules.

iv. *Grant of the Advances to Inworld Holdings*

I. Transaction

During the period from 13th November, 2000 to 10th September, 2001, Iwana advanced an aggregate of HK$13,558,847 to Inworld Holdings. In respect of the Advances, (i) there was no written agreement entered into between or signed by the then shareholders of Inworld Holdings and/ or Inworld Holdings, (ii) the aggregate amount of such advances was not pre-determined and the amount of each advance was determined based on the requirement of Inworld Holdings at the time when each advance was made, and (3) no guarantee or collateral from Inworld Holdings was requested since the then shareholders of Inworld Holdings including Iwana, Mr. Ngai, Joyview and Jet Concord considered that such advances were shareholders' loans to Inworld Holdings for financing its operation and that it was common commercial practice not to require guarantee or collateral for loans of this nature.

II. Reasons for the grant

Because Inworld Holdings required funding support for its operation and development but it could not obtain funds from other sources due to its limited track record, the then existing shareholders of Inworld Holdings agreed to make advances without interest and collateral to Inworld Holdings in proportion to their shareholding. However, while Iwana advanced an aggregate of approximately HK$13,558,847 to Inworld Holdings during the period from 13th November, 2000 to 10th September, 2001, the other shareholders of Inworld Holdings including Mr. Ngai, Joyview and Jet Concord did not advance any fund to Inworld Holdings during the same period. The Directors did not know the reasons why the other shareholders of Inworld Holdings had kept delaying the payment despite the Group had repeatedly urged them for payment. Although the other shareholders of Inworld Holdings including Mr. Ngai, Joyview and Jet Concord did not advance any fund to Inworld Holdings during the said period, Iwana had made the Advances to Inworld Holdings because Inworld Holdings required funding support for its operation and development but it could not obtain funds from other sources due to its limited track record.

Pursuant to a swap and merge deed dated 20th September, 2001 entered into between Inworld Holdings, Inworld International Limited (a wholly owned subsidiary of IGL), Mr. Ngai, Joyview, Iwana and Jet Concord, which was executed as part of the corporate reorganisation of the Inworld Group to rationalise the structure of the Inworld Group for the purpose of preparation for the listing of IGL on the Growth Enterprise Market of the Stock Exchange, Iwana released and discharged Inworld Holdings from all the obligations and liabilities of repaying the Waived Advances, and the other shareholders of Inworld Holdings agreed to share the Waived Advances in proportion to their shareholding in Inworld Holdings. Hence, approximately HK$6,915,801 of the Waived Advances was repaid by the other shareholders of Inworld Holdings to Iwana in January 2002.

As at 29th November, 2001, being the date of the sale and purchase agreement in relation to the disposal of the Group's entire interest in Inworld Holdings, Inworld Holdings was indebted to Iwana an aggregate amount of HK$1,806,819, including an outstanding amount of the Advances of approximately HK$1,363,818 and a management fee of approximately HK$443,001 charged by Iwana to Inworld Holdings in relation to the provision of office premises and equipment. Under the sale and purchase agreement, the Group sold the benefit of such loan with a sum of HK$1,806,819 on a dollar-for-dollar basis and 71 ordinary shares of US$1.00 each in Inworld Holdings for US$71 (referred to in sub-paragraph 3(a)(iii) above) to a company beneficially wholly-owned by the Independent Individual A. The consideration was later settled in cash by the purchaser.

The Directors are of the opinion that the Advances were made on normal commercial terms which the Directors considered fair and reasonable so far as the Shareholders were concerned, and making of the Advances was in the interest of the Company and the Shareholders as a whole.

III. Connected Transaction

During the period from 13th November, 2000 to 10th September, 2001, Inworld Holdings was beneficially owned as to approximately 43.29 per cent. by the Group, approximately 34.15 per cent. by Mr. Ngai, approximately 19.51 per cent. by Mr. WL Chan and approximately 3.05 per cent. by Jet Concord. Both Mr. Ngai and Mr. WL Chan were connected persons of the Company under the Listing Rules during the same period. Accordingly, the grant of the Advances constituted a connected transaction for the Company. Since the Advances were granted by the Company to Inworld Holdings in a greater proportion than the Company's shareholding in Inworld Holdings, the Advances did not fall within Rule 14.25(2)(b) of the Listing Rules and shall be subject to the disclosure and shareholders' approval requirements under Rule 14.26 of the Listing Rules. However, due to an inadvertent omission in the Directors' opinion, no approval from the then Shareholders (other than Mr. Ngai, Mr. WL Chan and their respective associates) in a general meeting was obtained prior to making the Advances, no announcement in respect of the grant of the Advances was published and no disclosure in respect of the grant of the Advances was made in the Company's annual reports for each of the two years ended 31st March, 2002 respectively as required under the Listing Rules.

b. **Grant of loans to Mr. Ng**

i. *Date and parties of the agreements*

Loan agreements dated 22nd January, 1998, 31st March, 1998 and 20th January, 1999 entered into between Styland Finance Company Limited (a then wholly-owned subsidiary of the Company) and Mr. Ng.

ii. *Transaction*

Pursuant to the loan agreement dated 22nd January, 1998, Mr. Ng was granted a loan by Styland Finance Company Limited in the principal amount of HK$6 million repayable by not more than 36 consecutive monthly installments at the end of each month commencing on 31st March, 1998. Pursuant to the loan agreement dated 31st March, 1998, Mr. Ng was further granted by Styland Finance Company Limited another loan in the principal amount of approximately HK$4.8 million repayable by not more than 24 consecutive monthly installments at the end of each month commencing on 31st March, 2001. These two loans bore interest at a rate of two per cent. above the Hong Kong prime rate per annum. Any balance should be repaid at the respective due date of the final installment.

Pursuant to the loan agreement dated 20th January, 1999, Mr. Ng was further granted by Styland Finance Company Limited another loan in the principal amount of approximately HK$0.2 million repayable in one lump sum on 20th July, 2000. The loan bore interest at a rate of two per cent. above the Hong Kong prime rate per annum.

Having considered that Mr. Ng assumed the debts of clients referred by him in the aggregate outstanding amount of HK$10 million and taking into account the fact that Mr. Ng had no properties or sources of income other than salaries and commissions receivable from the Group as a director of certain members of the Group, and that he has been making continuous repayment of debts (reducing the outstanding balance to approximately HK$4.3 million as at 31st March, 2002) through deduction of salaries and commissions payable by the Group, the Company reached a verbal settlement agreement in February 1999 with Mr. Ng pursuant to which the Company agreed to waive all the interest accrued since the date of the respective loan agreements in the aggregate amount of HK$1.1 million and all the interest to be accrued thereafter. Other terms of the loan agreements remained unchanged.

As at 31st March, 2002, the outstanding balance granted to Mr. Ng was approximately HK$4.3 million. After taking into account the absence of collateral and the financial position of Mr. Ng, the Board considered that the loans may not be recoverable and full provision was made as at 31st March, 2002 for prudence purpose.

iii. *Reasons for the grant*

Two margin account clients referred to the Company by Mr. Ng were indebted to the Group in the outstanding amount of HK$6 million and HK$4 million respectively as at 31st March, 1998. When the value of the collateral (in the form of marketable securities) fell below the margin ratio, the Company demanded repayment. The clients failed to repay on demand and Mr. Ng assumed the debt owed by them to the Group in the aggregate outstanding amount of HK$10 million. In view of the financial position of Mr. Ng, the Board was of the view that the Company would waste time and money to take legal action to force immediate repayment by Mr. Ng and it was beneficial to both parties to agree on a repayment schedule manageable to Mr. Ng. Therefore, the Company extended the loans on terms set out in the loan agreements to Mr. Ng to offset the assumed debts in the amount of HK$10 million. No actual advances of cash were made to Mr. Ng.

iv. *Connected transaction*

Mr. Ng has been a director of certain subsidiaries of the Company since 22nd September, 1994 and was therefore a connected person of the Company as defined under the Listing Rules at the time of grant of the loans. The granting of the loans constituted connected transactions for the Company. Since the maximum outstanding amount of advances of approximately HK$11 million exceeded 3 per cent. of the consolidated net tangible assets of the Company as disclosed in the Company's annual report for the year ended 31st March, 1997 after adjustment for the unaudited consolidated net profit of the Company for the six months ended 30th September, 1997, pursuant to Rule 14.26 of the Listing Rules, the granting of the loans should be subject to disclosure and approval of the Shareholders (other than Mr. Ng and his associates) requirements. However, due to an inadvertent omission in the Directors' opinion, such requirements under the Listing Rules were not complied with.

c. **Grant of margin financing to Ms. Chan**

i. *Transaction*

Ms. Chan opened a margin account with a subsidiary of the Company on 1st October, 1996. Since then, the Group has been providing margin financing to Ms. Chan for the purpose of trading securities at a rate of three per cent. above the Hong Kong prime rate which was the same as the rate quoted by the Group to Independent Third Parties.

The outstanding balance of margin financing to Ms. Chan as at 31st March, 2002 was HK$796,479.

ii. *Reason for the grant*

Provision of margin financing is one of the principal businesses of the Group. The margin financing was granted to Ms. Chan in the ordinary course of business of the Group and at normal commercial terms. Therefore, the Board is of the opinion that it is in the interest of the Company to grant margin financing to Ms. Chan.

iii. *Connected transaction*

Ms. Chan is a director of the Company. Since the maximum outstanding of margin financing of HK$1,011,489 on 30th March, 2001 granted to her exceeded the higher of HK$1 million or 0.03 per cent. of the consolidated net tangible assets of the Company but less than the higher of HK$10 million or 3 per cent. of the consolidated net tangible assets of the Company, the grant of margin financing shall be subject to the disclosure requirement under Rule 14.25 of the Listing Rules. Due to inadvertent omission in the Director's opinion, the Company failed to make the proper disclosure.

d. **Grant of margin financing to Mr. Ngai**

i. *Transaction*

Mr. Ngai opened a margin account with a subsidiary of the Company in February 2000. Since then, the Group has been providing margin financing to Mr. Ngai for the purpose of trading securities at prime rate plus three per cent. which was the same as the rate quoted by the Group to Independent Third Parties.

The outstanding balance of margin financing to Mr. Ngai as at 31st March, 2002 was approximately HK$172.

ii. *Reason for the grant*

Provision of margin financing is one of the principal businesses of the Group. The margin financing was granted to Mr. Ngai in the ordinary course of business of the Group and at normal commercial terms. Therefore, the Board is of the opinion that it is in the interest of the Company to grant margin financing to Mr. Ngai.

iii. *Connected transaction*

Mr. Ngai was a director of Datareach, a subsidiary of the Company. Since the maximum outstanding of margin financing of HK$8,335,097 on 10th November, 2000 granted to him exceeded the higher of HK$1 million or 0.03 per cent. of the consolidated net tangible assets of the Company but less than the higher of HK$10 million or 3 per cent. of the consolidated net tangible assets of the Company, the grant of margin financing shall be subject to the disclosure requirement under Rule 14.25 of the Listing Rules. Due to inadvertent omission in the Director's opinion, the Company failed to make the proper disclosure.

e. **Disposal of 15 shares (approximately 7.6 per cent. interest) in Gold Cloud Agents Ltd.**

i. *Date of agreement*

30th October, 2000

ii. *Parties*

Vendor	:	Iwana, a wholly-owned subsidiary of the Company
Purchaser	:	Companion Marble, a wholly-owned subsidiary of Skynet

iii. *Transaction*

Iwana agreed to dispose of and Companion Marble agreed to acquire 15 shares in Gold Cloud Agents Ltd. (representing the Group's entire interest in Gold Cloud Agents Ltd.) for HK$38 million in cash.

The consideration was determined between the parties on an arm's length basis with reference to the Group's share of the market value of the underlying assets of Gold Cloud Agents Ltd.

iv. *Information on Gold Cloud Agents Ltd.*

The principal asset of Gold Cloud Agents Ltd. was an effective holding of approximately 10.12 per cent. interest in hkcyber.com (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Growth Enterprises Market of the Stock Exchange. Based on the closing market price of hkcyber.com (Holdings) Limited of HK$0.5 per share as at the date of the agreement, the Group's effective interest in hkcyber.com (Holdings) Limited and so the Group's effective interest in Gold Cloud Agents Ltd. was valued at approximately HK$4.8 million.

hkcyber.com (Holdings) Limited (now known as Cyber On-Air Group Co. Ltd.), through its subsidiaries, provides comprehensive local and international content through the hkcyber.com website and operates an e-mail and an interactive marketing platform for goods and services. According to the prospectus of hkcyber.com (Holdings) Limited dated 21st July, 2000, for the period from 2nd February, 1999 (being the earliest date of incorporation of the members of hkcyber.com (Holdings) Limited) to 31st March, 2000, the audited combined loss before and after taxation of hkcyber.com (Holdings) Limited were approximately HK$19.9 million. As at 31st March, 2000, the audited combined net assets of hkcyber.com (Holdings) Limited was approximately HK$33.1 million.

v. *Reasons for the disposal*

The Board was of the view that the consideration was fair and reasonable and this represented a good opportunity for the Company to realize the investment. As included in the audited consolidated profit and loss accounts of the Group for the year ended 31st March, 2001, the Group reported a net gain of approximately HK$30.25 million from the disposal. The proceeds from the disposal were used as general working capital of the Group.

vi. *Connected transaction*

At the time negotiation and execution of the sale and purchase agreement, the Company did not enquire into and was not aware of the shareholding structure of Companion Marble because it was not one of the Company's commercial considerations. In the recent review of the Group's historical transactions, the Company researched the shareholding structure of Companion Marble based on public information and noted that as at the date of the transaction, Companion Marble was a wholly-owned subsidiary of Skynet which in turn was an associate of Companion. By virtue of Companion being a substantial shareholder of a subsidiary of the Company, Companion Marble was a connected person of the Company as defined under the Listing Rules and so the disposal constituted a connected transaction for the Company. Since the consideration exceeded 3 per cent. of the consolidated net tangible assets of the Company as disclosed in the Company's annual report for the year ended 31st March, 2000, pursuant to Rule 14.26 of the Listing Rules, the acquisition should be subject to disclosure and approval of Shareholders (other than Companion, Skynet, Companion Marble and their respective associates) requirements. However, due to an inadvertent omission in the Directors' opinion, such requirements under the Listing Rules were not complied with.

f. **Acquisitions in relation to Kippton Limited and Sheng Da Investment Holding (Hong Kong) Limited**

i. *Date and parties of the agreement in relation to the acquisition of 31 per cent. of the issued share capital of Kippton Limited*

31st August, 2000 (which was supplemented by an agreement dated 25th September, 2000)

Vendor	:	Parkview Overseas Holdings Limited, Super Apex Limited and Jumbo Queen Limited
Purchaser	:	Styland Infrastructure Limited, a wholly-owned subsidiary of the Company
Guarantor	:	Mr. TH Chan

To the best knowledge of the Company, each of Parkview Overseas Holdings Limited, Super Apex Limited and Jumbo Queen Limited was beneficially wholly-owned by Mr. TH Chan. Mr. TH Chan and his associates were Independent Third Parties.

ii. *Date and parties of the agreement in relation to the acquisition of 4.68 per cent. of the issued share capital of Sheng Da Investment Holding (Hong Kong) Limited*

28th September, 2000

Vendor	:	Jumbo Queen Limited
Purchaser	:	Styland Infrastructure Limited, a wholly-owned subsidiary of the Company
Guarantor	:	Mr. TH Chan

To the best knowledge of the Company, Jumbo Queen Limited was beneficially wholly-owned by Mr. TH Chan. Mr. TH Chan and his associates were Independent Third Parties.

iii. *Transaction*

Pursuant to the agreement dated 31st August, 2000 (which was supplemented by an agreement dated 25th September, 2000), Styland Infrastructure Limited agreed to acquire and Parkview Overseas Holdings Limited, Super Apex Limited and Jumbo Queen Limited agreed to dispose of debts due by Kippton Limited to Mr. TH Chan in the amount of approximately HK$15.8 million at the face value and an aggregate of 31 per cent. of the issued share capital of Kippton Limited for the sum of:

(I) HK$38.6 million in cash payable on completion and

(II) a sum depending on the percentage of toll fee increase and the period of extension of the term of Sheng Da Investment Holding (Hong Kong) Limited which shall be payable in cash within one month from the date of approval if Sheng Da Investment Holding (Hong Kong) Limited obtains approval of toll fee increase or term extension within one year from the date of the agreement.

The consideration was determined between the parties on an arm's length basis. Sheng Da Investment Holding (Hong Kong) Limited obtained approval in October 2000 to increase its toll fee by more than 70 per cent. Based on the adjustment mechanism contained in the agreement, the consideration shall be increased by HK$8 million and the final consideration for the 31 per cent. of the issued share capital of Kippton Limited was approximately HK$46.62 million. Including the HK$15.8 million consideration for the debts due by Kippton Limited, the final aggregate consideration was HK$62.42 million which was financed by the funds raised in the rights issue announced by the Company on 29th January, 2000.

Pursuant to the agreement dated 28th September, 2000, Styland Infrastructure Limited agreed to acquire and Jumbo Queen Limited agreed to dispose of 4.68 per cent. of the issued share capital of Sheng Da Investment Holding (Hong Kong) Limited for a sum of HK$16.1 million. Since Sheng Da Investment Holding (Hong Kong) Limited obtained approval in October 2000 to increase its toll fee by more than 70 per cent., the consideration shall be increased by HK$2.5 million in accordance with the terms of the agreement.

The consideration was determined between the parties on an arm's length basis. The final aggregate consideration of HK$18.6 million was financed by the funds raised in the rights issue announced by the Company on 29th January, 2000.

iv. *Information on Kippton Limited and Sheng Da Investment Holding (Hong Kong) Limited*

The principal asset of Kippton Limited was 51 per cent. beneficial shareholding in Sheng Da Investment Holding (Hong Kong) Limited which cooperates with a sino-foreign co-operative joint venture in the development and operation of a section of National Highway 318 as a toll expressway in the PRC.

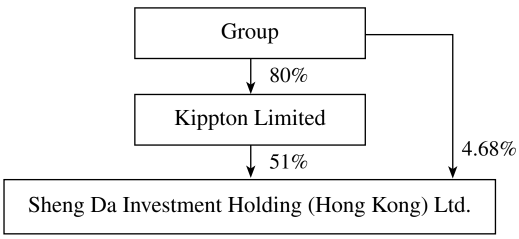
For the year ended 31st March, 1999, the audited consolidated loss before taxation and after taxation and minority interest of Kippton Limited were approximately HK$66.8 million and HK$34.3 million respectively. For the year ended 31st March, 2000, the audited consolidated loss before taxation and after taxation and minority interest of Kippton Limited were approximately HK$57.8 million and HK$29.6 million respectively. As at 31st March, 2000, the audited consolidated net assets of Kippton Limited was approximately HK$195.0 million. The accounts of Sheng Da Investment Holding (Hong Kong) Limited were consolidated in the accounts of Kippton Limited for each of two years ended 31st March, 2002.

The Company acquired 40 per cent. interest in Kippton Limited under an agreement dated 24th November, 1997 for HK$168 million. The acquisition constituted a major transaction for the Company which was approved by the Shareholders at the special general meeting held on 30th December, 1997. Details of the acquisition were set out in the Company's announcement dated 24th November, 1997 and the Company's circular dated 12th December, 1997. The acquisition was financed by the funds raised in a rights issue announced by the Company on 12th May, 1997. The Company sent two senior officers to the toll expressway to inspect its condition and business operation at the initial acquisition of 40 per cent. interest in Kippton Limited and at each time it increased its interest in Kippton Limited Taking into account the valuation report prepared by an independent valuer on the toll expressway, the Board believed that the toll expressway represented a good opportunity for the Company to derive a recurrent income stream.

Due to an unexpected reduction in toll fee, after negotiation with the vendor on an arm's length basis, it was agreed in early 1998 that the consideration shall be reduced from HK$168 million to HK$134.4 million and the Company shall be granted an additional 9 per cent. interest in Kippton Limited for a nominal consideration of HK$1. The Company therefore acquired an aggregate of 49 per cent. interest in Kippton Limited for HK$134.4 million. Taking into account a review study on traffic and revenue forecast and maintenance cost estimates prepared by an independent international consulting firm, the Company was of the view that the acquisitions were in the interest of the Company. No announcement was made in respect of the improvement in acquisition terms because the Company did not consider this price sensitive. The Company admitted that it failed to disclose the postponement in the completion date which was later than 50 days from the day of signing in accordance with the terms of the agreement.

Therefore, the Company was interested in 49 per cent. and 80 per cent. of the issued share capital of Kippton Limited immediately before and after completion of the agreement dated 31st August, 2000.

The shareholding structure of Kippton Limited as at 31st March, 2002 is set out below:



Up to 31st March, 2002, no provision has been made in respect of the Group's investment in Kippton Limited and Sheng Da Investment Holding (Hong Kong) Limited. Since assessment will only be made as at each balance sheet date, the Directors are at present not in a position to forecast the necessity of making provision in the future because there are a lot of variables including but not limited to, the economic development of the PRC and the neighboring region of the toll expressway, the regulatory environment in the PRC and the interest rate.

Since Kippton Limited and Sheng Da Investment Holding (Hong Kong) Limited were subsidiaries of the Company, their accounts would be consolidated in the accounts of the Company. As at 31st March, 2002, the audited consolidated net asset value of Kippton Limited contributable to the Group was approximately HK$122.9 million.

v. *Reasons for the acquisition*

Having seen the rapid growth of the traffic flow of the toll expressway from 5.4 million vehicles in 1998 to 5.9 million vehicles in 1999 and over 10 per cent. historical growth rate of real gross domestic products in the Hubei province and taking into account the review report and the projected discounted cashflow prepared by the Company, the Board believed that it was in the interest of the Company to increase its interest in Kippton Limited and acquire direct interest in Sheng Da Investment Holding (Hong Kong) Limited so as to enjoy a higher recurrent income stream.

vi. *Discloseable transaction*

Before entering into this agreement, the Company held 49 per cent. interest in the share capital of Kippton Limited. After completion of the agreement, Kippton Limited would become a subsidiary of the Company and 100 per cent. of the net assets of Kippton Limited should be taken as the value of assets acquired for the purpose of determining if the acquisition constituted a notificable transaction for the Company. On this basis, the audited consolidated net tangible assets of Kippton Limited as at 31st March, 2000 exceeded 15 per cent. of the audited consolidated net tangible assets of the Company as at 31st March, 2000 and therefore the acquisition for further 31 per cent. interest in Kippton Limited constituted a discloseable transaction for the Company. Further, given the proximity of date, the acquisition of 4.68 per cent. interest in Sheng Da Investment Holding (Hong Kong) Limited should also be aggregated with the acquisition of further 31 per cent. interest in Kippton Limited. Due to an inadvertent omission in the Directors' opinion, the Company did not make an announcement disclosing details of the acquisitions in accordance with the requirements of the Listing Rules.

The Company admitted its breaches of the Listing Rules as mentioned above. The Stock Exchange has indicated that it would reserve its right to take appropriate action against the Company and the Directors in respect of the aforesaid breaches.

In view of inadvertent non-disclosure of previous notifiable transactions in accordance with the requirements of the Listing Rules, and in order to strengthen the Group's internal compliance procedure, since October 2002, (i) the Company has been holding management meetings from time to time with the presence of the senior management of the Company and a minimum of three executive Directors to discuss any potential transaction with a value of HK$1 million or above in order to identify any notifiable transactions under Chapter 14 of the Listing Rules, (ii) quarterly committee meetings with the presence of independent non-executive Directors will be held to obtain updated information from the Board and discuss if any transaction of the Group may constitute notifiable transactions for the Company and (iii) the Directors will proactively seek prior consultation from the Stock Exchange for any potential notifiable transactions. Transactions with a value of HK$1 million or above will be subject to approval of the Directors at the management meetings.

Principal terms of any potential transactions with a value of HK$1 million or more and to the extent possible directorship and shareholding of the company concerned and the parties involved will be presented to the senior management of the Company and the Directors before the meetings are held. Based on such information and the shareholding structure and composition of the board of directors of each member of the Group, discussions will be made on whether such transactions may constitute notifiable transactions for the Company and if so, what actions need to be taken to comply in full with the requirements of the Listing Rules. The Board believes that a review of all potential transactions with a value of HK$1 million or more would significantly improve the internal compliance of the Company for the purpose of identification of any notifiable transactions for the following reasons:

a. Connected transactions on normal commercial terms (other than issue of new securities to connected persons) with a value of less than the higher of either HK$1 million or 0.03 per cent. of the book value of the consolidated net tangible assets of the Company are not subject to any disclosure or shareholders' approval requirements as connected transactions pursuant to Rule 14.24(5) of the Listing Rules.

b. Transactions with a value representing less than 15 per cent. of the audited consolidated net tangible assets of the Company as shown in its latest published audited consolidated financial statements (which is equivalent to approximately HK$84.0 million based on the audited consolidated net tangible assets of the Company of approximately HK$559.8 million as shown in its audited consolidated balance sheet of the Company as at 31st March, 2002) would not constitute a discloseable transaction for the Company for the purposes of asset test and consideration test.

4. **The Stock Exchange requested the Company to provide a summary on the investments of the Company as at 31st March, 2002**

The following set out the cost of investment, provision for impairment and amortization, book value, market value and fair value (if applicable) of the long term investments and certain subsidiaries of the Company as at 31st March, 2002:

	Cost of investment	**Amount of provision for impairment and amortization**	**Book value**	**Market value**	**Fair value**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
LONG TERM INVESTMENTS					
Listed:					
Riverhill	132,986,141	(91,762,611)	41,223,530	45,803,922	41,223,530
IGL	110,003,294	(93,882,949)	16,120,345	56,103,840	50,493,456
Rainbow	7,163,674	0	7,163,674	34,262,603	30,836,343
Sub-total	250,153,109	(185,645,560)	64,507,549		
Unlisted:					
Well Pacific Investments Ltd.	61,562,668	(21,500,000)	40,062,668	Not applicable	Not applicable
Total	311,715,777	(207,145,560)	104,570,217		
SUBSIDIARIES					
West Marton Group Limited	80,000,000 *(Note i)*	(72,000,000)	*(Note ii)*	Not applicable	Not applicable
Kippton Limited and Sheng Da Investment Holding (Hong Kong) Limited	215,420,000	0	*(Note ii)*	Not applicable	Not applicable
Total	295,420,000	(72,000,000)			
Grand total	607,135,777	(279,145,560)			

Notes:

i. Based on the aggregate investment cost of HK$120 million for 90 per cent. interest in the share capital of West Marton Group Limited, the pro rata share of the investment cost for the Company's 60 per cent. interest in the share capital of West Marton Group Limited as at 31st March, 2002 was HK$80 million.

ii. Since West Marton Group Limited, Kippton Limited and Sheng Da Investment Holding (Hong Kong) Limited were subsidiaries of the Company as at 31st March, 2002, their assets and liabilities were consolidated into the accounts of the Company.

5. **The Stock Exchange requested the Company to provide further information on notes 20 and 22 to the financial statements included in the Company's annual report for the year ended 31st March, 2002.**

The Company's response is set out below:

a. **Long term investments**

Note 20 to the audited accounts of the Group for the year ended 31st March, 2002 disclosed that the Group had made provision for impairment of certain listed and unlisted investments in the amount of approximately HK$113 million as at 31st March, 2002. The followings set out further information on the investments.

i. *The Stock Exchange requested the Company to provide an analysis of the investments into listed or unlisted, the name of the investments, the date of acquisition, the cost of investments as at the date of acquisition, and number of listed shares, their market value and percentage of holding as at 31st March, 2002.*

The following table sets out the aforesaid information on the long term investments of the Group as at 31st March, 2002:

	Date of acquisition	Cost of investment	Number of listed shares as at 31st March, 2002	Market value as at 31st March, 2002	Percentage of holding
		HK$		*HK$*	*%*
Listed:					
Riverhill	January 2000	132,986,141	114,509,804	45,803,922	27.59
IGL	December 2001	110,003,294	187,012,800	56,103,840	32.47
Rainbow	June 2001	7,163,674	42,828,254	34,262,603	12.24
Unlisted:					
Well Pacific Investments Ltd.	September 2001	61,562,668	Not applicable	Not applicable	21.88

Notes: For more information on the investment in Riverhill, IGL, Rainbow and Well Pacific Investments Ltd., reference can be made to sub-paragraphs (2)(b), (3)(a)(iii), (2)(f) and (2)(g) of this section above respectively.

ii. *The Stock Exchange requested the Company to confirm whether the unlisted investments were acquired from connected persons, as defined under the Listing Rules, and if so, whether the disclosure requirements for such transactions under the Listing Rules have been properly complied with.*

The Company confirms that the unlisted investments were not acquired from connected persons of the Company and the acquisitions did not constitute notifiable transactions for the Company as defined under the Listing Rules.

iii. *The Stock Exchange requested the Company to provide details of the due diligence work carried out by the Board for the acquisition of the unlisted investments.*

The Company conducted a due diligence exercise on Well Pacific Investments Ltd., which included the review of the constitutional documents and customers and suppliers contracts, site visit and enquiries with the management of the investee company by staffs delegated by it, and considered a limited review report on the financial statements on the principal subsidiaries of Well Pacific Investments Ltd. drafted by an independent accounting firm.

iv. *The Stock Exchange requested the Company to set out the circumstances and events which resulted in the impairment.*

Details of the provision are set out in sub-paragraph 4 of this section above.

According to the accounting policies of the Group, the carrying amount of individual investments is reviewed as at each balance sheet date in order to assess whether the fair value has declined below the carrying amount. When a decline has occurred, the carrying amount of each individual investment would be reduced to the fair value and provision for impairment would be made for the shortfall unless there is evidence that the decline is temporary. The fair value of Well Pacific Investments Ltd. as at 31st March, 2002 was determined with reference to a discounted cashflow forecast prepared by the Company.

Long term non-trading investments in equity securities intended to be held for an identified long term purpose are stated at cost less impairment loss. Impairment loss would be made as at 31st March, 2002 for an amount equal to the shortfall, if any, of the cost to the fair value which is based on the quoted market prices at the balance sheet date on an individual investment basis and then applied a 10 per cent. discount for prudence purpose.

v. *The Stock Exchange requested the Company to opine on whether the provision is adequate.*

The Directors were of the opinion that the provision was sufficient as at 31st March, 2002.

b. **Loans receivable**

Note 22 to the audited accounts of the Group for the year ended 31st March, 2002 disclosed that the Group had outstanding loans receivable of approximately HK$149 million and provision for doubtful debts of approximately HK$43 million had been made as at 31st March, 2002. The followings set out further information on the breakdown of the loan receivable.

Of the approximate HK$149 million outstanding loan receivable as at 31st March, 2002, approximately HK$58 million was margin financing and approximately HK$91 million was term loan. As at 31st March, 2002, approximately HK$1.9 million margin financing and approximately HK$4.4 million term loans were granted to connected persons of the Company (as defined under the Listing Rules), details of which are set out below:

Margin financing

Borrower(s)	**Aggregate outstanding balance as at 31st March, 2002**	**Aggregate value of collateral as at 31st March, 2002**	**Aggregate provision as at 31st March, 2002**	**Aggregate book value as at 31st March, 2002**
Ms. Chan, a director of the Company, and her sister	HK$873,435	HK$39,983	HK$833,452	HK$39,983
Nephew and brother-in-law of Ms. Yvonne Yeung Han Yi, a director and a substantial shareholder of the Company	HK$68,686	HK$1,705	HK$68,349	HK$337
sister-in-law of Mr. Ng, a director of Ever-Long Securities Co., Ltd. (a wholly-owned subsidiary of the Company) since 22nd September, 1994	HK$980,000	HK$0	HK$980,000	HK$0

Term loans:

Borrower(s)	**Outstanding balance as at 31st March, 2002**	**Collateral**	**Provision as at 31st March, 2002**	**Book value as at 31st March, 2002**
Mr. Ng, a director of Ever-Long Securities Co., Ltd. (a wholly-owned subsidiary of the Company) since 22nd September, 1994	HK$4,303,445 *(Note)*	Nil	HK$4,303,445	HK$0
sister of Ms. Yvonne Yeung Han Yi, a director and a substantial shareholder of the Company	HK$53,585	Nil	HK$0	HK$53,585

Note: This refers to the loans granted under the loan agreements dated 22nd January, 1998, 31st March, 1998 and 20th January, 1999 set out in sub-paragraph (3)(b) of this section above.

6. **At the request of the Stock Exchange, the details of the term loans granted by the Group during the Period are set out below:**

Borrower	Total amount of term loans drawn down during the Period by each individual entity	Total principal amount of term loans drawn down					
		1/1/99 - 31/3/99	1/4/99 - 31/3/00	1/4/00 - 31/3/01	1/4/01 - 31/3/02	1/4/02 - 30/11/02	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Independent Third Parties							
32 individual entities	< HK$5 million	7,033	9,195	8,200	6,609	23,054	54,092
7 individual entities	HK$5 million or above but < HK$10 million	0	12,450	0	6,810	27,800	47,060
6 individual entities	HK$10 million or above but < HK$15 million	20,396	14,000	10,000	17,200	11,000	72,596
8 individual entities	HK$15 million or above but < HK$45 million	37,158	29,350	59,280	95,000	34,908	255,696
2 individual entities	HK$45 million or above but < HK$90 million	0	6,213	139,000	4,000	0	149,213
		64,587	71,208	216,480	129,619	96,763	578,657
Independent Individual A		0	0	0	227	0	227
Connected persons		271	0	100	0	0	371
Grand total		64,858	71,208	216,580	129,846	96,763	579,255

7. **At the request of the Stock Exchange, the outstanding balance of the margin financing granted by the Group as at 31st March, 1999, 31st March, 2000, 31st March, 2001, 31st March, 2002 and 30th November, 2002 are set out below:**

	Total outstanding balance of margin financing				
	31/3/99	**31/3/00**	**31/3/01**	**31/3/02**	**30/11/02**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Outstanding amount for each Independent Third Party as at the end of each period					
< HK$1 million	12,194	26,347	17,541	13,091	13,705
HK$1 million or above but < HK$2 million	4,083	13,476	13,739	12,591	13,714
HK$2 million or above but < 3 million	4,428	7,421	2,019	16,519	12,132
HK$3 million or above but < HK$5 million	0	20,139	6,631	13,282	17,141
HK$5 million or above but < HK$10 million	0	7,236	18,386	0	0
HK$10 million or above but < HK$20 million	0	0	37,626	0	0
	20,705	74,619	95,942	55,483	56,692
Independent Individual A	0	0	0	1,200	0
Connected persons	1,497	1,935	6,755	1,922	1,925
Adjustment for trading errors	647	910	17	(34)	1
Adjustment for T+ 2 settlement	321	23,635	(16,314)	(494)	0
Grand total	23,170	101,099	81,871	58,077	58,618

8. **At the request of the Stock Exchange, details of the realized and unrealized gain and loss from investment in marketable securities by the Group during the Period are set out below:**

	1/1/99 - 31/3/99 Net realized profit/ (loss) *HK$'000*	1/1/99 - 31/3/99 Unrealized profit/ (loss) *HK$'000*	1/4/99 - 31/3/00 Net realized profit/ (loss) *HK$'000*	1/4/99 - 31/3/00 Unrealized profit/ (loss) *HK$'000*	1/4/00 - 31/3/01 Net realized profit/ (loss) *HK$'000*	1/4/00 - 31/3/01 Unrealized profit/ (loss) *HK$'000*	1/4/01 - 31/3/02 Net realized profit/ (loss) *HK$'000*	1/4/01 - 31/3/02 Unrealized profit/ (loss) *HK$'000*	1/4/02 - 30/11/02 Net realized profit/ (loss) *HK$'000*	1/4/02 - 30/11/02 Unrealized profit/ (loss) *HK$'000*	Total *HK$'000*
Stock											
Stocks constituting the Hang Seng Index	0	0	(146)	0	(17,812)	0	(3,017)	0	126	0	(20,850)
Stocks constituting the Hang Seng Mainland Composite Index (Note)	0	0	24	0	(7)	(38)	(8)	0	0	0	(29)
Other stocks listed on the main board of the Stock Exchange	(95)	(11)	25,068	(2,255)	(26,643)	(33,737)	(792)	(30,073)	(2,823)	(12,181)	(83,543)
Stocks listed on the Growth Enterprise Market of the Stock Exchange	0	0	0	0	(2,555)	(94)	953	(7,327)	(350)	(522)	(9,896)
Derivatives	0	0	0	0	0	0	0	0	96	0	96
	(95)	(11)	24,945	(2,255)	(47,017)	(33,869)	(2,865)	(37,400)	(2,951)	(12,703)	(114,221)
Dealing expenses											(4,109)
Expenses incurred for trading errors											(307)
Total											(118,640)

Note: The stocks that constitute both the Hang Seng Index and the Hang Seng Mainland Composite Index are treated as constituents of Hang Seng Index only.

Since the Group did not hold any marketable securities as at 31st December, 1998 and held marketable securities with a market value of approximately HK$7.2 million as at 30th November, 2002, it can be derived from the above table that the Group invested an aggregate amount of approximately HK$125.8 million in marketable securities during the Period.

9. **At the request of the Stock Exchange, the details of the borrowings repaid (wholly or partly) by proceeds raised from the Fund Raising Transactions are set out below.**

	Date of borrowing	Principal amount	Interest rate	Collateral	Repayment date	Repayment amount
a.	20th December, 1996	HK$40,000,000	Prime + 2 per cent.	House 4, Custom Pass No. 18 Fei Ngo Shan Sai Kung Kowloon	(i)12th April, 2000	(i)HK$16,900,000
					(ii)20th December, 2001	(ii)HK$10,000,000
b.	16th July, 1996	HK$11,200,000	Prime + 0.75 per cent.	Flat D, 1st Floor and Carpark no. 1 Nos. 34B & 34C Braga Circuit Kadoorie Hill Garden Kowloon	17th January, 2003	HK$9,500,000
c.	29th March, 1996	HK$195,000,000	Prime + 1 to 1.5 per cent.	Time deposit	30th April, 2000	HK$154,770,000

Each of the lenders was a financial institution independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them.

BUSINESS OF THE COMPANY

The principal activities of the Group consist of investment holding, securities dealings and brokering, financing business, general import, export and trading, and property development and investment.

GENERAL

A circular containing, among other matters, details of the notifiable transactions referred to in paragraph 3 of the section headed "Letter from the Stock Exchange" above that are required under the Listing Rules to be included in a circular, a letter of advice from an independent financial adviser to the independent shareholders of the Company in respect of the connected transactions will be despatched within 21 days of the publication of this announcement for the information of the Shareholders.

The Company would like to inform the Shareholders and investors that pursuant to a notice dated 20th March, 2003, the SFC is conducting an inquiry into certain matters of the Group under Section 29A of the old Securities and Futures Commission Ordinance. Although some of the management's time would be occupied to address those inquiries, the Directors do not expect that the operation of the Group would be severely affected.

The Board would like to confirm that save as disclosed in this announcement, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement and the Board is not aware of any matter or material information that is discloseable or should be brought to the attention of the Shareholders under the general obligation imposed by paragraph 2 of the Listing Agreement and that the Company has at present no plan to raise funds through the issue of new shares.

Since the issues raised by the Stock Exchange were historical and were not considered by the Directors to be price sensitive, the Company did not believe that a trading suspension was warranted. Even so, at the direction of the SFC, trading in the shares of the Company was suspended with effect from 9:32 a.m. on 23rd December, 2002. An application has been made by the Company to the SFC for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 5th June, 2003.

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of 45 ordinary shares of US$1.00 each in Inworld Holdings by the Company through Iwana from Mr. Ngai pursuant to the agreement dated 31st August, 2000 entered into between Iwana and Mr. Ngai
"Advances"	advances in an aggregate amount of approximately HK$13,558,847 granted by Iwana to Inworld Holdings during the period from 13th November, 2000 to 10th September, 2001
"Board"	board of Directors
"Companion"	Companion Building Material International Holdings Ltd. (now know as Dong Fang Gas Holdings Limited), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Companion Marble"	Companion Marble (BVI) Ltd., a wholly owned subsidiary of Skynet
"Company"	Styland Holdings Limited, an exempted company incorporated in Bermuda with limited liability and whose issued shares are listed on the Stock Exchange

"Datareach"	Styland Datareach Computer Technology Limited (formerly known as Oriental Max Investment Limited), a company incorporated in Hong Kong with limited liability, owned as to 60 per cent. by Styland (Overseas) Limited (a wholly-owned subsidiary of the Company) and as to 40 per cent. by Inworld System (HK) Limited (a wholly-owned subsidiary of Inworld Holdings) immediately prior to the date of the agreement entered into between Iwana and Mr. Ngai in relation to the Acquisition, and deregistered from the Register of Companies maintained by the Companies Registry in Hong Kong in September 2002
"Directors"	directors of the Company
"Ever-Long"	Ever-Long Investments Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"First Promissory Note"	a promissory note in the principal amount of HK$35 million as part consideration for the acquisition of 55 per cent. interest in the share capital of and debts due by Couttias Profits Limited and to be issued upon completion pursuant to the terms of a sale and purchase agreement dated 24th November, 1998 (as amended by two supplemental agreements both dated 30th June, 1999)
"Fund Raising Transactions"	the Company's fund raising transactions from the share market for the period from 1st January, 1999 to 24th November, 2002
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IGL"	Inworld Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"Independent Third Party(ies)"	independent third party(ies) not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them

"Independent Individual A"	an Independent Third Party who was the vendor in the acquisition by the Group of 90 per cent. interest in the share capital of West Marton Group Limited and the purchaser in the disposal by the Group of the benefit of a loan with a sum of HK$1,806,819 due by Inworld Holdings and 71 ordinary shares of US$1.00 each in Inworld Holdings
"Independent Individual B"	an Independent Third Party who is a director and shareholder of Riverhill
"Inworld Group"	Inworld Holdings and its subsidiaries, comprising Inworld System (HK) Limited, Inworld (Hong Kong) Limited, Inworld Internet Singapore Pte. Ltd. and Inworld (Beijing) Internet Limited as at the date of the agreement in relation to the Acquisition
"Inworld Holdings"	Inworld Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"Iwana"	Iwana Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Jet Concord"	Jet Concord Inc., a wholly-owned subsidiary of renren Holdings Limited (whose shares are listed on the main board of the Stock Exchange) and an Independent Third Party
"Joyview"	Joyview International Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is owned by Mr. WL Chan
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Facility"	a loan facility to the extent of HK$105,000,000 with interest at an annual rate of 2 per cent. above the prime rate quoted by the Hongkong & Shanghai Banking Corporation Limited from time to time granted by Iwana to Mr. Ngai under the loan agreement dated 3rd May, 2000 entered into between Mr. Ngai and Iwana
"Macau"	the Macau Special Administrative Region of the PRC
"Mr. Cheung"	Mr. Kenneth Cheung Chi Shing, a substantial shareholder of the Company

"Mr. Ng"	Mr. Ng Shun Fu, a director of Ever-Long Securities Co., Ltd. (a wholly-owned subsidiary of the Company) since 22nd September, 1994
"Mr. Ngai"	Mr. Ngai Kwok Kin, who was appointed as a director of Datareach with effect from 18th August, 2000 and is a nephew of Ms. Yvonne Han Yi Yeung (a Director, substantial shareholder of the Company and a spouse of Mr. Cheung)
"Mr. TH Chan"	Mr. Chan Tak Hung, chairman and executive director of Digital World Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Mr. WL 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 Group Limited) 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 Group Limited) on 26th July, 2001
"Ms. Chan"	Ms. Miranda Chan Chi Mei, an executive director of the Company
"Period"	the period from 1st January, 1999 to 30th November, 2002
"PRC"	the People's Republic of China which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
"Rainbow"	Rainbow International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"Riverhill"	Riverhill Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"SFC"	the Securities and Futures Commission of Hong Kong

"Second Promissory Note"	a promissory note in the principal amount of HK$35 million as part consideration for the acquisition of 55 per cent. interest in the share capital of and debts due by Couttias Profits Limited and to be issued within five business days of approval for the development of the Site pursuant to the terms of a sale and purchase agreement dated 24th November, 1998 (as amended by two supplemental agreements both dated 30th June, 1999)
"Shareholder(s)"	holder(s) of ordinary share(s) of HK$0.01 each in the capital of the Company
"Site"	a parcel of land in Guangzhou, PRC with a site area of approximately 3,041 square metres
"Skynet"	Skynet (International Group) Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation Report"	a valuation report on the principal business of the Inworld Group provided by Inworld Holdings in around July 2000
"Waived Advances"	HK$12,195,029 of the Advances that were released and discharged by Iwana pursuant to a swap and merge deed dated 20th September, 2001 entered into between Inworld Holdings, Inworld International Limited (a wholly owned subsidiary of IGL), Mr. Ngai, Joyview, Iwana and Jet Concord
"HK$"	Hong Kong dollars

By Order of the Board
STYLAND HOLDINGS LIMITED
Steven Li Wang Tai
Chairman

Hong Kong, 3rd June, 2003

Please also refer to the published version of this announcement in China Daily.